NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Catawba County (government) and its discretely presented component units conform to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the financial activities of the County and its component units, legally-separate entities for which the County is financially accountable. The Catawba County Industrial Facility and Pollution Control Financing Authority (the *Authority*) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. Catawba Valley Medical Center (the *Medical Center*) and the Catawba County ABC Board (the *Board*) have a June 30 year end and are presented as if they are separate proprietary funds of the County (discrete presentation).

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Catawba County Industrial Facility and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board that is appointed by the Board of County Commissioners. The County can remove any member of the Authority with or without cause.	None Issued.
Catawba Valley Medical Center	Discrete	The Medical Center is a public hospital that was organized in 1962 by resolution of the Board of Commissioners of Catawba County. The County appoints the board of trustees for the Medical Center. The County has also issued revenue bonds for improvement of the Medical Center facilities, which are paid from Medical Center revenues.	Catawba Valley Medical Center 810 Fairgrove Church Road S.E. Hickory, NC 28602
Catawba County ABC Board	Discrete	The members of the ABC Board are appointed by the County. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County.	Catawba County ABC Board 1910 Fairgrove Church Road Newton, NC 28658

B. Basis of Presentation

Government-wide Statements - The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities except for interfund services provided and used which are not eliminated in the consolidation process. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for services provided to them.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the County and for each function of the County's governmental activities. *Direct expenses* are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific function. *Indirect expense allocations* that have been made in the funds have been reversed for the statement of activities. *Program revenues* include 1) fees and charges by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

Fund Financial Statements - The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in separate columns. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result in exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary services.

The County reports the following major governmental funds:

General Fund - The *General Fund* is the primary operating fund of the County. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales taxes, Federal and State grants, and other various taxes and licenses. The primary expenditures are for education, human services, public safety, economic and physical development, environmental protection, cultural and recreational projects, and general government services.

General Capital Projects Fund - *The General Capital Projects Fund* accounts for the financing and construction of all major general capital projects.

School Capital Projects Fund - *The School Capital Projects Fund* accounts for the financing and construction of all major capital projects for the three school systems and community college in the County.

The County reports the following major proprietary funds, which are both enterprise funds:

Solid Waste Management Fund - The *Solid Waste Management Fund* accounts for the operation, maintenance and development of various landfills and disposal sites and other solid waste activities.

Water and Sewer Fund - The *Water and Sewer Fund* accounts for the operation, maintenance, and development of water and sewer lines and pump stations.

The County reports the following fiduciary fund types:

Agency Funds - *Agency funds* are custodial in nature (assets equal liabilities) and do not involve measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following Agency funds: Social Services Fund, which accounts for moneys deposited with the Social Services department for the benefit of certain individuals; the Sheriff Commissary Fund, which accounts for monies deposited with the Sheriff department for inmates; the Delinquent Motor Vehicle Fund, which accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; and the Deed of Trust Fee Fund, which accounts for the five dollars of each fee collected by

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina general statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the *economic resources measurement focus*, except for agency funds that have no measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recording when a liability is incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds, the Solid Waste Management Fund and the Water and Sewer Fund, are charges to customers for services. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. Expenditures are recorded when the related liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated balances, which are recognized to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change, Catawba County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as reve-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

nue. Intergovernmental revenues and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principals Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Budgetary Data

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General, Special Revenue (except Community Development Fund), and Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances that may span more than one year are adopted for the Capital Projects Funds. Grant ordinances that span more than one year are adopted for the Community Development Fund. These appropriations are carried over until the projects and grants are completed. All budgets were prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the fund and departmental level for all annually budgeted and multi-year funds. Transfers of appropriations between funds may be made only by the Board, with the exception of merit, reclassification funds, and special contingency which the County Manager has the authority to transfer. Transfers of appropriations between departments in a fund or from contingency shall be approved by the Board, but may be approved by the County Manager if he finds they are consistent with operational needs and any Board approved goals and do not exceed $50,000 for department transfers or $50,000 for transfers from contingency. Transfers from contingency approved by the Manager can exceed $50,000 if he determines an emergency exists. All such transfers approved by the Manager must be presented to the Board at its next regular meeting. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted.

E. Assets, Liabilities and Fund Equity

Deposits and Investments

All deposits of the County are made in board-designated official depositories and are secured as required by G.S. 159-31. The County may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the unit may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorized the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT), a SEC-registered money market mutual fund.

The County's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents
A cash and investment pool is maintained by the County to facilitate disbursement and investment and to maximize investment income. The pool is used by all funds except the Social Services and Sheriff Commissary agency funds. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Social Services and Sheriff Commissary agency funds are maintained in noninterest bearing demand deposit accounts as reflected on Schedule G-1.

Restricted Assets
The unexpended installment purchase proceeds are classified as restricted assets within the School Construction Fund and the Water and Sewer Fund because their use is completely restricted to the purpose for which the funds were borrowed.

The unexpended Certificates of Participation proceeds are classified as restricted assets within the General Capital Projects Fund because their use is completely restricted to the purpose for which the Certificates were issued.

Ad Valorem Taxes Receivable
In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2009.

Allowance for Doubtful Accounts
All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Inventories and Prepaid Items
Inventories of the County are valued at cost, which approximates market, using the first-in, first-out method. The inventory of the County's General Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets
Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

The County holds title to certain Catawba County Board of Education and Hickory Public Schools Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit financing of acquisition and construction costs. Agreements between the County and the Boards of Education give the Boards full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the properties back to the Boards of Education, once all restrictions of the financing agreements have been met. The properties are reflected as capital assets in the financial statements of the Catawba County Board of Education and the Hickory Public Schools Board of Education.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets of the County are depreciated on a straight-line method over the estimated useful lives:

Building and improvements	50 years
Furniture and office equipment	10 years
Maintenance and construction equipment	8 years
Medium and heavy motor trucks	6 years
Automobiles and light trucks	4 years
Computer equipment	5 years
Computer software	5 years

Long-Term Obligations
In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type of net assets.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as another financing source.

Compensated Absences
It is the policy of the County to permit employees to accumulate up to thirty (30) days earned but unused vacation leave, with such leave being fully vested when earned. The County's liability for accumulated earned vacation and salary-related payments as of June 30, 2010, is recorded in the government-wide financial statements. For the County's proprietary fund, an expense and 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 accumulation 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 employee nor the County has any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County.

Net Assets/Fund Balances
Net Assets
Net Assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Restricted Net Assets are classified as follows:

Public Safety - portion of net assets constituting investment in joint venture.

Register of Deeds - portion of net assets constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the register of deeds' office. The funds are legally restricted for computer and imaging technology in the register of deeds' office.

