

FINANCIAL STATISTICS, STATEMENTS & POLICIES

Investment Policy

SCOPE

This investment policy applies to all financial assets of Catawba County. The County combines the cash resources of its various funds into a single pool in order to maximize investment earnings. Each fund's portion of total cash and investments is shown by fund type in the combined balance sheet of the County's Comprehensive Annual Financial Report. This policy applies to all transactions involving the financial assets and related activity of all the various funds accounted for in the County's Comprehensive Annual Financial Report.

OBJECTIVES

Funds of the County will be invested in accordance with North Carolina General Statute 159-30, the County's Investment Policy and written administrative procedures. The County's investments shall be undertaken in a manner that (1) seeks to ensure the preservation of capital in the overall portfolio (safety), (2) provides for sufficient liquidity to meet the cash needs of the County's various operations (liquidity), and (3) attains a fair market rate of return (yield). Cash management functions will be conducted in such a manner as to ensure that adequate funds will always be available to meet the County's financial obligations and to provide the maximum amount of funds available for investment at all times.

RESPONSIBILITY

In accordance with North Carolina General Statutes, the Finance Director is designated as the Investment Officer of the County and is responsible for the County's financial assets. The Finance Director is also responsible for investment decisions and activities and shall develop and maintain written administrative procedures for the operation of the cash management and investment program, consistent with North Carolina General Statutes. In order to promote the efficiency of investment duties and related activities, the Finance Director may, at his option, designate one or more members of his staff to perform the functions of cash management and investing. Such delegation shall not relieve the Finance Director of responsibility for all transactions and executions performed by the designated individuals.

The standard of prudence to be used by the Investment Officer shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. It states that investment officers acting in accordance with North Carolina General Statutes, this policy, written administrative procedures, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price change, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the

management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

ETHICS AND CONFLICTS OF INTEREST

The Finance Director, designated Investment Officer and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution and management of the investment program, or which could impair their ability to make impartial investment decisions. Investment officials and employees shall disclose to the County Manager any material interests in financial institutions that conduct business with Catawba County, and they shall further disclose any personal financial/investment positions that could be related to the performance of the County's portfolio. This disclosure need not include normal banking or brokerage relationships that are at normal market rates and conditions available to the general public.

STATUTORY AUTHORIZATION

The legal limitations of local government investments are defined in North Carolina G.S. 159-30. Accordingly, the following classes of securities are indicative of the investments utilized by Catawba County:

- A. Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.
- B. Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, the Farmers Home Administration and the U.S. Postal Service.
- C. Obligations of the State of North Carolina.
- D. Deposits at interest or purchase of certificates of deposit with any bank, savings and loan association or trust company in North Carolina, provided such deposits or certificates of deposit are fully collateralized.
- E. Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest (A1, P1, F1) by any nationally recognized rating service which rates the particular obligation.
- F. Participating shares in a mutual fund for local government investment (such as the N.C. Capital Management Trust), which is certified by the N.C. Local Government Commission.

ADMINISTRATIVE RESTRICTIONS

In addition to the previously noted limitations on appropriate securities, Catawba County's investment activities are further restricted in the following manner:

- A. It is the policy of Catawba County to diversify its investment portfolio. Assets held shall be diversified to eliminate the risk of loss resulting from the over concentration of assets in a specific issuer or specific class of securities. Diversification strategies shall be determined and revised periodically by the Finance Director. Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity.

- Catawba County will invest its short-term investments (< one year) based on cash flow analysis
 - Catawba County will invest minimal levels in money market funds or local government investment pools unless these instruments have higher yields
 - Short-term investments will be aggressively managed to maximize yield
 - Reserve funds and other funds with longer-term investment horizons (> one year) will be invested in higher yield, longer maturing investments to maximize the investment opportunity available.
- B. Catawba County recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to minimize default risk. No individual investment transaction shall be undertaken that jeopardizes the capital position of the overall portfolio. In the event of a default by a specific issuer, the Finance Director shall review and, if appropriate, proceed to liquidate securities having comparable credit risks.

