

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Catawba County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Catawba County, North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Catawba County, North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Catawba County ABC Board or Catawba Valley Medical Center which represents 100 percent of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Catawba County ABC Board or Catawba Valley Medical Center is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Catawba County ABC Board and Catawba Valley Medical Center were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Catawba County, North Carolina as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2010 on our consideration of Catawba County, North Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing in the results of our audit.

Management's Discussion and Analysis, employer contributions and the Schedule of Funding Progress, Schedule of Employer Contributions, and Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance and Other Post Employment Health Care Benefit are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Catawba County, North Carolina basic financial statements. The introductory section, combined and individual fund financial statements and schedules, other budgetary schedules, additional financial data, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules, other budgetary schedules, and additional financial data have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 4, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Catawba County, we offer readers of our financial statements this narrative overview and analysis of the financial activities of Catawba County for the fiscal year ended June 30, 2010. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

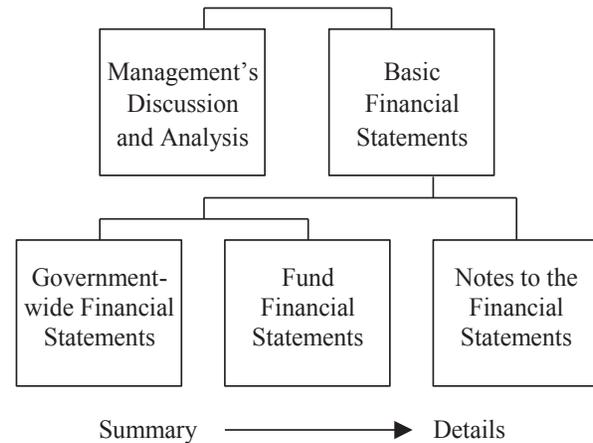
- ▶ The assets of Catawba County exceeded its liabilities at the close of the fiscal year by \$149,766,034 (*net assets*). Of this figure, approximately \$114 million represents the County's investment in capital assets, which is not available for future spending.
- ▶ The government's total net assets increased by \$9,107,383, primarily due to a decrease in long-term liabilities in governmental type activities.
- ▶ As of the close of the current fiscal year, Catawba County's governmental funds reported combined ending fund balances of \$98,995,784, a decrease of (\$7,153,126) in comparison with the prior year [See Exhibit 3]. Approximately 88 percent of this total amount, or \$86,736,760, is available for spending at the government's discretion (*unreserved fund balance*).
- ▶ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$39,583,672, or 24.4 percent of total general fund expenditures for the fiscal year.
- ▶ Catawba County's total debt decreased by (\$13,660,958) during the current fiscal year. Outstanding debt is \$117,002,354 and equates to \$736 per capita, at the end of the fiscal year.
- ▶ For the sixth consecutive year, Catawba County maintained its AA bond rating with Standard & Poor's and maintained its Aa2 bond rating with Moody's Investors Service for the 29th consecutive year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Catawba County's basic financial statements. The County's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements (see Figure A). The basic financial statements present two

different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Catawba County.

Figure A - Required Components of Annual Financial Report



GOVERNMENT-WIDE FINANCIAL STATEMENTS

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the County's financial status.

The government-wide financial statements are:

- ▶ **Statement of Net Assets** - presents information about the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.
- ▶ **Statement of Activities** - presents information showing how the County's net assets changed during the most recent fiscal year.

Both of the government-wide financial statements distinguish between services provided by the County that are primarily funded by property taxes and state and federal grants (*governmental activities*) and other services that the County charges user fees to recover all of the costs (*business-type activities*). The government activities include most of the County's basic services such as human services, education, public safety, parks, planning, and general

administration. The business-type activities include the solid waste and water and sewer services offered by Catawba County. The government-wide financial statements include not only the County itself (known as the *primary government*) but also two legally separate entities (known as *component units*). Catawba Valley Medical Center (CVMC) is a public healthcare facility that is an entity of Catawba County. The County appoints the board of trustees for CVMC and has issued debt on its behalf. Although legally separate from the County, the Alcoholic Beverage Control (ABC) Board is important to the County because the County exercises control over the ABC Board by appointing its members and because the ABC Board is required to distribute a percentage of its profits to the County.

The government-wide financial statements begin on page 14 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Catawba County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. There are three parts to the Fund Financial Statements: (1) governmental funds, (2) budgetary comparison statements, and (3) proprietary fund statements.

- ▶ **Governmental Funds** - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Catawba County adopts an annual budget for its General Fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board of Commissioners about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: (1) the original budget as adopted by the board; (2) the final budget as amended by the board; (3) the actual resources, changes to appropriations, and ending balances in the General Fund; and (4) the difference or variance between the final budget and the actual resources and charges.

The governmental funds financial statements can be found on pages 18-22 of the report.

- ▶ **Proprietary Funds** - Services for which the County charges customers a fee are generally reported in proprietary funds. Catawba County maintains one type of proprietary fund which includes two enterprise funds.

Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for both its solid-waste and water and sewer operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

The proprietary funds financial statements can be found on pages 23-27 of this report.

- ▶ **Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Catawba County has four fiduciary funds, all of which are agency funds.

The fiduciary funds financial statements can be found on page 28 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found beginning on page 29 of this report.

SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Catawba County's progress in funding its obligation to provide pension benefits to its employees.

Required supplementary information can be found beginning on page 62 of this report.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (Government-Wide Financial Analysis)

Net Assets - As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Catawba County exceeded liabilities by \$149,766,034, as of June 30, 2010. The County's net assets increased by \$9,107,383 for the fiscal year ended June 30, 2010. Key factors for the increase in net assets are reductions of long-term liabilities in governmental activities. Principal payments equaled \$13.7 million and no new debt was issued.

The largest portion of net assets (80.6%) reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Capital assets increased by \$4.7 million during the current year. Catawba County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Catawba County's investment in its capital assets is reported net of the outstanding related debt, the resources to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Another portion of Catawba County's net assets (.9%) represents resources that are subject to external restrictions on how they may be used (public safety and Register of Deeds).

The remaining balance (18.5%) of \$27.7 million is unrestricted, a decrease of \$.8 million from the prior year.