Fund Balances
In the governmental fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved
Reserved for inventories and prepaid items - portion of fund balance *not* available for appropriation because it represents the year-end balance of ending inventories and prepaid items, which are not expendable available resources.

Reserved for encumbrances - portion of fund balance available to pay for any commitments related to purchase orders and contracts that remained unperformed at year-end.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is *not* available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of the receivable balances that are not offset by deferred revenues.

Reserved for register of deeds - portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the register of deeds' office. The funds are available for appropriation but are legally restricted for computer and imaging technology in the register of deeds' office.

Unreserved
Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2010-2011 budget ordinance.

Designations of Catawba County represent tentative management plans that are subject to change. The unreserved fund balance had the following designations at June 30, 2010.

Designated for subsequent year's expenditures:		
General Fund	$	13,796,533
General Capital Projects Fund	$	39,513,889
School Capital Projects Fund	$	7,261,926
Nonmajor Special Revenue Funds	$	661,334
Nonmajor Capital Project Funds	$	33,231,374

Undesignated - portion of total balance available for appropriation that is uncommitted at year-end.

F. Management Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

a. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.
The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. The net adjustment of $(31,216,288) consists of several elements as follows:

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS POLICIES

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	$ 130,377,941
Less accumulated depreciation	(48,845,829)
Net capital assets	81,532,112
Equity in joint ventures recorded on government-wide statement of net assets but not on fund statements because it is not a current financial source of funds	1,333,074
Deferred charges related to advance refunding issued - included on government-wide statement of net assets but are not current financial resources	470,033
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	3,626,268
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
General obligation bonds	(17,310,000)
Certificates of participation	(39,855,000)
Installment purchase	(52,705,166)
Qualified zone academy bonds	(600,000)
Compensated absences	(3,930,768)
Net pension obligation	(613,475)
Net other post employment benefits	(3,163,366)
	(118,177,775)
Total adjustment	$ (31,216,288)

b. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.
The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets in governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of $11,841,066 as follows:

Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives	$ 2,697,538
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(3,095,456)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affects only the statement of net assets in the government-wide statements	
General obligation bonds	6,455,000

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS POLICIES (continued)

Certificates of participation	2,790,000
Installment purchases	4,126,793
Qualified zone academy bonds	50,000
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Amortization of refunding costs not recorded on fund statements	(95,600)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(68,053)
Net (increase) decrease in pension obligation	(65,434)
Net (increase) decrease in other post employment benefits	(775,225)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Increase in value of joint venture	283,344
Increase(decrease) in receivables and deferred revenue for year ended 6/30/2010	(648,205)
Amortization of premium on debt issuance	186,365
Total adjustment	$ 11,841,066

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations
The expenditures in the self-insurance fund exceeded revenue by $964,443 as a result of excess health insurance claims. The County has modified its health insurance program to control these costs. The expenditures for the mental health function of the General Fund were $1,590,254, which exceeded appropriation of $1,576,402. This $13,852 difference is the result of more funding from the ABC Board being received and distributed on behalf of Mental Health than had been anticipated in the budget.

NOTE 4. DETAIL NOTES ON ALL FUNDS

A. Assets
Deposits and Investments
Deposits
All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agent in the name of the County. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity, these deposits are considered held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County has no formal policy regarding custodial credit risk for deposits.

At June 30, 2010, the County's deposits had a carrying amount of ($2,638) and a bank balance of $315,339. Of the bank balance, $315,339 was covered by federal depository insurance.

At June 30, 2010, Catawba County had $8,856 cash on hand.

Investments

As of June 30, 2010 the County had the following investments and maturities.

Investment Type	Fair Value	Less than 6 months	6-12 months	1-5 years
Certificates of deposit	$ 19,255,133	$ 12,000,000	$ 7,255,133	$ -
U.S. Government-sponsored enterprises *	78,962,618	2,511,547	4,807,473	71,643,598
Commercial Paper	1,997,911	-	-	-
Money market-unrestricted	4,924,839	-	-	-
Money market-restricted	2,325,194	-	-	-
NC Capital Trust Management Trust Cash Portfolio-unrestricted	28,451,031	N/A	N/A	N/A
NC Capital Trust Management Trust Cash Portfolio-restricted	123	N/A	N/A	N/A
Total:	$ 135,916,849	$ 14,511,547	$ 12,062,606	$ 71,643,598

*$41.5 million of these securities have call options. It is the intention of the County to hold these to final maturity and this time frame is reflected in the table.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy is to stagger portfolio maturities to avoid undue concentration of assets in a specific maturity sector. A portion of the portfolio is continuously invested in maturities of less than 12 months.

The investment policy limits all securities to a final maturity of not more than five years. The County does not have a board approved policy on interest rate risk; however, it follows the restrictions of an internal investment policy that has been reviewed by the Board of Commissioners.

Credit Risk

The County's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2010. The County's investment in U.S. government-sponsored enterprises includes Federal Home Loan Bank, Federal Home Loan Mortgage Corporation (FreddieMac), Federal National Mortgage Association (FannieMae), and are rated AAA by Standard & Poors and Aaa by Moody's Investors Service. The County's investment in money market funds carried a credit rating of A-1 P-1 by Standard & Poor's and Moody's Investors Service as of June 30, 2010. The County does not have a board approved policy on credit risk; however, it follows the restrictions of an internal investment policy that has been reviewed by the Board of Commissioners.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Proceeds from the issuance of certificates of participation and other installment financing are held in escrow in bank trust departments . These escrow agents purchase and hold

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

the securities in the County's name. The County does not have a board approved policy on custodial credit risk; however, it follows the restrictions of an internal investment policy that has been reviewed by the Board of Commissioners.

Concentration of Credit Risk

The County places no limit on the amount that the County may invest in any one issuer. More than 68% of the County's investments are in United States government-sponsored enterprises. Investments in Federal Home Loan Bank are 30%, Federal Home Loan Mortgage Corporation are 12%, and Federal National Mortgage Agency are 26% of the County's total investments. The County does not have a board approved policy on concentration of credit risk; however, it follows the restrictions of an internal investment policy that has been reviewed by the Board of Commissioners.