SELECTION OF SECURITIES

The Finance Director, or his designee, will determine which instruments shall be purchased and sold, and the desired maturity date(s) that are in the best interest of the County. All brokers and dealers transacting business with the County must be licensed to do business within North Carolina. They must also have extensive knowledge of NC General Statutes and have references from other North Carolina local governments. The selection of an instrument will involve the evaluation of, but not be limited to, the following factors:

- A. Cash flow projections and requirements
- B. Current market conditions
- C. Overall portfolio balance and makeup
- D. Relative liquidity of the instrument

CUSTODY AND SAFEKEEPING OF SECURITIES

Catawba County will maintain a third party safekeeping account for all investments (generally provided by the County's primary bank), or take physical possession of them. Some securities, primarily certificates of deposit, will not be kept in the third party safekeeping account, but will be kept by the Investment Officer in the vault of the County Finance Department. Transactions will be processed on a delivery versus payment basis, which insures that securities are deposited in an eligible financial institution prior to the release of funds.

INTERNAL CONTROLS

The Finance Director is responsible for establishing and maintaining a system of internal controls. The internal control structure shall be designed to provide reasonable assurances that the assets of Catawba County are protected from loss, theft, or misuse by third parties or County employees. Accordingly, the Finance Director shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures.

REPORTING

The Finance Director shall prepare an investment report on a semi-annual basis, including a management summary that provides an analysis of the status of the current investment portfolio. The report will include the following:

- Listing of individual securities held at the end of the reporting period.
- Average weighted yield to maturity of portfolio on investments.
- Listing of investments by maturity date.
- Percentage of each type of investment in the total portfolio.

CATAWBA COUNTY, NORTH CAROLINA

Table 5

**Assessed Valuation and Actual Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year	Real Property	Personal Property	Public Utility Property	Total Taxable Assessed Value	Total Direct Tax Rate ⁽¹⁾	Estimated Real Market Value
2007	10,174,785,855	2,614,088,394	570,452,150	13,359,326,399	0.490	14,124,895,749
2008 ⁽²⁾	11,444,764,023	2,606,879,334	603,786,566	14,655,429,923	0.535	14,963,681,767
2009	11,778,146,940	2,560,844,568	794,924,639	15,133,916,147	0.535	15,452,232,129
2010	11,874,836,448	2,547,986,916	590,931,402	15,013,754,766	0.535	15,343,643,092
2011	12,057,640,336	2,454,965,234	610,253,122	15,122,858,692	0.535	15,122,858,692
2012 ⁽²⁾	12,154,011,798	2,754,476,587	606,953,739	15,515,442,124	0.530	15,436,714,878
2013	12,240,949,134	3,127,347,289	659,587,935	16,027,884,358	0.530	15,946,556,918
2014	12,224,185,313	3,790,836,072	685,580,853	16,700,602,238	0.530	16,192,168,158
2015	12,267,687,100	3,622,784,098	746,952,594	16,637,423,792	0.530	16,249,070,995
2016 ⁽²⁾	11,564,008,687	3,742,083,773	788,247,696	16,094,340,156	0.575	N/A

⁽¹⁾ Tax rate expressed in dollars of tax per \$100 of assessed valuation.

⁽²⁾ Increase as a result of the County 4-year real property revaluation cycle.