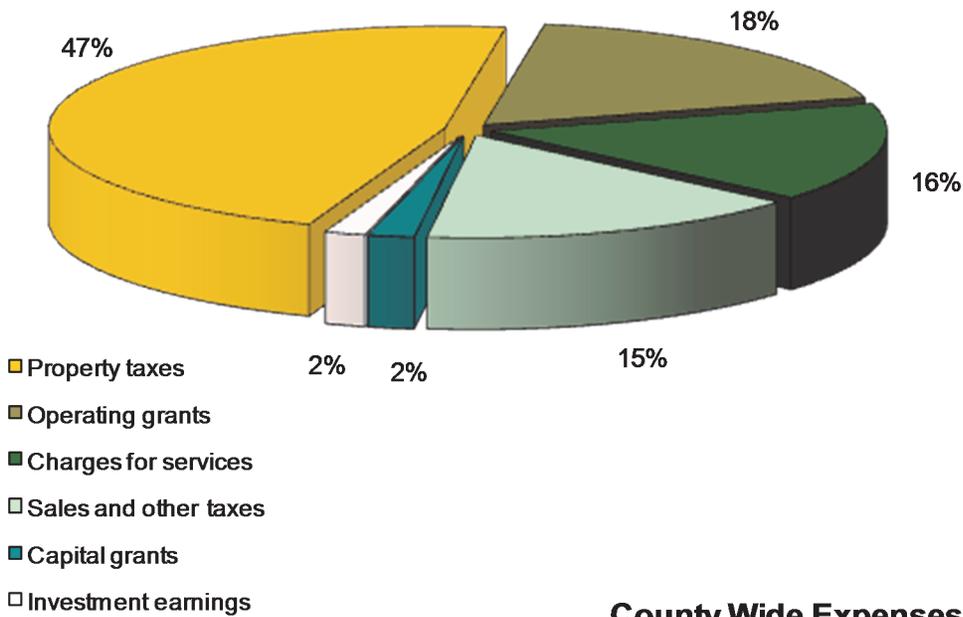
The following describes the operations of governmental and business-type activities separately and in greater detail.

Government-Wide Financial Analysis Catawba County's Net Assets

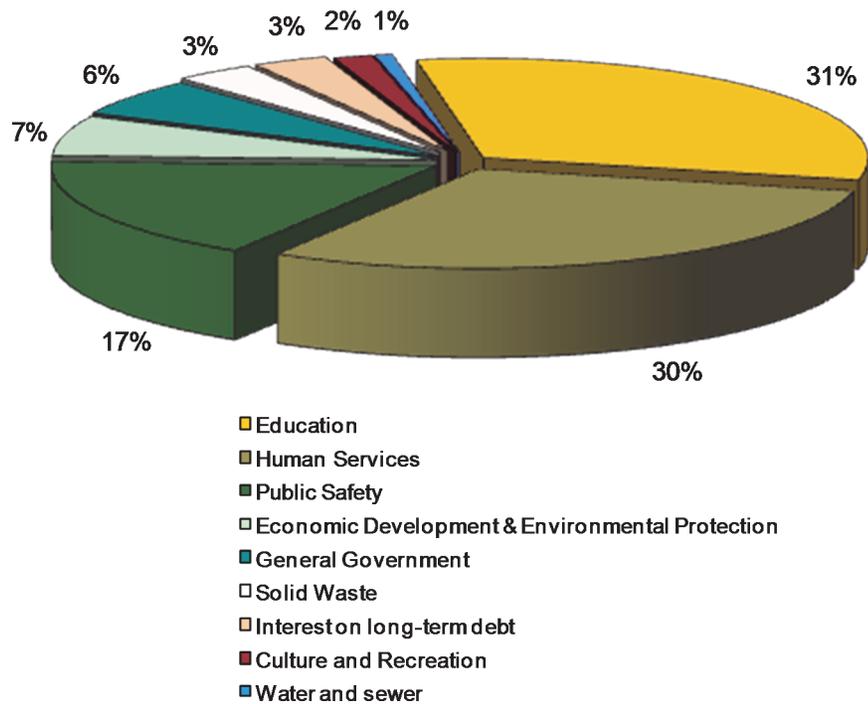
	Governmental Activities		Business-type Activities		Total		Total	
	2010	2009	2010	2009	2010	2009	Dollar Change	Percent Change
Current and other assets	\$ 115,393,314	\$ 122,882,165	\$ 45,815,782	\$ 44,906,450	\$ 161,209,096	\$ 167,788,615	\$ (6,579,519)	-3.92%
Capital assets	81,532,112	81,930,030	52,259,902	47,586,200	133,792,014	129,516,230	4,275,784	3.30%
Total assets	196,925,426	204,812,195	98,075,684	92,492,650	295,001,110	297,304,845	(2,303,735)	-0.77%
Long-term liabilities	118,177,775	130,690,853	14,776,093	14,042,153	132,953,868	144,733,006	(11,779,138)	-8.14%
Other liabilities	10,968,155	11,029,780	1,313,053	883,402	12,281,208	11,913,182	368,026	3.09%
Total liabilities	129,145,930	141,720,633	16,089,146	14,925,555	145,235,076	156,646,188	(11,411,112)	-7.28%
Net assets:								
Invested in capital assets, net of related debt	68,272,595	67,484,313	52,416,130	43,612,368	120,688,725	111,096,681	9,592,044	8.63%
Restricted	1,377,237	1,089,189	-	-	1,377,237	1,089,189	288,048	26.45%
Unrestricted	(1,870,336)	(5,481,946)	29,570,408	33,954,727	27,700,072	28,472,781	(772,709)	-2.71%
Total net assets	\$ 67,779,496	\$ 63,091,556	\$ 81,986,538	\$ 77,567,095	\$ 149,766,034	\$ 140,658,651	\$ 9,107,383	6.47%

The following graphs summarize the sources of the County's total revenues and total program expenses.

County Wide Sources of Revenues



County Wide Expenses



In order to provide a complete picture of the changes in net assets of the County, information is provided separately for the net assets of governmental and business-type activities. See table shown on the next page.