Property Tax – Use – Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2007	920,875	260,147	1,181,022
2008	1,033,217	198,894	1,232,111
2009	1,085,219	111,235	1,196,454
2010	1,153,886	-	1,153,886
Total	$ 4,193,197	$ 570,276	$ 4,763,473

Receivables

Receivables at the government-wide level at June 30, 2010 were as follows:

	Governmental activities				
	General	General Capital Projects Fund	School Capital Projects Fund	Non-major Funds	Total Governmental Activities
Receivables					
Accounts	$ 2,633,102	$ -	$ -	$ -	$ 2,633,102
Taxes	7,629,352	-	-	351,010	7,980,362
Due from other governments	9,715,221	652,933	938,984	3,181,967	14,489,105
Other	896,866	105,507	60,923	98,640	1,161,936
Gross Receivables	20,874,541	758,440	999,907	3,631,617	26,264,505
Allowance for uncollectibles	(4,336,436)	-	-	(177,700)	(4,514,136)
Net total receivables	$ 16,538,105	$ 758,440	$ 999,907	$ 3,453,917	$ 21,750,369

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

	Business-type activities		
	Solid Waste Management Fund	Water and Sewer Fund	Total Business-type Activities
Receivables			
Accounts	$ 335,877	$ 1,297,776	$ 1,633,653
Taxes	-	-	-
Notes	-	446,261	446,261
Due from other governments	163,844	208,939	372,783
Other	103,574	164,294	267,868
Gross Receivables	603,295	2,117,270	2,720,565
Allowance for uncollectibles	-	(1,288,860)	(1,288,860)
Net total receivables	$ 603,295	$ 828,410	$ 1,431,705
Amounts not scheduled for collection during the subsequent year	$ -	$ 329,745	$ 329,745

The due from other governments that is owed to the County consists of the following:

	Governmental Activities	Business-type Activities
Local option sales tax	$ 6,126,741	$ -
White goods disposal tax	-	14,943
Scrap tire tax	-	44,569
Solid waste disposal tax	-	15,308
Lottery funds	6,396,451	-
Various federal and state grants	1,371,128	71,654
Refundable sales tax	594,785	226,309
	$ 14,489,105	$ 372,783

Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	$ 5,689,821	$ 25,981	$ (25,981)	$ 5,689,821
Construction in progress	19,645,186	852,588	(17,259,037)	3,238,737
Total capital assets, not being depreciated	25,335,007	878,569	(17,285,018)	8,928,558
Capital assets, being depreciated				
Buildings	71,434,659	17,145,663	-	88,580,322
Other improvements	14,028,675	214,123	(13,177)	14,229,621

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

Equipment and vehicles	17,680,258	1,832,061	(872,879)	18,639,440
Total capital assets, being depreciated	103,143,592	19,191,847	(886,056)	121,449,383
Less accumulated depreciation for				
Buildings	(32,053,851)	(1,429,883)	-	(33,483,734)
Other improvements	(3,029,036)	(277,317)	11,837	(3,294,516)
Equipment and vehicles	(11,465,682)	(1,388,256)	786,359	(12,067,579)
Total accumulated depreciation	(46,548,569)	(3,095,456)	798,196	(48,845,829)
Total capital assets, being depreciated, net	56,595,023	16,096,391	(87,860)	72,603,554
Governmental activities capital assets, net	$ 81,930,030	$ 16,974,960	$ (17,372,878)	$ 81,532,112

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	$ 154,393
Public safety	1,285,189
Environmental protection	26,234
Economic & physical development	324,057
Human services	1,233,747
Culture and recreation	71,836
Total depreciation expense	$ 3,095,456

Business-type activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Solid Waste Management				
Capital assets, not being depreciated				
Land	$ 6,573,282	$ 7,375	$ -	$ 6,580,657
Construction in progress	7,627,733	1,356,284	(7,059,156)	1,924,861
Total capital assets, not being depreciated	14,201,015	1,363,659	(7,059,156)	8,505,518
Capital assets, being depreciated				
Buildings	765,861	-	-	765,861
Other improvements	16,903,977	7,080,435	-	23,984,412
Equipment and vehicles	8,846,428	2,641	-	8,849,069
Total capital assets, being depreciated	26,516,266	7,083,076	-	33,599,342
Less accumulated depreciation for				
Buildings	(119,215)	(15,491)	-	(134,706)
Other improvements	(10,136,830)	(157,039)	-	(10,293,869)
Equipment and vehicles	(6,499,635)	(542,620)	-	(7,042,255)
Total accumulated depreciation	(16,755,680)	(715,150)	-	(17,470,830)
Total capital assets, being depreciated, net	9,760,586	6,367,926	-	16,128,512
Business-type activities capital assets, net	$ 23,961,601	$ 7,731,585	$ (7,059,156)	$ 24,634,030

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

Business-type activities	Beginning Balance	Increases	Decreases	Ending Balance
Water & Sewer				
Capital assets, not being depreciated				
Land	$ 535,207	$ 108,075	$ (400)	$ 642,882
Construction in progress	17,807,097	4,011,724	(2,733,751)	19,085,070
Total capital assets, not being depreciated	18,342,304	4,119,799	(2,734,151)	19,727,952
Capital assets, being depreciated				
Buildings	-	-	-	-
Other improvements	6,495,017	2,771,854	-	9,266,871
Equipment and vehicles	-	-	-	-
Total capital assets, being depreciated	6,495,017	2,771,854	-	9,266,871
Less accumulated depreciation for				
Buildings	-	-	-	-
Other improvements	(1,212,722)	(156,229)	-	(1,368,951)
Equipment and vehicles	-	-	-	-
Total accumulated depreciation	(1,212,722)	(156,229)	-	(1,368,951)
Total capital assets, being depreciated, net	5,282,295	2,615,625	-	7,897,920
Business-type activities capital assets, net	$ 23,624,599	$ 6,735,424	$ (2,734,151)	$ 27,625,872

Construction Commitments

The County has active construction and other capital projects as of June 30, 2010. The government's commitments with contractors and vendors is composed of numerous projects within the following funds:

	Project Authorization	Expended to June 30, 2010	Committed	Future Financing
Governmental activities				
General Capital Projects	$ 66,524,088	$ 28,266,576	38,257,512	None
Schools Capital Projects	19,033,186	12,696,630	6,336,556	None
School Construction	91,771,445	58,533,446	33,237,999	None
Total governmental activities	$ 177,328,719	$ 99,496,652	$ 77,832,067	

	Project Authorization	Expended to June 30, 2010	Committed	Required Future Financing
Business-type activities				
Water and Sewer Fund	$ 43,922,731	$ 14,743,210	$ 29,179,521	None

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

Invested in capital assets, net of related debt for June 30, 2010 was calculated as follows:

	Governmental activities	Business-type activities
Capital assets	$ 81,532,112	$ 52,259,902
Total Debt, gross	(110,470,167)	(6,532,188)
Add: Debt not related to Capital assets		
School debt for which County does not hold title	97,210,650	-
Unexpended proceeds	-	449,838
Total related debt	(13,259,517)	(6,082,350)
Invested in Capital Assets, net of related debt	$ 68,272,595	$ 46,177,552

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2010 were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental Activities				
General	$ 2,900,820	$ 2,330,387	$ 1,198,231	$ 6,429,438
General Capital Projects	108,286	-	-	108,286
School Capital Projects	315,242	-	-	315,242
Non-major Funds	1,384,675	46,585	682	1,431,942
Total governmental activities	$ 4,709,023	$ 2,376,972	$ 1,198,913	$ 8,284,908
Business-type Activities				
Solid Waste Management	$ 754,884	$ 151,260	$ 5,262	$ 911,406
Water and Sewer	378,987	3,543	19,117	401,647
Total business-type activities	$ 1,133,871	$ 154,803	$ 24,379	$ 1,313,053

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. All permanent full-time employees of Catawba County participate in the statewide Local Government Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Covered employees are required by state statute to contribute six percent of their annual covered salary to LGERS. The County is required by the same statute to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers are 4.88% and 4.86%, respectively, of annual covered payroll. The contribution requirements of members and of Catawba County are established and may be amended by the North Carolina General Assembly. The County's contribution to LGERS for the years ended June 30, 2010, 2009, and 2008 were $2,218,768, 2,211,738 and $2,229,221, respectively. The contributions made by the County equaled the required contributions for each year.