Source: Catawba County Property Appraiser

CATAWBA COUNTY, NORTH CAROLINA

Table 6

**Property Tax Rates - Direct and Overlapping Governments ⁽¹⁾
Last Ten Fiscal Years**

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Catawba County										
Property Tax	0.5750	0.5300	0.5300	0.5300	0.5300	0.5350	0.5350	0.5350	0.5350	0.4900
Fire Districts:										
Bandys	0.0820	0.0700	0.0700	0.0700	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600
Catawba	0.0850	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700
Claremont	0.0800	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700
Conover Rural	0.0900	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700
Cooksville	0.0620	0.0617	0.0617	0.0617	0.0517	0.0517	0.0517	0.0517	0.0517	0.0550
Denver	-	-	-	-	-	-	-	-	0.0389	0.0500
Fairbrook	-	-	-	-	-	-	-	-	-	0.0325
Hickory Rural	0.0900	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0325	0.0325	-
Long View	0.0730	0.0650	0.0546	0.0546	0.0546	0.0546	0.0546	0.0546	0.0546	0.0568
Maiden	0.0750	0.0700	0.0600	0.0600	0.0600	0.0600	0.0500	0.0500	0.0500	0.0500
Mountain View	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0493	0.0493	0.0493	0.0525
Newton	0.0900	0.0850	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700
Oxford	0.0650	0.0558	0.0558	0.0558	0.0558	0.0558	0.0558	0.0558	0.0558	0.0600
Propst	0.0620	0.0615	0.0615	0.0615	0.0615	0.0615	0.0615	0.0615	0.0615	0.0650
Sherrills Ford	0.0810	0.0800	0.0700	0.0700	0.0700	0.0700	0.0700	0.0500	0.0500	0.0500
St. Stephens	0.0900	0.0900	0.0700	0.0700	0.0700	0.0700	0.0700	0.0500	0.0500	0.0500
Viewmont	-	-	-	-	-	-	-	-	-	0.0325
Municipalities:										
Town of Brookford	0.5200	0.5200	0.5200	0.5200	0.5200	0.5200	0.5200	0.5200	0.5200	0.5200
Town of Catawba	0.4800	0.4800	0.4800	0.4800	0.4800	0.4800	0.4800	0.4800	0.4800	0.4800
City of Claremont	0.4900	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600
City of Conover	0.4700	0.4300	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000
City of Hickory	0.5665	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000
Town of Long View	0.4200	0.4200	0.4200	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000
Town of Maiden	0.3800	0.3800	0.3800	0.3800	0.3900	0.4000	0.4000	0.4000	0.4000	0.4000
City of Newton	0.5400	0.5100	0.4800	0.4800	0.4800	0.4800	0.4800	0.4800	0.4600	0.4600
Total Maximum Rate - Fire District	0.6650	0.6200	0.6000	0.6000	0.6000	0.6050	0.6050	0.6050	0.6050	0.5600
Total Maximum Rate - Municipalities	1.1415	1.0500	1.0500	1.0500	1.0500	1.0550	1.0550	1.0550	1.0550	1.0100

⁽¹⁾ All tax rates are expressed in dollars of tax per \$100 of assessed valuation. For the above years, the tax levies were assessed at one hundred percent (100%) of the actual value.

Source: Catawba County Tax Collector

Debt Management Policy

INTRODUCTION

Catawba County recognizes that a formal debt policy is essential to effective financial management. Adherence to a debt management policy signals to rating agencies and capital markets that the government is well managed and therefore likely to meet its debt obligations in a timely manner. In addition, it helps to insure that a government maintains a sound financial position and that credit quality is protected. Debt management policies are written guidelines, allowances and restrictions that guide the debt issuance process and it is a recommended practice of the Government Finance Officers Association (GFOA).

Many of the processes for approval, sale and repayment of debt are controlled by North Carolina General Statutes and may not all be repeated within this policy. This debt policy is to be used in conjunction with those laws and regulations along with the operating and capital budgets and other financial policies. Objectives of the debt policy have been established to assist the County in retaining its bond ratings and include:

- Funding a Capital Improvement Plan
- Maintaining an appropriate mix of pay-as-you-go and debt funding
- Maintaining an adequate fund balance, including an appropriate level of unassigned fund balance
- Structuring debt repayment schedules that observers expect of highly rated (AA or AAA) counties

DEBT INSTRUMENTS

The County will use appropriate debt instruments to provide funding for capital assets and improvements at the lowest cost with minimal risk:

General Obligation Bonds

General Obligation Bonds are bonds secured by a promise to levy taxes in an amount necessary to pay debt service, principal and interest, coming due each fiscal year until repaid. General obligation bonds are backed by the full faith and credit of the County. These bonds are authorized by a referendum or by non-voted (2/3) authorization by the governing body. The non-voted authorization allows governments to issue up to two-thirds of the previous year's net debt reduction without a referendum.