Catawba County Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$ 22,526,301	\$ 22,350,656	\$ 5,816,059	\$ 7,440,626	\$ 28,342,360	\$ 29,791,282
Operating grants and contributions	32,298,988	31,213,021	546,052	144,989	32,845,040	31,358,010
Capital grants and contributions	3,217,167	4,164,591	209,796	44,081	3,426,963	4,208,672
General revenues:						
Property taxes	84,763,108	84,738,225	-	-	84,763,108	84,738,225
Sales and other taxes	27,955,321	33,878,103	290,643	255,732	28,245,964	34,133,835
Investment earnings, unrestricted	2,115,680	4,023,446	927,964	1,700,401	3,043,644	5,723,847
Total revenues	<u>172,876,565</u>	<u>180,368,042</u>	<u>7,790,514</u>	<u>9,585,829</u>	<u>180,667,079</u>	<u>189,953,871</u>
Expenses						
General government	10,533,518	10,172,611	-	-	10,533,518	10,172,611
Public safety	29,076,572	28,263,640	-	-	29,076,572	28,263,640
Environmental protection	495,248	539,138	-	-	495,248	539,138
Economic and physical development	10,627,991	10,743,831	-	-	10,627,991	10,743,831
Human services	51,688,459	56,066,282	-	-	51,688,459	56,066,282
Cultural and recreation	2,830,504	2,830,192	-	-	2,830,504	2,830,192
Education	53,825,312	78,130,574	-	-	53,825,312	78,130,574
Interest on long-term debt	5,411,021	5,163,100	-	-	5,411,021	5,163,100
Solid waste management	-	-	5,800,628	5,570,927	5,800,628	5,570,927
Water and sewer	-	-	1,270,443	1,118,908	1,270,443	1,118,908
Total expenses	<u>164,488,625</u>	<u>191,909,368</u>	<u>7,071,071</u>	<u>6,689,835</u>	<u>171,559,696</u>	<u>198,599,203</u>
Increase (decrease) in net assets before transfers	8,387,940	(11,541,326)	719,443	2,895,994	9,107,383	(8,645,332)
Transfers	(3,700,000)	(43,853,720)	3,700,000	43,853,720	-	-
Increase (decrease) in net assets	4,687,940	(55,395,046)	4,419,443	46,749,714	9,107,383	(8,645,332)
Net assets - beginning of year	63,091,556	118,486,602	77,567,095	30,817,381	140,658,651	149,303,983
Net assets - end of year	<u>\$ 67,779,496</u>	<u>\$ 63,091,556</u>	<u>\$ 81,986,538</u>	<u>\$ 77,567,095</u>	<u>\$ 149,766,034</u>	<u>\$ 140,658,651</u>

Governmental Activities - Governmental activities increased the County's net assets by \$4,687,940. Key elements of this increase are as follows:

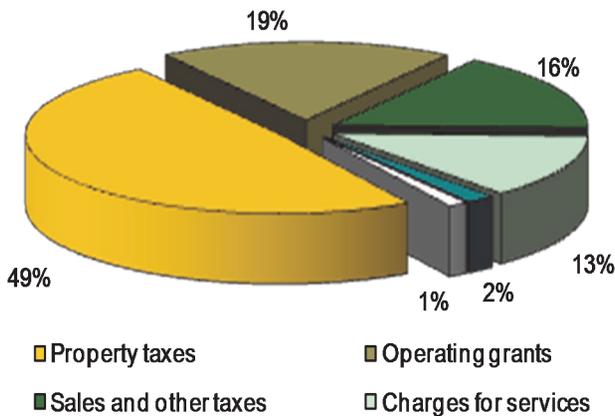
- ▶ A decrease in human services expenses as the State assumed the remainder of the Medicaid cost from the County.
- ▶ A decrease in education expenses as various school construction projects approached completion.
- ▶ Sales and other tax revenues decreased by \$5.9 million as the State assumed the County's Article 44 sales tax to help pay for Medicaid.

▶ Investment earnings decreased by \$1.9 million from the prior year due to the economic recession.

- ▶ Anticipating these shortfalls, County departments reduced their expenses by 2% of their budgets, decreased payments to outside agencies, and left several employee positions vacant.

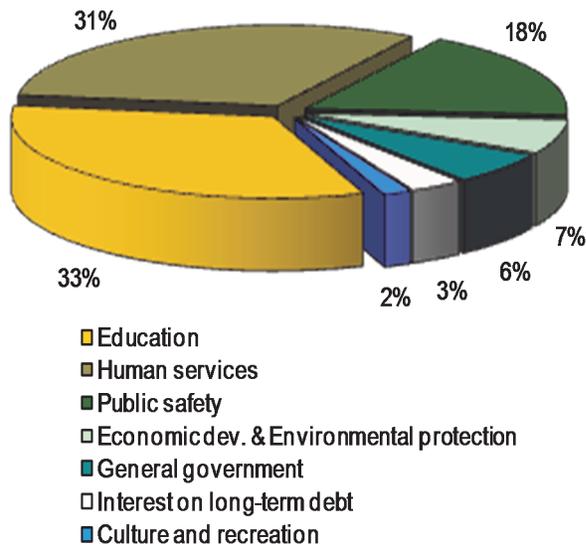
The graph on the next page represents the major sources of revenues for governmental activities.

Revenues by Source – Governmental Activities



The following graph presents the major functions of expenditures for governmental activities.

Expenditures by Function – Governmental Activities



Business-type Activities - Business-type activities increased Catawba County's net assets by \$4,419,443. Key elements of this increase are as follows:

- ▶ A transfer of 1-1/2 cents of the property tax rate and Article 46 Sales tax revenues from the General Fund for various water and sewer projects in the County.
- ▶ An increase in grant funds to support water and sewer activities.
- ▶ A decrease of \$1.4 million in capital outlay in the Solid Waste Management Fund.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, Catawba County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. Information is presented separately in the governmental funds balance sheets and statement of revenues, expenditures and changes in fund balance for the General Fund, the General Capital Fund, the School Capital Fund, and School Construction Fund, all of which are considered major funds. Data from other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules elsewhere in the report.

At June 30, 2010, the governmental funds of the County reported a combined fund balance of \$98,995,784, a 6.7 percent decrease from the previous year. The primary reason for this change in fund balance is a decrease in the School Capital Fund and the School Construction Fund as various school construction projects neared completion.

General Fund - The General Fund is the chief operating fund of Catawba County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$39,583,672, while total fund balance reached \$51,665,535. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 24.4% of total General Fund expenditures while total fund balance represents 31.8% of that same amount.

The overall fund balance increased by \$1,251,532 due to decreases in expenditures in the human services, education and capital outlay functions. Additional information is provided in the discussion on General Fund budgetary highlights on the next page.

Other Major Funds - The General Capital Fund is a major governmental fund. This fund accounts for the financing and construction of all general government multi-year capital projects. Its fund balance increased by \$2 million to \$18.7 million. The largest financing source came from the allocation of sales taxes of \$2.4

million from the General Fund to pay for a future Justice Center and Public Safety project. Expenditures were \$1.3 million, a decrease from \$1.7 million in the prior year.

The School Capital Fund is another major governmental fund. This fund accounts for the various multi-year capital projects for the three school systems and community college in the County. Its fund balance decreased by (\$2.5) million to \$11.1 million. The largest financing source came from the allocation of sales taxes of \$3.6 million as required by State Statute. Expenditures were \$3.9 million, a decrease from \$6.8 million in the prior year, a result of major projects nearing completion. Net transfers to and from other funds were (\$2,524,631).

Non-Major Funds - Fund balances for non-major funds decreased by (\$7.9) million to \$17.4 million overall. The major decrease is from the School Construction Fund of (\$9.5) million. This was mainly as a result of expenditures relating to construction and renovation projects for the three school systems and community college in the County.