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

Law Enforcement Officers Special Separation Allowance

Plan Description. Catawba County administers public employee retirement systems (the Separation Allowance), single-employer, defined benefit pension plans that provide retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the office for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	10
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	134
	144

A separate report was not issued for the County's plan.

Summary of Significant Accounting Policies:

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures for the County are made from the General Fund, which is maintained on the modified accrual basis of accounting. Administration expenses are recognized as incurred.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and have, at the present, chosen to fund the benefit payments on a pay as you go basis. For the County, these benefits are funded through appropriations made in the General Fund operating budget. These benefit payments for the County are considered immaterial amounts. The County's obligation to contribute to the plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees to the County's plan.

The annual required contribution for the current year for the County was determined as part of the December 31, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 4.5% to 12.3% per year. The inflation component was 3.75%. The assumptions do not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2008 was 22 years.

Annual Pension Cost and Net Pension Obligation. The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	$ 141,973
Interest on net pension obligation	39,733
Adjustment to annual required contribution	(34,523)
Annual pension cost	$ 147,183
Contributions made	81,749
Increase (decrease) in net pension obligation	$ 65,434
Net pension obligation beginning of year	548,041
Net pension obligation end of year	$ 613,475

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	115,452	83.70	528,099
6/30/2009	129,251	84.57	548,041
6/30/2010	147,183	55.54	613,475

Funded Status and Funding Progress
As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was $1,482,425. The covered payroll (annual payroll of active employees covered by the plan) was $5,311,352, and the ratio of the UAAL to the covered payroll was 27.91%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan for Law Enforcement Officers
Plan Description. All law enforcement officers employed by the County participate in the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. Participation begins at the date of employment, and benefits are provided to all law enforcement officers employed by the County. G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Total contributions for the County for the year ended June 30, 2010 were $370,475 which consisted of $265,991 from the County and $104,484 from the law enforcement officers.

Register of Deeds' Supplemental Pension Fund
Plan Description. Catawba County also contributes to the Register of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Register of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Register of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

of G.S. 151. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the year ended June 30, 2010, the County's required and actual contributions were $11,975.

Other Postemployment Benefits (OPEB) – Catawba County
Healthcare Benefits

Plan Description. According to County resolution, the County administers a single-employer defined benefit health care plan. This plan provides health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and have at least thirty years of creditable service with the County. The County will pay the individual premium for these individuals. Employees who retire with at least 15 years of service but less than 30 years can purchase coverage at the County's group rates. Also, retirees can purchase coverage for their dependents at the County's group rates. Eligibility for coverage ceases when the retiree and/or dependents receive Medicare.

Membership consisted of the following at December 31, 2007, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	42	13
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	1023	114
Total	1065	127

A separate report was not issued for the County's plan.

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under the County resolution that can be amended by the Board of Commissioners. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis

.

The current ARC rate is 2.21% of annual covered payroll. For the current year, the County contributed $213,496 or .5% of annual covered payroll. The County has a limited self-insurance plan covering health care coverage, and has a stop loss policy with private insurers.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

Annual required contribution	$ 1,013,872
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	1,013,872

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

Contributions made	(213,496)
Increase (decrease) in net OPEB obligation	800,376
Net OPEB obligation, beginning of year	2,450,715
Net OPEB obligation, end of year	$3,251,091

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	$1,882,841	11.16%	$1,672,800
2009	$1,013,872	23.27%	$2,450,715
2010	$1,013,872	21.06%	$3,251,091

Funded Status and Funding Progress. As of December 31, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was $9,826,953. The covered payroll (annual payroll of active employees covered by the plan) was $45,934,924, and the ratio of the UAAL to the covered payroll was 21.4 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value asses, consistent with the long-term perspective of the calculations.

In the December 31, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investment calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 11.00 to 5.00 percent annually. Both rates included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 9 year period. The UAAL is being amortized as a level percentage of projected payroll on an payroll on an open basis. The remaining amortization period at December 31, 2007, was 30 years.

Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System, a multiple-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in LGERS, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership services in LGERS at the time of death are eligible for death benefits. Lump sum death benefits

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of $25,000 and will not exceed $50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2010, the County made contributions to the State for death benefits of $40,226. The County's required contribution for employees not engaged in law enforcement and for law enforcement officers represent .08% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. The County considers these contributions to be immaterial.

Closure and Postclosure Care Costs – Blackburn Landfill Facility
State and Federal laws and regulations require the County to place a final cover on its current operating cell at Blackburn Landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County also has a closed cell at the Blackburn Landfill facility for which the entire amount of the closure and postclosure costs has been recognized as the cell capacity was used. Although closure and postclosure care costs will be paid only or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $8,040,255 reported as landfill closure and postclosure care liability as of June 30, 2010 represents a cumulative amount reported to date based on the use of 60% of the total estimated capacity of the material solid waste operating cell and 51% of the total estimated capacity of the construction and demolition operating cell of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of $8,645,913 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2010. The County expects to close the current material solid waste operating cell at the Blackburn facility in 2019 and the construction and demolition operating cell in 2019. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has met the requirements of a local government financial test that is one option under State and Federal laws and regulations that helps determine if a unit is financially able to meet closure and postclosure care requirements.