Revenue and Special Obligation Bonds

Revenue bonds are bonds that pledge revenues generated by the debt-financed asset or by the operating system of which that asset is a part. Special Obligation Bonds are bonds that are payable from the pledge of revenues other than locally levied taxes.

Other Financing Options

Installment financings are alternative financing methods that do not require a referendum. Certificates of Participation or Limited Obligation Bonds represent an undivided interest in the

payments made by a public agency pursuant to a financing lease or an installment purchase agreement. The security for this financing is represented by a lien on the property acquired or constructed.

An Installment Purchase Contract is an agreement with a financial institution in which the equipment or property is acquired and periodic payments are made to satisfy the debt service. The County will typically use this type of financing to finance a capital asset for ten to fifteen years with the capital asset being used as collateral for the loan. In other cases, this financing will be used for short-term equipment/vehicle purchases of three to five years.

The County will use pay-as-you-go funding for capital improvements or capital assets having a cost of less than \$250,000 or assets having a useful life of less than ten years unless budgetary constraints require the use of financing to acquire the necessary funding for those capital improvements or capital assets.

PURPOSES FOR DEBT ISSUANCE

The County may issue debt for the purpose of acquiring or constructing capital assets including land, buildings, machinery, equipment, fixtures and any other eligible expenses of a project and for making major renovations to existing capital improvements that are for the good of the public. Exceptions to this rule will be considered on a case-by-case basis to determine if the contemplated debt is in the best interest of the County. Long-term debt shall not be used for financing ongoing operational expenses. When applicable, debt issuance will be pooled together to minimize issuance expense.

Before issuing any new debt the County will consider the following factors:

- Global, national and local financial environment and economy
- Current interest rates and expected interest rate changes
- Cash position and current debt position
- Availability of funds to repay the debt
- Urgency of current capital needs and flexibility to meet future needs
- Appropriate debt issuance practices and debt structuring

DEBT STRUCTURE

The debt structure is made up of the type of debt, interest rate and principal maturity schedule. This could include General Obligation Bonds, Revenue or Special Obligation Bonds or other installment financings. The cost of taxable debt is typically higher than the cost of tax-exempt debt; however, the issuance of taxable debt is mandated in some circumstances and may allow flexibility in subsequent contracts with users or managers of the improvements constructed with bond proceeds. The County will usually issue obligations on a tax-exempt basis, but may occasionally issue taxable obligations when there is an expected benefit from doing so. The County shall establish an affordable debt level to preserve credit quality and insure sufficient revenue is available to pay annual debt service obligations.

General Obligation Bonds will generally be competitively bid with no more than a 20-year life unless there are compelling factors which make it necessary to extend beyond and applicable law allows a longer term. In a competitive sale, the County may sell its debt obligations by allowing

an interested underwriter or syndicate to submit a proposal to purchase and issue bonds. The bonds are awarded to the underwriter presenting the best bid according to stipulated criteria set forth in the notice to sale.

Negotiated sales or private placements may be used where allowed when complex financing or sales structure is a concern with regard to marketability. In a negotiated sale, the bonds may be sold through an exclusive arrangement between the County and an underwriter or underwriting syndicate. At the end of successful negotiations, the issue is awarded to the underwriter. This method offers the most flexibility to the County. The criteria used to select an underwriter or syndicate in negotiated sales should include, but not be limited to the following: overall experience, marketing philosophy, capability, recent experience, underwriter's discount and overall expenses.