Proprietary Funds - The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. The County has two enterprise funds, the Solid Waste Management and the Water and Sewer Fund. Total net assets of the Enterprise Funds at the end of the fiscal year amounted to \$82.0 million with \$35.8 million of this amount being unrestricted. The increase in net assets in these funds was \$4.4 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights - During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories:

- ▶ Amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available.
- ▶ Amendments made to recognize new funding amounts from external sources, such as Federal and State grants.
- ▶ Increases in appropriations that become necessary to maintain services.

Total amendments to the General Fund increased revenues by \$1,163,247 or .7%. This increase was due to anticipation of additional federal and state

grants available for County services.

Actual revenues were more than final budgeted amounts by \$366,060. The primary factor for this increase was the greater amount of property and sales tax collected and investment earnings in excess of budgeted amounts.

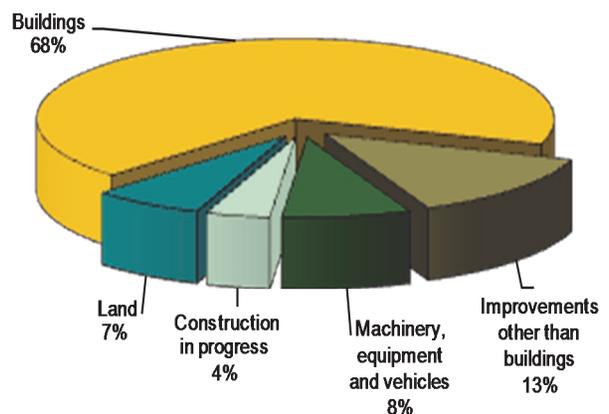
Net amendments to budgeted appropriations were \$596,204 or .3%. The majority of amendments were for human services, mainly for change in expectations for receipts of federal and state grants. Actual expenditures were less than final budgeted amounts by \$11,197,227. These cost savings resulted mainly from unspent appropriations of a) \$6 million in services and supplies in human services departments, b) \$1.2 million in services and supplies in public safety departments and c) \$2.9 million in salaries and benefits due to temporary vacancies in various departments. Also, due to an anticipated decline in economic conditions, each County department reduced its operating budget by 2%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Catawba County's investment in capital assets for its governmental and business-type activities as of June 30, 2010, totals \$133,792,014 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities and vehicles. Major capital asset transactions during the year include the following additions (there were no significant disposals):

- ▶ Increase in construction in progress of approximately \$4 million primarily for water lines and a wastewater facility.
- ▶ Increase in construction in progress of approximately \$1.3 million primarily for the expansion of Unit 3 of the County landfill.

Catawba County's Total Capital Assets (net of depreciation)



Catawba County's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 5,689,821	\$ 5,689,821	\$ 7,223,539	\$ 7,108,489	\$ 12,913,360	\$ 12,798,310
Buildings	55,096,588	39,380,808	631,155	646,646	55,727,743	40,027,454
Improvements other than buildings	10,935,105	10,999,639	21,588,463	12,049,442	32,523,568	23,049,081
Machinery, equipment and vehicles	6,571,861	6,214,576	1,806,814	2,346,793	8,378,675	8,561,369
Construction in progress	3,238,737	19,645,186	21,009,931	25,434,830	24,248,668	45,080,016
Total	81,532,112	81,930,030	52,259,902	47,586,200	133,792,014	129,516,230

Additional information on the County's capital assets can be found in note 4.A. of the Basic Financial Statements.

Additional information regarding Catawba County's long-term debt can be found in note 4.B of this report.

Long-term Debt - As of June 30, 2010, Catawba County had total bonded debt outstanding of \$17,310,000, all of which is debt backed by the full faith and credit of the County. In addition, the County had Installment Purchase debt of \$59,237,355, Certificates of Participation debt of \$39,855,000 and Qualified Zone Academy Bonds of \$600,000. Catawba County's total debt decreased by (\$13,660,957) during the past fiscal year.

FISCAL YEAR 2009-2010 ECONOMIC FACTORS

The following factors reflect the economic activity of the County.

As mentioned in the financial highlights section of this document, Catawba County maintained for the 29th consecutive year, its Aa2 bond rating from Moody's Investors Service and for the 6th consecutive year, its AA rating from Standard and Poor's. This stable bond rating is a clear indication of the sound financial condition of the County. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

- ▶ Low debt burden and property tax rate. The County's existing debt obligations are only 10.8% of its statutory limit. The property tax rate of \$0.535/\$100 was below the State average of \$0.6346/\$100 and the 31st lowest of all 100 counties in North Carolina.
- ▶ Creation of new jobs/investment. County economic development efforts have successfully assisted with new business developments, bringing more than 1,000 jobs and over \$1 billion in investment to Catawba County in fiscal year 2009-10.
- ▶ This included the largest economic development project in the County's history. In July 2009 Apple, Inc, a Fortune 100 company, picked Catawba County as their east coast site for a computer server farm. The project will create 50 new jobs initially and 250 related jobs upon its completion later this year.

North Carolina general statutes limit the amount of debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The County's total debt burden outstanding is \$117,002,354 compared to the legal debt margin of \$1,084,098,026.

Catawba County's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 17,310,000	\$ 23,765,000	\$ -	\$ -	\$ 17,310,000	\$ 23,765,000
Installment Purchases	52,705,166	56,831,959	6,532,188	6,771,353	59,237,354	63,603,312
Certificates of Participation	39,855,000	42,645,000	-	-	39,855,000	42,645,000
Qualified Zone Academy Bonds	600,000	650,000	-	-	600,000	650,000
Total	\$ 110,470,166	\$ 123,891,959	\$6,532,188	\$6,771,353	\$ 117,002,354	\$ 130,663,312

- ▶ The economic recession has impacted retail sales negatively this past year as evidenced by a 2.0% decrease in sales tax revenues.
- ▶ Catawba County voters approved a 1/4 cent local sales tax in 2008 that continues to accumulate to fund additional courtrooms, a new public safety center and various educational and economic development initiatives in the county in the coming year.
- ▶ The county's unemployment rate has declined from 15.6% in March 09, during the peak of the economic recession, to 12.3% in August 2010.

Sales tax revenues have declined in recent years, but there are signs of recovery in retail sales. The County is budgeting a conservative 1% increase in sales tax revenue. The budget proposes no new programs, no cost of living or performance pay increases for employees. In addition the County's operating expenses are reduced by 2%, for a total budget of \$202,234,759 for FY 2010-11.