Deferred/Unearned Revenues
The balance in deferred revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	Deferred Revenue		Unearned Revenue
Governmental Activities	**General Fund**	**Special Revenue**	
Taxes receivable (net)	$ 3,667,554	$ 173,310	$ -
Ambulance receivable (net)	874,155	-	-
Business license receivable (net)	6,485	-	-
Human resource receivable (net)	1,168,469	-	-
Prepaid taxes not yet earned	274,748	-	274,748
Prepaid licenses and other	15,102	-	15,102
Unamortized debt premium	-	-	2,263,705
Other unearned revenues	112,869	16,823	129,692
	$ 6,119,382	$ 190,133	$ 2,683,247

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

Risk Management

The County is exposed to various risks of losses related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The property of Catawba County Government is insured on a blanket basis with replacement cost coverage on buildings and contents, and actual cash value on equipment. The County self-insures its liability risk up to a deductible of $100,000 each occurrence, and purchases excess liability insurance with limits of $7 million for any one occurrence for bodily injury, property damage, and personal injury, including law enforcement, public officials, and employment practices liability. The County also self-insures its workers compensation risks up to $350,000 each accident, and purchases excess workers compensation insurance to statutory limits. The insurance program includes physical damage coverage for owned autos at actual cash value, and fidelity insurance with limits of $250,000 per occurrence. At the inception of the program, all of the property, liability, and workers compensation insurers utilized by the County have an A.M. Best's Company rating/financial size category of "A-/VII" or better with stable outlooks.
The County health plan is self insured with claims paid through a third party administrator. The plan has specific stop loss coverage for individual losses in excess of $100,000 and aggregate plan losses in excess of 120% of expected net paid claims.

The County carries flood insurance as a part of its property insurance through Argonaut Insurance Group with limits of $1 million for any one occurrence. For all locations outside flood zone "A" (100 year flood plain), as designated by the Federal Emergency Management Association, a deductible of $50,000 applies to flood damages. Locations within flood zone "A" are subject to a deductible equal to the maximum limit of flood coverage available through the National Flood Insurance Program. The County periodically reviews updated flood maps to identify any owned locations within designated flood zones.

In accordance with G.S. 159-29, The County's employees that have access to $100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The director of finance and tax collector are each individually bonded for $100,000 each. The remaining employees that have access to funds are bonded under a blanket bond for $250,000.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR's). Liabilities for claims are reported in the County's General Fund.

Changes in the balances of claims liabilities during the past three fiscal year are as follows:

	2010	2009	2008
Unpaid claims, beginning	$ 667,389	$ 887,351	$ 730,282
Incurred claims	6,679,769	5,651,413	4,707,625
Claim payments	6,911,143	5,871,375	4,550,556
Unpaid claims, ending	$ 436,015	$ 667,389	$ 887,351

Contingent Liabilities

At June 30, 2010, the County was a defendant to various lawsuits. In the opinion of management and the County attorney, the ultimate effect of these legal matters will not have a material effect on the County's financial position.

Long-Term Obligations

Operating Leases

Catawba County is committed under various operating leases for building space and equipment. These operating leases can be canceled with proper notice. For the year ended June 30, 2010, total lease expenditures reached $284,569.

The following is a schedule of the future minimum lease payments under these leases:

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

Year Ending	Amount
2011	$ 283,182
2012	268,062
2013	265,991
2014	262,019
	$ 1,079,254

Governmental Activities
Installment Purchases

1. As authorized by State law (G.S. 160A-20 and 153A-158.1), the County entered into an installment financing agreement for the purpose of providing funds up to $9,900,000 to pay a portion of the cost of constructing and equipping a public middle school for Hickory City Schools. The installment purchase was executed on September 15, 2003 pursuant to a deed of trust that requires legal title remain with the County as long as the debt is outstanding. The County entered into a lease with the Board of Education of the Hickory Administrative School Unit ("Board of Education") that transfers the rights and responsibilities for the maintenance and insurance of the property to the Board of Education. The lease calls for nominal annual lease payments. The lease term is the same as that of the installment purchase obligation. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Board of Education.

The transaction requires fifteen principal payments by the County of $660,000 and thirty semi-annual interest payments at an interest rate of 3.54%. For Catawba County, the future minimum payments as of June 30, 2010, including $947,746 of interest are:

	Governmental Activities	
	Principal	Interest
2011	660,000	198,690
2012	660,000	175,774
2013	660,000	151,962
2014	660,000	128,598
2015	660,000	105,234
2016-2019	2,640,000	187,488
Total principal payments	$ 5,940,000	
Total interest payments		$ 947,746

2. As authorized by State law (G.S. 160A-20 and 153A-158.1), the County entered into an installment financing agreement in April, 2006 for the purpose of providing funds up to $9,200,000 to pay a portion of the cost of constructing and equipping a public elementary school for Catawba County Schools. The installment purchase was issued pursuant to a deed of trust that requires legal title remain with the County as long as the debt is outstanding. The County entered into a lease with the Board of Education of Catawba County Schools ("Board of Education") that transfers the rights and responsibilities for the maintenance and insurance of the property to the Board of Education. The lease calls for nominal annual lease payments with the lease term the same as that of the installment purchase agreement. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Board of Education.

The transaction requires thirty semi-annual principal payments by the County of $306,667 and thirty semi-annual interest payments at an interest rate of 4.19%. For Catawba County, the future minimum payments as of June 30, 2010, including $1,625,441 of interest are:

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

	Governmental Activities	
	Principal	Interest
2011	$ 613,333	276,261
2012	613,333	250,562
2013	613,333	224,863
2014	613,333	199,165
2015	613,333	173,466
2016-2020	3,066,669	481,850
2021	613,333	19,274
Total principal payments	$ 6,746,667	
Total interest payments		$ 1,625,441

3. As authorized by State law (G.S. 160A-20 and 153A-158.1), the County entered into an installment financing agreement in December, 2006 for the purpose of providing funds of $1,450,000 for the purchase of telephone and computer equipment for the County.

The transaction requires nineteen quarterly payments by the County of $90,178 including principal and interest at 4.29%. For Catawba County, the future minimum payments as of June 30, 2010, including $20,418 of interest are:

	Governmental Activities	
	Principal	Interest
2011	343,736	16,975
2012	179,730	3,443
Total principal payments	$ 523,466	
Total interest payments		$ 20,418

4. As authorized by State law (G.S. 160A-20 and 153A-158.1), the County entered into an installment financing agreement for the purpose of providing funds up to $21,607,000 to pay a portion of construction and renovation of public school and community college facilities. The installment purchase was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County entered into a lease with the Board of Education and Community College Board of Trustees that transfers the rights and responsibilities for the maintenance and insurance of the property to the Board of Education and Community College Board of Trustees. The lease calls for nominal lease payments and a bargain purchase option. The lease term the same as that of the installment purchase agreement. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Board of Education and Community College Board of Trustees. This agreement was executed on May 30, 2008 and requires forty semi-annual principal payments of $540,175 and interest payments at an interest rate of 4.19%.