The County may elect to sell its debt obligations through a private placement with a financial institution when appropriate. Selection through private placement shall be determined through a Request for Proposal (RFP) process.

Debt service for each issue will be structured in an attempt to minimize the County's interest payments over the life of the issue while taking into account the existing debt obligations of the County. Any debt issued shall not have a maturity date beyond the useful life of the asset being acquired or constructed by the debt proceeds.

The County may also consider various financing methods including fixed or variable interest rate debt in order to minimize the interest costs over the life of the issue. The use of these methods will be evaluated based on market conditions and the maximum benefit to the County while minimizing the County's risk. When appropriate, the County may choose to issue securities that pay a rate of interest that varies according to a predetermined formula or results from a periodic remarketing of the securities or reset date determined by the bondholder. The County will limit the issuance of variable rate debt to help maintain the County's credit rating. The County's long term variable rate debt will not exceed 10% of the total outstanding general debt.

Investment of bond proceeds will be consistent with those authorized by existing state law, the County's investment policy and applicable bond covenants. Bond proceeds shall be invested and tracked separately from other investments.

DEBT RATIOS

The County will use an objective, analytical approach to determine the amount of debt to be considered for authorization and issuance. This process involves the comparison of generally accepted debt ratios from similar counties to the current County ratios. These ratios will be re-evaluated every five (5) years or sooner as market conditions dictate. The County shall adhere to the following ratios:

Net Direct Debt Per Capita

This ratio measures the burden of direct debt placed on the population supporting the debt. This is widely used by rating agencies as a measure of an issuer's ability to repay the debt. The County's General Obligation debt per capita will be in line with other North Carolina counties that

maintain the same credit rating. The County will maintain per capita debt that does not exceed \$2,000.

Net Direct Debt as a Percentage of Assessed Valuation

This ratio measures debt levels against the property tax base that generates the tax revenues used as the main source of debt repayment. The County will maintain its debt at no more than 1.50% of the countywide assessed value.

Net Direct Debt Service as a Percentage of Operational Budget

This ratio reflects the County's budgetary flexibility to adjust spending levels as economic conditions change. The County will maintain its net debt service at no more than 20% of the operational budget.

Ten-Year Payout Ratio

This ratio measures how quickly the County retires its outstanding indebtedness. A higher payout ratio preserves the County's capacity to borrow for future capital needs. The County will maintain its ten-year payout at a 65% level or higher.

REFINANCING OF OUTSTANDING DEBT

The County will continually review its outstanding debt and recommend issue for refunding as market opportunities arise. Debt shall only be refinanced for the purpose of achieving debt service savings, unless required to achieve specific debt management goals of the County. The estimation of net present value savings should be, at a minimum, in the range of 3% of the refunded maturities before a refunding process would be considered unless the County otherwise determines the annual savings warrant the refunding. The County will not refinance debt for the purpose of deferring scheduled debt service, unless unique circumstances are present. The County is aware that refinancing for the purpose of deferring debt service may have an impact on its credit rating.

The County may issue advance refunding bonds when advantageous, legally permissible and prudent while net present value savings are achieved. Advance refunding transactions are those undertaken in advance of the first date the refunded debt can be called for optional redemption and will require an establishment of an escrow account for the defeasance of the refunded debt. All costs incurred in completing the refunding shall be taken into account when determining the net present value savings.

The County may issue current refunding bonds when advantageous, legally permissible and prudent while net present value savings are achieved. Current refunding transactions shall be considered whenever possible. These transactions are undertaken at or after the call date on outstanding debt and provide for redemption and replacement of refunded debt within ninety days of issuance of the refunding debt.