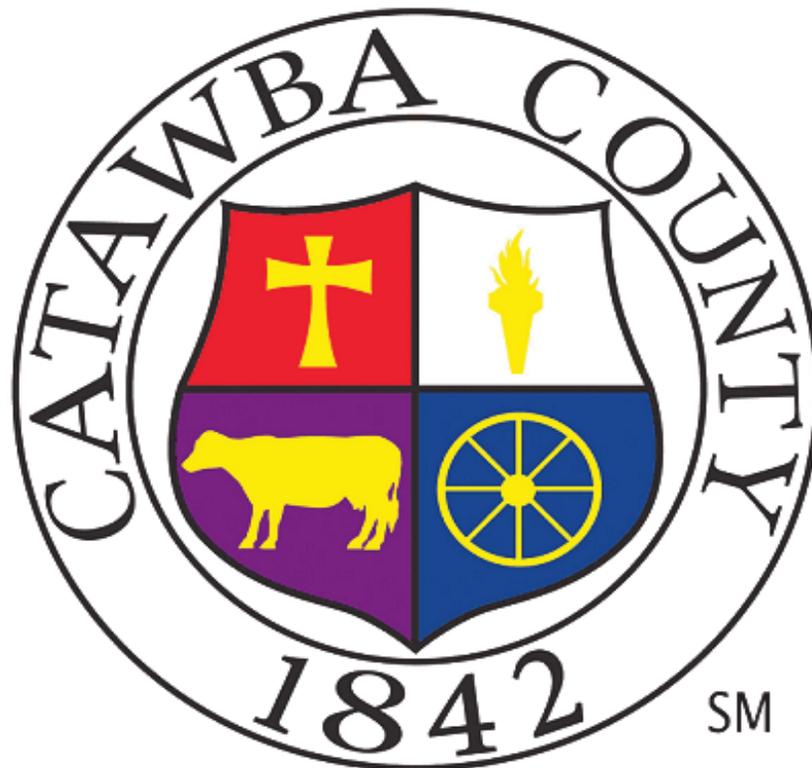
Business – type Activities - The \$10,850,046 budget includes \$6,109,221 for solid waste operations and \$4,740,825 for water and sewer operations and capital expenditures. The County continues to dedicate 1.5 cents of the property tax rate for water and sewer needs in the county.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2011

Governmental Activities - The property tax rate remains at the current \$0.535/\$100 assessed value. The budget projects property taxes to be essentially flat for fiscal year 2010-11. Real property, business personal property, and public utility values are expected to grow by approximately 1%; however, motor vehicle values are expected to decline by 4%.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Catawba County, PO Box 389, Newton, NC 28658. Online information may be found at the County's website <http://www.catawbacountync.gov>.





Basic Financial Statements

CATAWBA COUNTY, NORTH CAROLINA
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 89,568,126	\$ 43,934,239	\$ 133,502,365
Taxes receivable - net	3,840,864	-	3,840,864
Due from other governments	14,489,105	372,783	14,861,888
Notes receivable	-	446,261	446,261
Other receivables	2,825,276	347,260	3,172,536
Interest receivable	595,124	265,401	860,525
Inventories	351,335	-	351,335
Prepaid items	44,899	-	44,899
Deferred charges	470,033	-	470,033
Restricted cash and investments	1,875,478	449,838	2,325,316
Other assets	-	-	-
Capital assets:			
Land, improvements, and construction in progress	8,928,558	28,233,470	37,162,028
Other capital assets, net of depreciation	72,603,554	24,026,432	96,629,986
Total capital assets	<u>81,532,112</u>	<u>52,259,902</u>	<u>133,792,014</u>
Net investment in joint venture	1,333,074	-	1,333,074
Total assets	<u>196,925,426</u>	<u>98,075,684</u>	<u>295,001,110</u>
Liabilities			
Accounts payable and accrued liabilities	8,284,908	1,313,053	9,597,961
Unearned revenues	2,683,247	-	2,683,247
Long-term liabilities:			
Due within one year	15,260,153	521,585	15,781,738
Due in more than one year	102,917,622	14,254,508	117,172,130
Total long-term liabilities	<u>118,177,775</u>	<u>14,776,093</u>	<u>132,953,868</u>
Total liabilities	<u>129,145,930</u>	<u>16,089,146</u>	<u>145,235,076</u>
Net Assets			
Invested in capital assets, net of related debt	68,272,595	46,177,552	114,450,147
Restricted			
Public safety	1,333,074	-	1,333,074
Register of Deeds	44,163	-	44,163
Debt service	-	-	-
Capital projects	-	-	-
Other	-	-	-
Unrestricted	<u>(1,870,336)</u>	<u>35,808,986</u>	<u>33,938,650</u>
Total net assets	<u>\$ 67,779,496</u>	<u>\$ 81,986,538</u>	<u>\$ 149,766,034</u>

The accompanying notes are an integral part of the financial statements.

Component Units	
Catawba Valley Medical Center	Catawba County ABC Board
\$ 61,923,809	\$ 733,641
-	-
2,091,886	-
-	-
23,094,429	-
290,360	-
5,013,919	1,730,279
1,087,748	-
-	-
31,932,284	-
5,391,939	-
15,947,573	-
53,058,108	2,237,395
<u>69,005,681</u>	<u>2,237,395</u>
-	-
<u>199,832,055</u>	<u>4,701,315</u>
17,474,238	1,066,891
-	-
15,561,573	9,274
<u>37,391,602</u>	-
<u>52,953,175</u>	<u>9,274</u>
<u>70,427,413</u>	<u>1,076,165</u>
29,908,521	2,237,395
-	-
-	-
1,170,287	-
5,322,530	-
189,293	421,172
<u>92,814,011</u>	<u>966,583</u>
<u>\$ 129,404,642</u>	<u>\$ 3,625,150</u>

CATAWBA COUNTY, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 10,533,518	\$ 2,631,983	\$ 942,974	\$ 1,511,322
Public safety	29,076,572	8,188,847	675,836	-
Environmental protection	495,248	4,675	58,051	-
Economic and physical development	10,627,991	2,858,217	347,454	16,223
Human services	51,688,459	7,876,144	29,964,851	-
Culture and recreation	2,830,504	74,256	309,822	-
Education	53,825,312	892,179	-	1,689,622
Interest on long-term debt	5,411,021	-	-	-
Total expenses	<u>164,488,625</u>	<u>22,526,301</u>	<u>32,298,988</u>	<u>3,217,167</u>
Business-type activities				
Solid waste management	5,800,628	5,603,814	199,904	150,200
Water and sewer	1,270,443	212,245	346,148	59,596
Total expenses	<u>7,071,071</u>	<u>5,816,059</u>	<u>546,052</u>	<u>209,796</u>
Total primary government	<u>\$ 171,559,696</u>	<u>\$ 28,342,360</u>	<u>\$ 32,845,040</u>	<u>\$ 3,426,963</u>
Component units				
Catawba Valley Medical Center	\$ 179,966,143	\$ 188,626,658	\$ 753,598	\$ 41,957
Catawba County ABC Board	11,369,282	10,950,480	-	-
Total Component Units	<u>\$ 191,335,425</u>	<u>\$ 199,577,138</u>	<u>\$ 753,598</u>	<u>\$ 41,957</u>