For Catawba County, the future minimum payments as of June 30, 2010, including $7,536,900 of interest are:

	Governmental Activities	
	Principal	Interest
2011	1,080,350	803,483
2012	1,080,350	758,217
2013	1,080,350	712,950
2014	1,080,350	667,683
2015	1,080,350	622,417
2016-2020	5,401,750	2,433,083

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

2021-2025	5,401,750	1,301,417
2026-2028	3,241,050	237,650
Total principal payments	$ 19,446,300	
Total interest payments		$ 7,536,900

5. As authorized by State law (G.S. 160A-20 and 153A-), the County entered into an installment financing agreement for the purpose of providing funds up to $4,906,000 to pay a portion of construction and renovation of a public high school. The installment purchase was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County entered into a lease with the Board of Education that transfers the rights and responsibilities for the maintenance and insurance of the property to the Board of Education. The lease calls for nominal lease payments and a bargain purchase option. The lease term the same as that of the installment purchase agreement. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Board of Education. This agreement was executed on August 8, 2008 and requires thirty semi-annual principal payments of $163,533 and interest payments at an interest rate of 4.38%.

For Catawba County, the future minimum payments as of June 30, 2010 including interest are:

	Governmental Activities	
	Principal	Interest
2011	327,067	189,813
2012	327,067	175,488
2013	327,067	161,162
2014	327,067	146,837
2015	327,067	132,511
2016-2020	1,635,332	447,672
2021-2023	1,144,733	100,279
Total principal payments	$ 4,415,400	
Total interest payments		$ 1,353,762

6. As authorized by State law (G.S. 160A-20 and 153A-158.1), the County entered into an installment financing agreement for the purpose of providing funds up to $16,750,000 to pay a portion of construction and renovation of public school and community college facilities. The installment purchase was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County entered into a lease with the Boards of Education and Community College Board of Trustees that transfers the rights and responsibilities for the maintenance and insurance of the property to the Boards of Education and Board of Trustees. The lease calls for nominal lease payments and a bargain purchase option. The lease term the same as that of the installment purchase agreement. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Boards of Education and Board of Trustees. This agreement was executed on May 12, 2009 and requires thirty semi-annual principal payments of $558,333 and interest payments at an interest rate of 3.72%.

For Catawba County, the future minimum payments as of June 30, 2010, including interest are:

	Governmental Activities	
	Principal	Interest
2011	1,116,667	571,175
2012	1,116,667	529,635
2013	1,116,667	488,095
2014	1,116,667	446,555

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

2015	1,116,667	405,015
2016-2020	5,583,332	1,401,975
2021-2024	4,466,666	373,860
Total principal payments	$ 15,633,333	
Total interest payments		$ 4,216,310

Qualified Zone Academy Bonds
As authorized by State law (G.S. 160A-20), the County entered into an installment financing agreement on May 30, 2008 for the purpose of providing funds up to $700,000 to pay a portion of the renovation of a public school facility. The County's obligation under the contract will be designated as "Qualified Zone Academy Bonds (QZAB)" pursuant to the federal QZAB program. Under the QZAB program, the County's obligation will be interest free and the lender will receive tax credits that approximate a rate of return commensurate to the return it would have received on certain U.S. Treasury obligations. The installment purchase was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County entered into a lease with the Board of Education that transfers the rights and responsibilities for the maintenance and insurance of the property to the Board of Education. The lease calls for nominal lease payments and a bargain purchase option. The lease term the same as that of the installment purchase agreement. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Board of Education.

For Catawba County, the future minimum payments as of June 30, 2010 are:

	Governmental Activities	
	Principal	Interest
2011	50,000	-
2012	50,000	-
2013	50,000	-
2014	50,000	-
2015	50,000	-
2016-2020	250,000	-
2021-2022	100,000	-
Total	$ 600,000	$ -

Certificates of Participation
1.In August 2004, the County issued $35,705,000 of Certificates of Participation to finance the constructing and equipping of a new high school, a new middle school and equipping of a learning resource center at the local community college. The financing contract requires principal payments beginning June 2005 with interest rates ranging from 2.0 – 5.25% with a maturity date of June 1, 2024.

The future minimum payments as of June 30, 2010, including $9,853,075 of interest, are as follows:

	Governmental Activities	
	Principal	Interest
2011	1,805,000	1,296,500
2012	1,805,000	1,212,613
2013	1,805,000	1,122,225
2014	1,805,000	1,029,962
2015	1,805,000	939,013
2016-2020	9,005,000	3,307,762
2021-2024	7,200,000	945,000
Total principal payments	$ 25,230,000	
Total interest payments		$ 9,853,075

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

2. In May 2005, the County issued $19,550,000 of Certificates of Participation to finance the constructing, equipping, renovating and improving certain governmental and public school facilities. The financing contract requires principal payments beginning June 2006 with interest rates ranging from 3.0 – 5.0% with a maturity date of June 1, 2025.

The future minimum payments as of June 30, 2010, including $5,698,125 of interest, are as follows:

	Governmental Activities	
	Principal	Interest
2011	975,000	681,750
2012	975,000	643,500
2013	975,000	604,500
2014	975,000	555,750
2015	975,000	516,750
2016-2020	4,875,000	1,962,187
2021-2025	4,875,000	733,688
Total principal payments	$ 14,625,000	
Total interest payments		$ 5,698,125

General Obligation Indebtedness
All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit, and taxing power of the County. Principal and interest requirements are appropriated when due, from property tax revenues.

The County's general obligation bonds payable at June 30, 2010 are comprised of the following individual issues:

Serviced by the County's General Fund:

$9,800,000 1998 School Facility Series Bonds due in varying annual installments from $550,000 - $800,000 through June 1, 2013: interest at 4.3 - 4.4 %		$ 2,375,000
$16,645,000 1999 School Facility Series Bonds due in varying annual installments from $950,000 - $1,400,000 through June 1, 2014: interest at 4.4 - 4.7%		5,250,000
$14,495,000 2002 School Facility and Community College Refunding Bonds due in varying annual installments from $420,000 - $2,070,000 through June 1, 2014: interest at 2.0 - 4.0%	Schools	1,976,000
	Community College	494,000
$16,035,000 2005 School Facility and Community College Refunding Bonds due in varying annual installments from $760,000 - $2,240,000 through June 1, 2015: interest at 3.0 - 3.75%	Schools	6,929,286
	Community College	285,714
Total		$ 17,310,000

Annual debt service requirements to maturity for the County's general obligation bonds are as follows:

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

	Governmental Activities	
	Principal	Interest
2011	5,200,000	729,769
2012	4,395,000	523,106
2013	4,390,000	344,006
2014	2,565,000	138,106
2015	760,000	28,500
Total	$ 17,310,000	$ 1,763,487

At June 30, 2010, Catawba County had $6,970,000 of authorized but unissued bonds and had a legal debt margin of $1,084,098,026.

General Obligation Refunding Bonds
On June 1, 2005, the County issued $16,035,000 of General Obligation Refunding Bonds to provide resources to purchase United States government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt payment of the following $15,455,000 general obligation bonds.

$3,575,000 School Bonds, Series 1995, dated 6/1/1995, and stated to mature in installments on June 1 in the years 2006 – 2010. These bonds were called August 1, 2005.