PAY-AS-YOU-GO FUNDING

The County shall use pay-as-you-go and other alternative sources of funding for capital projects to minimize debt levels. To have an effective pay-as-you-go program, at least one funding source

must be identified that is consistent, reliable and large enough to provide for capital needs in an amount that reduces dependency on debt. In order to reduce the impact of capital programs on future years, the County will annually appropriate funds for its capital improvement plan. The County will also appropriate proceeds from the sale of capital assets and land, as deemed appropriate, for capital projects. This practice will allow additional funding of capital improvement projects and reduce the County's dependence on borrowing. Pay-as-you-go funding will save money by eliminating interest expense on funded projects and will improve financial flexibility in the event of sudden revenue shortfalls or emergency spending.

ISSUANCE OF DEBT

The scheduling and amount of bond sales and installment purchase transactions will be recommended by the Finance Director and County Manager. The Board of County Commissioners must approve the sale. These decisions will be based upon the identified cash flow requirements for each project to be financed as well as market conditions and other relevant factors including debt ratios. If the cash requirements for capital projects are minimal in any given year, the County may choose not to issue the debt and fund the project costs and reimburse these costs when financing is arranged. In these situations, the County will adopt a reimbursement resolution prior to the expenditure of project funds.

Fixed rate General Obligation Bond sales are conducted on a competitive basis by the Local Government Commission (LGC), a division of the Office of State Treasurer. Variable rate bonds, revenue and special obligation bonds will be sold on a negotiated basis with a selected underwriter.

The County must receive an opinion acceptable to the market from a nationally recognized law firm that each financing transaction complies with applicable laws and all agreements in connection with any financing are legal, valid and binding obligations of the County.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission (SEC), Rule 15c-2-12, the County will provide financial and operating information to the repository or repositories designated by the SEC. Where applicable, the county will also provide its Comprehensive Annual Financial Report (CAFR) and other relevant information to rating agencies, corporate trustees and financial institutions as required by continuing disclosure requirements within all debt financing documents.

ARBITRAGE LIABILITY MANAGEMENT

The County will maintain a system of record keeping and reporting to meet the arbitrage and rebate compliance requirements of the federal tax code. This effort includes tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law and remitting applicable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the County's outstanding debt issues.

It is the County's policy to minimize the cost of arbitrage rebate and yield restriction while strictly complying with the applicable laws. Because of the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, arbitrage calculation will be performed by qualified

arbitrage professionals in strict adherence to applicable laws and regulations. These calculations will be done in accordance with required Internal Revenue Service reporting dates.

FINANCING TEAM

The County will provide for a solicitation and selection process for securing all professional services required in connection with any debt issues. The service professionals selected will be required to follow the County's debt management policy with the goal of continuity, quality service and competitive prices.

ADMINISTRATION AND IMPLEMENTATION

The County Manager and Finance Director are responsible for the administration and issuance of debt including the completion of specific tasks and responsibilities included in this policy.

CATAWBA COUNTY, NORTH CAROLINA

**Legal Debt Margin Information
Last Ten Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assessed value (after exemption)	16,094,340,156	16,637,423,792	16,700,602,238	16,027,884,358	15,515,442,124
Debt limit rate	8%	8%	8%	8%	8
Debt limit	1,287,547,212	1,330,993,903	1,336,048,179	1,282,230,749	1,241,235,370
Less: Total net debt applicable to limit	148,502,990	152,703,618	158,887,591	154,634,710	125,775,150
Legal debt margin	<u>1,139,044,222</u>	<u>1,178,290,285</u>	<u>1,177,160,588</u>	<u>1,127,596,039</u>	<u>1,115,460,220</u>
Total net debt applicable to the limit as a percentage of debt limit	12%	11%	12%	12%	10%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value (after exemptions)	\$ 16,094,340,156
Debt limit (8% of assessed value)	1,287,547,212
Debt applicable to limit:	
Authorized and unissued debt	-
Certificates of participation	10,582,008
Installment purchase	43,457,779
Qualified Zone Academy Bonds	300,000
Qualified School Construction Bonds	27,808,553
Build America Bonds	5,504,583
Limited Obligation Bonds	57,200,067
North Carolina Department of Commerce	2,600,000
Federal Revolving Loan	1,050,000
Less: Statutory deductions	
Unissued debt	-
Total net debt applicable to limit	<u>148,502,990</u>
Legal debt margin	<u>\$ 1,139,044,222</u>