General Revenues:

Taxes

Property taxes, levied for general purposes

Local option sales taxes

Other taxes and licenses

Investment earnings, unrestricted

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Catawba Valley Medical Center	Catawba County ABC Board
\$ (5,447,239)	\$ -	\$ (5,447,239)		
(20,211,889)	-	(20,211,889)		
(432,522)	-	(432,522)		
(7,406,097)	-	(7,406,097)		
(13,847,464)	-	(13,847,464)		
(2,446,426)	-	(2,446,426)		
(51,243,511)	-	(51,243,511)		
(5,411,021)	-	(5,411,021)		
<u>(106,446,169)</u>	<u>-</u>	<u>(106,446,169)</u>		
-	153,290	153,290		
-	(652,454)	(652,454)		
-	(499,164)	(499,164)		
<u>\$ (106,446,169)</u>	<u>\$ (499,164)</u>	<u>\$ (106,945,333)</u>		
			\$ 9,456,070	\$ -
			<u>-</u>	<u>(418,802)</u>
			<u>\$ 9,456,070</u>	<u>\$ (418,802)</u>
\$ 84,763,108	\$ -	\$ 84,763,108	\$ -	\$ -
26,692,186	-	26,692,186	-	-
1,263,135	290,643	1,553,778	-	-
2,115,680	927,964	3,043,644	1,533,711	8,344
(3,700,000)	3,700,000	-	-	-
<u>111,134,109</u>	<u>4,918,607</u>	<u>116,052,716</u>	<u>1,533,711</u>	<u>8,344</u>
4,687,940	4,419,443	9,107,383	10,989,781	(410,458)
<u>63,091,556</u>	<u>77,567,095</u>	<u>140,658,651</u>	<u>118,414,861</u>	<u>4,035,608</u>
<u>\$ 67,779,496</u>	<u>\$ 81,986,538</u>	<u>\$ 149,766,034</u>	<u>\$ 129,404,642</u>	<u>\$ 3,625,150</u>

CATAWBA COUNTY, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2010

	<u>Major Funds</u>			<u>Non Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>School Capital Projects Fund</u>	<u>Other Governmental Funds</u>	
Assets					
Cash and investments	\$ 47,280,016	\$ 18,097,617	\$ 10,468,603	\$ 13,721,890	\$ 89,568,126
Taxes receivable - net	3,667,554	-	-	173,310	3,840,864
Due from other governments	9,715,221	652,933	938,984	3,181,967	14,489,105
Other receivables	2,821,422	-	-	3,854	2,825,276
Interest receivable	333,908	105,507	60,923	94,786	595,124
Inventories	351,335	-	-	-	351,335
Prepaid items	44,899	-	-	-	44,899
Restricted cash and investments	-	43	-	1,875,435	1,875,478
Total assets	<u>64,214,355</u>	<u>18,856,100</u>	<u>11,468,510</u>	<u>19,051,242</u>	<u>113,590,207</u>
Liabilities					
Accounts payable and accrued liabilities	6,429,438	108,286	315,242	1,431,942	8,284,908
Deferred revenues	6,119,382	-	-	190,133	6,309,515
Total liabilities	<u>12,548,820</u>	<u>108,286</u>	<u>315,242</u>	<u>1,622,075</u>	<u>14,594,423</u>
Fund Balances					
Reserved for inventories	351,335	-	-	-	351,335
Reserved for prepaid items	44,899	-	-	-	44,899
Reserved for encumbrances	820,024	-	-	-	820,024
Reserved by state statute	10,821,442	-	-	177,161	10,998,603
Reserved for register of deeds	44,163	-	-	-	44,163
Unreserved	39,583,672	18,747,814	11,153,268	-	69,484,754
Unreserved, reported in nonmajor					
Special revenue funds	-	-	-	10,994,696	10,994,696
Capital projects funds	-	-	-	6,257,310	6,257,310
Total fund balances	<u>51,665,535</u>	<u>18,747,814</u>	<u>11,153,268</u>	<u>17,429,167</u>	<u>98,995,784</u>
Total liabilities and fund balances	<u>\$ 64,214,355</u>	<u>\$ 18,856,100</u>	<u>\$ 11,468,510</u>	<u>\$ 19,051,242</u>	<u>\$ 113,590,207</u>

The accompanying notes are an integral part of the financial statements.

CATAWBA COUNTY, NORTH CAROLINA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2010

Total <i>fund balances</i> for governmental funds (Exhibit 3)	\$ 98,995,784
Total net assets reported for governmental activities in the statement of net assets (Exhibit 1) is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	81,532,112
Net Investment in Joint Venture	1,333,074
Some of the County's taxes will be collected after year-end, but are not available soon enough to pay for the current period expenditures, therefore are reported as deferred revenue in the funds	3,626,268
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in fund statements	470,033
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 4)	<u>(118,177,775)</u>
Net assets of governmental activities (Exhibit 1)	<u>\$ 67,779,496</u>