$2,000,000 Public School Improvement Bonds, Series 1996, dated 5/1/1996, and stated to mature in installments on June 1 in the years 2006 – 2011. These bonds were called June 1, 2006.

$6,200,000 School Bonds, Series 1997, dated 7/1/1997, and stated to mature in installments on June 1 in the years 2006-2013. These bonds were called June 1, 2007.

$3,680,000 School Bonds, Series 2000, dated 6/1/2000, and stated to mature in installments on June 1 in the years 2006-2015. These bonds were called June 1, 2010.

There were no 2005 Refunding Bonds outstanding at June 30, 2010.

Business-Type Activities
Installment Purchase
As authorized by State law (G.S. 160A-20 and 153A-158.1), the County entered into an installment financing agreement for the purpose of providing funds up to $7,000,000 for the construction of various wastewater system improvements, including sewer mains and lines, pump stations, and a utility bridge. Fees from developers and new customer connection and usage fees will be used to repay this debt. The agreement, executed on May 30, 2008 requires forty semi-annual principal payments in varying amounts and interest payments at an interest rate of 4.19%.

For Catawba County, the future minimum payments as of June 30, 2010 including $2,835,105 of interest are:

	Business-type Activities	
	Principal	Interest
2011	249,291	271,114
2012	259,845	260,560
2013	270,847	249,558
2014	282,314	238,091
2015	294,267	226,138
2016-2020	1,669,111	932,915

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

2021-2025	2,053,667	548,359
2026-2028	1,452,846	108,370
Total principal payments	$ 6,532,188	
Total interest payments		$ 2,835,105

Revenue Bonds
North Carolina Recreational Facilities
On December 22, 1999, the County issued County of Catawba, North Carolina Recreational Facilities Lease Revenue Bonds (YMCA of Catawba Valley Project), Series 1999 totaling $4,300,000 pursuant to an Indenture of Trust dated as of December 1, 1999 (the "Indenture") between the County of Catawba, North Carolina (the "County") and First Citizens Bank and Trust Company, as trustee (the "Trustee"), and authorized by a bond order of the County adopted effective as of December 8, 1999. The proceeds received by the County from the sale of the Bonds were used by the County to acquire, pursuant to the Ground Lease dated as of December 1, 1999 (the "Ground Lease"" between the Young Mens Christian Association of Catawba Valley, Inc. (the "Corporation") as Lessor and the County as Lessee, a long-term leasehold estate in (i) certain existing recreational facilities owned by the Corporation, and (ii), certain real property on which the Corporation constructed new recreational facilities owned by the Corporation ((i) and (ii) collectively, the "Property"), which Property the County simultaneously leased back to the Corporation pursuant to the Lease Agreement dated as of December 1, 1999 (the "Lease Agreement") between the County and the Corporation. The Corporation used the funds it received from the lease of the property to the County under the Ground Lease and from other sources for the purpose of refinancing certain existing indebtedness and financing the costs of acquiring, constructing, improving, and equipping certain new recreational facilities, which are located within the County.

The Bonds are limited obligations of the County. The Bonds and interest thereon and any redemption or purchase premiums with respect thereto do not now and shall never constitute an indebtedness or an obligation of the County, the State of North Carolina (the "State") or any political subdivision thereof, within the meaning of any constitutional limitation or statutory provision and does give rise to a charge against the general credit or taxing powers of any of them, but is payable solely from the revenues and income derived from the Lease Agreement, which revenues and income have been pledged and assigned to the Trustee to secure payment thereof, and from moneys available to be drawn by the Trustee under the Credit Facility. No owner of the Bonds shall have the right to compel the exercise of the taxing power of the County, the State or any political subdivision thereof to pay any principal installment or purchase price of, or redemption or purchase premium, if any, or interest on the Bonds.

Total NC Recreational Facilities Lease Revenue Bonds outstanding at June 30, 2010 were $2 million.

Catawba Valley Medical Center
On March 1, 1999, the County issued County of Catawba, North Carolina Refunding Revenue Bonds (Catawba Memorial Hospital Project) Series 1999 (the "Series 1999 Bonds") totaling $23,620,000 for the purpose of refunding the Series 1992 Hospital Revenue bonds (the "Series 1992 Bonds"). The County defeased $24,070,000 of the Series 1992 bonds in an escrow fund to provide for all future debt service. As a result of this defeasance transaction, a proportionate amount of the unamortized bond issuance costs were written off. A loss of $2,286,075 was deferred and is being amortized over the remaining life of the refunded bonds. Costs of $637,326 were incurred in connection with the issuance of the Series 1999 Bonds and have been deferred. Such cost have been amortized over the remaining terms of the Series 1999 Bonds. The revenue bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the County's property or upon its income, receipts, or revenues. The taxing power of the County is not pledged for the payment of the principal or interest on the revenue bonds, and no owner has the right to compel the exercise of the taxing power of the County or the forfeiture of any of its property in connection with any default under the bond order.

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

Total 1999 Hospital Refunding Bonds outstanding at June 30, 2010 were $14,015,000.

On August 12, 2009, the County issued County of Catawba, North Carolina Taxable Variable Rate Demand Hospital Revenue Bonds (Catawba Valley Medical Center Project) Series 2009 (the "Series 2009 Bonds") totaling $25 million for the purpose of funding a construction project that will renovate andretrofit the current facilities while providing a utilities substructure that will allow for possible future expansion. At June 30, 2010, the variable rate was 1.65%. Payments of principal begin October 1, 2018 and continue through October 1, 2039.

Long-Term Obligation Activity

The following is a summary of changes in the County's general long-term obligations for the fiscal year ended June 30, 2010:

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010	Current Portion of Balance
Governmental activities					
General obligation debt	$ 23,765,000	$ -	$ (6,455,000)	$ 17,310,000	$ 5,200,000
Certificates of participation	42,645,000	-	(2,790,000)	39,855,000	2,780,000
Installment purchase	56,831,959	-	(4,126,793)	52,705,166	4,141,153
Qualified Zone Academy Bond	650,000	-	(50,000)	600,000	50,000
Compensated absences	3,862,715	2,862,232	(2,794,179)	3,930,768	2,795,000
Net pension obligation	548,041	147,183	(81,749)	613,475	81,000
Net OPEB obligation	2,388,141	988,721	(213,496)	3,163,366	213,000
Total governmental activities	$ 130,690,856	$ 3,998,136	$ (16,511,217)	$ 118,177,775	$ 15,260,153
Business-type activities					
Installment purchase	$ 6,771,353	$ -	$ (239,165)	$ 6,532,188	249,291
Accrued landfill closure and postclosure costs	7,091,038	949,217	-	8,040,255	200,294
Compensated absences	117,188	70,575	(71,838)	115,925	72,000
Net OPEB obligation	62,574	25,151	-	87,725	-
Total business-type activities	$ 14,042,153	$ 1,044,943	$ (311,003)	$ 14,776,093	$ 521,585

Compensated absences typically have been liquidated in the general fund and are accounted for on a last in first out (LIFO) basis, assuming that employees are taking leave time as it is earned. The current portion of compensated absences is estimated at $2,795,000 for governmental activities and $72,000 for business-type activities. Net pension and other post employment benefits are typically liquidated in the general fund.

Conduit Debt Obligations

Catawba County Industrial Facility and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as by letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2010, according to information furnished by the Economic Development Commission, there were eight series of industrial revenue bonds outstanding, with an aggregate principal amount payable of approximately $9.7 million.

NOTE 4. DETAIL NOTES ON ALL FUNDS (continued)

Other Commitments

In May 2005, an area municipality and tourism development authority (TDA) entered into an agreement to increase the size of the Hickory Metro Convention Center. The municipality is obligated for the financing costs associated with this expansion. The County has a financial commitment of $1.2 million over fifteen years to the area municipality as a share of the debt obligation. The TDA will repay the County annually for the $1.2 million obligation from revenues generated by the facility.

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2010, consists of the following:

General Fund	
From the General fund to the Citizens' Alert System fund to supplement other funding sources for the citizens' alert system	10,341
From the General fund to the Reappraisal fund to accumulate resources for the four year cycle revaluation of real property	439,680
From the General fund to the General Capital Reserve fund to accumulate resources for future economic development projects	300,000
From the General fund to the Rescue Squads fund for the first responder program and to supplement other funding sources	1,034,362
From the General fund to the Water & Sewer fund for the installation of waterlines to supply adequate water to various County locations	3,700,000
Subtotal General Fund	5,484,383
Schools Capital Fund	
From the Schools Capital Projects fund to the General Fund to supplement funds for debt service	2,524,631
Subtotal School Capital Fund	2,524,631
Other Governmental Funds	
From the General Capital Reserve fund to the General fund to supplement funds for economic development projects	86,288
Subtotal Other Governmental Funds	86,288
Total transfers to other funds	$ 8,095,302

NOTE 5. RELATED ORGANIZATION

The County's governing board is also responsible for appointing five members of the nine-member board of the Economic Development Corporation (EDC), but the County's accountability for this organization does not extend beyond making these appointments. The EDC is a nonprofit organization that exists for the purpose of recruitment, retention and expansion of established manufacturing and non-manufacturing businesses for economic development purposes. Its primary revenues are allocations from Catawba County and various municipalities within the County. The County is not responsible for the debt issued by the EDC and the EDC's debt is not included in determining the County's legal debt limit.

NOTE 6. JOINT VENTURES

The County, in conjunction with the State of North Carolina and the Catawba County, Newton-Conover and Hickory Boards of Education, participate in a joint venture to operate the Catawba Valley Community College. The State of North Carolina, Catawba County, and the Boards of Education each appoint four members of the thirteen-member board of trustees of the community college. The president of the Community College's student government serves as an ex officio nonvoting member of the Community College's board of trustees. The Community College is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. In addition to providing annual appropriations for the facilities, the County has periodically issued general obligation bonds and installment purchase obligations to provide financing for new and restructured facilities. General obligation debt of $779,714 and installment purchase obligations of $8,870,612 are outstanding at June 30, 2010. The County has an ongoing financial responsibility for the Community College because of statutory responsibilities to provide funding for the Community College's facilities. The County contributed $3,332,000 and $2,921,124 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2010. In addition, the County made debt service payments of $463,655 during the fiscal year on general obligation bonds and debt service payments of $1,048,843 on installment purchase obligations issued for capital facilities. The participating entities do not have any equity interest in the joint venture; therefore, no equity interest is reflected in the County's financial statements at June 30, 2010. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at 2550 Highway 70 SE, Hickory NC, 28602.

The County, in conjunction with three other counties, participates in the Lake Norman Marine Commission (the "Commission"), that was created by the North Carolina General Assembly in 1969. Board members are appointed by the four counties (Catawba, Iredell, Lincoln, and Mecklenburg) that fall within the jurisdiction of the Commission. At any given time and on a rotating basis, one of the Counties has two Board appointees and the other three have one Board appointee. Cash contributions in equal amounts from the participating counties comprise the majority of the Commission's revenues. Catawba County contributed $25,500 to the Lake Norman Marine Commission for operating expenses during the fiscal year ended June 30, 2010. Complete financial statements for the Commission can be obtained from the Mecklenburg County Finance Department, PO Box 34486, Charlotte NC 28234.

The County, in conjunction with Burke County, participates in the operation of the Burke-Catawba Regional Jail Agency (the "Agency"), a regional jail facility. The Agency, established under North Carolina General Statute 153A-210, was created for that purpose. On dissolution of the corporation, the net assets of the Agency will be shared by the two counties, according to their allocation. The Agency is governed by a four-member board composed of two appointees from each county. The counties are each obligated by contract to remit amounts required annually to supplement the Agency's operating revenues and are entitled to an allocated share of the Agency's annual operating income, if any. The County's net investment and its share of the operating results of the Agency are reported in the County's Statement of Net Assets. The County's equity interest in the Agency was estimated at $1,333,074 at June 30, 2010. Complete financial statements for the Agency can be obtained from the Agency's administrative offices at 150 Government Drive, Morganton NC 28655.

NOTE 7. JOINTLY GOVERNED ORGANIZATION

The County, in conjunction with three other counties and twenty-three municipalities, established the Western Piedmont Council of Governments (the "Council"). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of $40,816 to the Council during the fiscal year ended June 30, 2010.

NOTE 8. BENEFIT PAYMENTS ISSUED BY THE STATE

The amounts listed below were paid directly to individual recipients by the State from Federal and State moneys. County personnel are involved with certain functions, primarily eligibility determinations, that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients that do not appear in the financial statements because they are not revenues and expenditures of the County. The amounts paid by the County are included in the financial statements.

	Federal	State
Medical assistance	$ 110,337,041	$ 37,888,200
Temporary assistance for needy families	634,248	(155)
Low-income energy assistance	1,085,642	-
Aid the aged and disabled	-	1,226,603
Adoptive services	-	1,315,336
WIC	3,153,008	-
	$ 115,209,939	$ 40,429,984

NOTE 9. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The County has received proceeds from various Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Based upon prior experience, management believes such disallowances, if any, will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

NOTE 10. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

In September, 2010 Catawba County entered into a $30.2 million financing agreement for the construction of a new middle school, renovations to a middle school, high school and community college. This financing includes $8.7 million in Build America Bonds and $21.5 million in Qualified School Construction Bonds.