CATAWBA COUNTY, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	<u>Major Funds</u>			<u>Non Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>School Capital Projects Fund</u>	<u>Other Governmental Funds</u>	
Revenues					
Ad valorem taxes	\$ 80,274,373	\$ -	\$ -	\$ 4,423,236	\$ 84,697,609
Other taxes	21,049,665	2,441,394	3,630,806	-	27,121,865
Unrestricted intergovernmental revenues	1,878,455	-	-	-	1,878,455
Restricted intergovernmental revenues	38,282,090	16,222	2,055	2,918,350	41,218,717
Licenses and permits	2,545,161	-	-	2,482	2,547,643
Sales and services	13,041,964	-	-	-	13,041,964
Investment earnings	1,005,537	354,507	200,759	368,508	1,929,311
Miscellaneous	3,005,599	629,858	65,000	16,455	3,716,912
Total revenues	<u>161,082,844</u>	<u>3,441,981</u>	<u>3,898,620</u>	<u>7,729,031</u>	<u>176,152,476</u>
Expenditures					
Current					
General government	11,191,370	-	-	409,779	11,601,149
Public safety	23,767,431	-	-	5,593,385	29,360,816
Environmental protection	469,014	-	-	-	469,014
Economic and physical development	10,548,766	-	-	70,988	10,619,754
Human services	50,878,670	-	-	800	50,879,470
Culture and recreation	2,758,668	-	-	-	2,758,668
Education	38,606,716	-	-	-	38,606,716
Capital outlay	-	1,354,206	3,917,311	11,301,285	16,572,802
Debt service					
Principal	13,421,793	-	-	-	13,421,793
Interest	5,315,420	-	-	-	5,315,420
Total expenditures	<u>156,957,848</u>	<u>1,354,206</u>	<u>3,917,311</u>	<u>17,376,237</u>	<u>179,605,602</u>
Excess of revenues over (under) expenditures	<u>4,124,996</u>	<u>2,087,775</u>	<u>(18,691)</u>	<u>(9,647,206)</u>	<u>(3,453,126)</u>
Other Financing Sources (Uses)					
Transfers from other funds	2,610,919	-	-	1,784,383	4,395,302
Transfers to other funds	(5,484,383)	-	(2,524,631)	(86,288)	(8,095,302)
Total other financing sources (uses)	<u>(2,873,464)</u>	<u>-</u>	<u>(2,524,631)</u>	<u>1,698,095</u>	<u>(3,700,000)</u>
Net change in fund balance	1,251,532	2,087,775	(2,543,322)	(7,949,111)	(7,153,126)
Fund Balances - Beginning of Year	<u>50,414,003</u>	<u>16,660,039</u>	<u>13,696,590</u>	<u>25,378,278</u>	<u>106,148,910</u>
Fund Balances - End of Year	<u>\$ 51,665,535</u>	<u>\$ 18,747,814</u>	<u>\$ 11,153,268</u>	<u>\$ 17,429,167</u>	<u>\$ 98,995,784</u>

The accompanying notes are an integral part of the financial statements.

CATAWBA COUNTY, NORTH CAROLINA
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010

Net change in *fund balances* - total governmental funds (Exhibit 4) \$ (7,153,126)

The change in net assets reported for governmental activities in the statement of activities (Exhibit 2) is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which net capital outlays exceeded depreciation in the current period. (397,918)

Governmental funds do not report the changes in the net investment in joint ventures. However in the Statement of Activities the current year increase (decrease) in this investment is recorded. 283,344

Revenues in the statement of activities that do not provide current financial resources are not recorded as revenues in the funds. (648,206)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 13,421,793

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (817,947)

Change in net assets of governmental activities (Exhibit 2) \$ 4,687,940

CATAWBA COUNTY, NORTH CAROLINA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over/Under</u>
Revenues				
Ad Valorem taxes	\$ 79,475,931	\$ 79,475,931	\$ 80,274,373	\$ 798,442
Other taxes	21,700,270	20,561,081	21,049,665	488,584
Unrestricted intergovernmental revenues	1,816,000	1,606,000	1,878,455	272,455
Restricted intergovernmental revenues	37,703,010	40,256,493	38,282,090	(1,974,403)
Licenses and permits	2,532,415	2,532,415	2,545,161	12,746
Sales and services	13,034,568	13,000,711	13,041,964	41,253
Investment earnings	807,788	707,788	1,005,537	297,749
Miscellaneous	2,483,555	2,576,365	3,005,599	429,234
Total revenues	<u>159,553,537</u>	<u>160,716,784</u>	<u>161,082,844</u>	<u>366,060</u>
Expenditures				
Current				
General government	11,712,279	11,532,657	11,191,370	341,287
Public safety	24,846,615	25,515,040	23,767,431	1,747,609
Environmental protection	584,320	596,529	469,014	127,515
Economic and physical development	11,101,281	11,069,945	10,548,766	521,179
Human services	56,382,579	57,245,400	50,878,670	6,366,730
Culture and recreation	2,954,050	2,987,442	2,758,668	228,774
Education	39,738,108	38,968,423	38,606,716	361,707
Debt service				
Principal	16,058,235	15,412,900	13,421,793	1,991,107
Interest	4,732,740	5,378,075	5,315,420	62,655
Total expenditures	<u>168,110,207</u>	<u>168,706,411</u>	<u>156,957,848</u>	<u>11,748,563</u>
Excess of revenues over (under) expenditures	<u>(8,556,670)</u>	<u>(7,989,627)</u>	<u>4,124,996</u>	<u>12,114,623</u>
Other Financing Sources (Uses)				
Transfers from other funds	2,610,919	2,610,919	2,610,919	-
Transfers to other funds	(5,521,770)	(5,484,383)	(5,484,383)	-
Installment purchase obligation issued	1,497,510	1,497,510	-	(1,497,510)
Fund balance appropriated	9,970,011	9,365,581	-	(9,365,581)
Total other financing sources (uses)	<u>8,556,670</u>	<u>7,989,627</u>	<u>(2,873,464)</u>	<u>(10,863,091)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,251,532	<u>\$ 1,251,532</u>
Fund Balances - Beginning of Year			<u>50,414,003</u>	
Fund Balances - End of Year			<u>\$ 51,665,535</u>	

The accompanying notes are an integral part of the financial statements.

CATAWBA COUNTY, NORTH CAROLINA
Statement of Net Assets
Proprietary Funds
June 30, 2010

Business-Type Activities - Enterprise Funds

	Solid Waste Management Fund	Water and Sewer Fund	Total
Assets			
Current assets			
Cash and investments	\$ 16,832,932	27,101,307	\$ 43,934,239
Due from other governments	163,844	208,939	372,783
Notes receivable	-	446,261	446,261
Accounts receivables (net of allowance)	335,877	8,916	344,793
Other receivables	103,574	164,294	267,868
Restricted cash and investments	-	449,838	449,838
Total current assets	<u>17,436,227</u>	<u>28,379,555</u>	<u>45,815,782</u>
Noncurrent assets			
Capital assets			
Land, non-depreciable improvements, and construction in progress	8,505,518	19,727,952	28,233,470
Other capital assets, net of depreciation	16,128,512	7,897,920	24,026,432
Total capital assets	<u>24,634,030</u>	<u>27,625,872</u>	<u>52,259,902</u>
Total assets	<u>42,070,257</u>	<u>56,005,427</u>	<u>98,075,684</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	911,406	401,647	1,313,053
Accrued landfill closure and postclosure care costs	200,294	-	200,294
Installment loan payable	-	249,291	249,291
Compensated absences payable	67,000	5,000	72,000
Total current liabilities	<u>1,178,700</u>	<u>655,938</u>	<u>1,834,638</u>
Noncurrent liabilities			
Accrued landfill closure and postclosure care costs	7,839,961	-	7,839,961
Installment loan payable	-	6,282,897	6,282,897
Compensated absences payable	36,128	7,797	43,925
Other post employment benefits obligation	85,999	1,726	87,725
Total noncurrent liabilities	<u>7,962,088</u>	<u>6,292,420</u>	<u>14,254,508</u>
Total liabilities	<u>9,140,788</u>	<u>6,948,358</u>	<u>16,089,146</u>
Net Assets			
Invested in capital assets, net of related debt	24,634,030	21,543,522	46,177,552
Unrestricted	8,295,439	27,513,547	35,808,986
Total net assets	<u>\$ 32,929,469</u>	<u>\$ 49,057,069</u>	<u>\$ 81,986,538</u>

The accompanying notes are an integral part of the financial statements

CATAWBA COUNTY, NORTH CAROLINA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

Business-Type Activities - Enterprise Funds

	Solid Waste Management Fund	Water and Sewer Fund	Total
Operating Revenues			
Charges for services	\$ 4,864,891	\$ 212,245	\$ 5,077,136
Methane recovery	671,221	-	671,221
Other operating revenues	64,702	-	64,702
Total operating revenues	<u>5,600,814</u>	<u>212,245</u>	<u>5,813,059</u>
Operating Expenses			
Administration	455,360	-	455,360
Recycling	39,649	-	39,649
Solid waste management improvements	257,060	-	257,060
Solid waste code enforcement	74,180	-	74,180
Sanitary landfill	2,268,726	-	2,268,726
Landfill closure and postclosure costs	949,217	-	949,217
Convenience centers	329,002	-	329,002
Household hazardous waste	86,320	-	86,320
Blackburn landfill methane recovery	625,964	-	625,964
Water and sewer	-	545,826	545,826
Composting expenses	-	287,148	287,148
Depreciation	715,150	156,229	871,379
Total operating expenses	<u>5,800,628</u>	<u>989,203</u>	<u>6,789,831</u>
Operating income (loss)	<u>(199,814)</u>	<u>(776,958)</u>	<u>(976,772)</u>
Nonoperating Revenues (Expenses)			
Investment earnings	339,798	588,166	927,964
Solid waste disposal taxes	290,643	-	290,643
North Carolina biofuels grant	135,000	-	135,000
Scrap tire grant	64,904	-	64,904
Community Development Block Grants	-	59,596	59,596
Municipal revenue sharing	-	346,148	346,148
Interest on long term debt	-	(281,240)	(281,240)
Miscellaneous	3,000	-	3,000
Total nonoperating revenues (expenses)	<u>833,345</u>	<u>712,670</u>	<u>1,546,015</u>
Income (loss) before contributions and transfers	<u>633,531</u>	<u>(64,288)</u>	<u>569,243</u>
Capital contributions	150,200	-	150,200
Transfer from General Fund	-	3,700,000	3,700,000
Increase (decrease) in Net Assets	783,731	3,635,712	4,419,443
Net Assets - Beginning of Year	<u>32,145,738</u>	<u>45,421,357</u>	<u>77,567,095</u>
Net Assets - End of Year	<u>\$ 32,929,469</u>	<u>\$ 49,057,069</u>	<u>\$ 81,986,538</u>

The accompanying notes are an integral part of the financial statements



CATAWBA COUNTY, NORTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

Business-Type Activities - Enterprise Funds

	Solid Waste Management Fund	Water and Sewer Fund	Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 5,547,701	562,382	\$ 6,110,083
Cash paid for goods and services	(2,137,235)	(949,895)	(3,087,130)
Cash paid to employees	(1,382,665)	(45,902)	(1,428,567)
Other operating revenues	67,702	-	67,702
Net cash provided (used) by operating activities	<u>2,095,503</u>	<u>(433,415)</u>	<u>1,662,088</u>
Cash Flows from Noncapital Financing Activities			
Tire disposal tax	171,301	-	171,301
Solid waste disposal tax	69,266	-	69,266
White goods disposal tax	50,076	-	50,076
North Carolina biofuels grant	135,000	-	135,000
Scrap tire grant	64,904	-	64,904
Municipal revenue sharing	-	346,148	346,148
Community development block grant	-	59,596	59,596
Transfer from general fund	-	3,700,000	3,700,000
Total cash provided by noncapital financing activities	<u>490,547</u>	<u>4,105,744</u>	<u>4,596,291</u>
Cash Flows from Capital and Related Financing Activities			
Principal paid on installment notes payable	-	(239,165)	(239,165)
Interest paid on installment notes payable	-	(281,240)	(281,240)
Acquisition and construction of capital assets	(1,237,378)	(4,157,502)	(5,394,880)
Net cash provided (used) by capital and related financing activities	<u>(1,237,378)</u>	<u>(4,677,907)</u>	<u>(5,915,285)</u>
Cash Flows from Investing Activities			
Investment earnings	318,497	561,159	879,656
Net increase (decrease) in cash and cash equivalents	1,667,169	(444,419)	1,222,750
Cash and cash equivalents - beginning of year	<u>15,165,763</u>	<u>27,995,564</u>	<u>43,161,327</u>
Cash and cash equivalents - end of year	<u>\$ 16,832,932</u>	<u>27,551,145</u>	<u>\$ 44,384,077</u>

CATAWBA COUNTY, NORTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

Business-Type Activities - Enterprise Funds

	<u>Solid Waste Management Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (199,814)	(776,958)	(976,772)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	715,150	156,229	871,379
Increase (decrease) in landfill closure and postclosure care costs	949,217	-	949,217
Changes in assets and liabilities			
(Increase) decrease in refundable sales tax	(29,151)	210,493	181,342
(Increase) decrease in other receivables	43,740	13,833	57,573
(Increase) decrease in notes receivables	-	125,811	125,811
Increase (decrease) in accounts payable and other liabilities	543,898	(165,488)	378,410
Increase (decrease) in compensated absences	(1,264)	-	(1,264)
Increase (decrease) in accrued salaries and other benefits	73,727	2,665	76,392
Total adjustments	<u>2,295,317</u>	<u>343,543</u>	<u>2,638,860</u>
Net cash provided by operating activities	<u>\$ 2,095,503</u>	<u>(433,415)</u>	<u>\$ 1,662,088</u>
Noncash investing, capital and financing activities:			
Contribution of capital assets	150,200	-	150,200
	<u>\$ 150,200</u>	<u>\$ -</u>	<u>\$ 150,200</u>

The accompanying notes are an integral part of the financial statements

CATAWBA COUNTY, NORTH CAROLINA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Agency Funds
Assets	
Cash and investments	<u>\$ 95,386</u>
 Liabilities	
Miscellaneous liabilities	<u>\$ 95,386</u>

The accompanying notes are an integral part of the financial statements