CATAWBA COUNTY, NORTH CAROLINA

**Legal Debt Margin Information
Last Ten Fiscal Years**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assessed value (after exemption)	15,122,858,692	15,013,754,766	15,068,712,596	14,655,429,923	13,359,326,399
Debt limit rate	<u>8%</u>	<u>8%</u>	<u>8%</u>	<u>8%</u>	<u>8%</u>
Debt limit	1,209,828,695	1,201,100,381	1,205,497,008	1,172,434,394	1,068,746,112
Less: Total net debt applicable to limit	<u>142,142,197</u>	<u>117,002,355</u>	<u>130,663,312</u>	<u>121,303,793</u>	<u>102,721,667</u>
Legal debt margin	<u>1,067,686,498</u>	<u>1,084,098,026</u>	<u>1,074,833,696</u>	<u>1,051,130,601</u>	<u>966,024,445</u>
Total net debt applicable to the limit as a percentage of debt limit	12%	10%	11%	10%	10%

CATAWBA COUNTY, NORTH CAROLINA

Table 9
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**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities							North Carolina Department of Commerce
	General Obligation Bonds	Certificates of Participation	Installment Purchases	Qualified Zone Academy Bonds	Qualified School Construction Bonds	Build America Bonds	Limited Obligation Bonds	
2007	36,540,000	48,225,000	17,956,667					
2008	30,160,000	45,435,000	45,008,793	700,000				
2009	23,765,000	42,645,000	56,831,959	650,000				
2010	17,310,000	39,855,000	52,705,167	600,000				
2011	12,110,000	37,075,000	48,564,013	550,000	27,808,553	8,401,732		
2012	7,715,000	18,090,000	19,475,148	500,000	27,808,553	7,822,302	39,787,135	
2013	3,325,000	16,465,000	48,618,040	450,000	27,808,553	7,242,872	37,770,939	2,600,000
2014	799,341	12,208,902	44,692,131	400,000	27,808,553	6,663,443	63,119,732	2,600,000
2015	-	11,885,455	40,764,047	350,000	27,808,553	6,084,013	57,768,142	2,600,000
2016	-	10,582,008	37,299,345	300,000	27,808,553	5,504,583	52,638,035	2,600,000

N/A = Not available

Sources:

¹ U.S. Department of Commerce Bureau of Economic Analysis

² Population based on estimates issued by the Bureau of the Census

CATAWBA COUNTY, NORTH CAROLINA

Table 9
Page 2 of 2

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Year	Business Type			Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽²⁾
	Installment Purchases	Limited Obligation Bonds	Revolving Loan			
2007				102,721,667	2.22	668
2008				121,303,793	2.51	780
2009	6,771,353			130,663,312	2.61	832
2010	6,532,188			117,002,355	2.37	736
2011	6,282,897		1,350,000	142,142,195	2.75	893
2012	-	5,797,865	1,350,000	128,346,003	2.49	828
2013	8,000,000	5,504,061	1,275,000	159,059,465	2.95	1,023
2014	7,397,122	5,401,752	1,200,000	172,290,976	3.15	1,109
2015	6,783,333	5,097,634	1,125,000	160,266,177	2.80	1,028
2016	6,158,434	4,562,032	1,050,000	148,502,990	N/A	953

N/A = Not available

Sources:

¹ U.S. Department of Commerce Bureau of Economic Analysis

² Population based on estimates issued by the Bureau of the Census

CATAWBA COUNTY, NORTH CAROLINA

Table 11

**Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population Estimate ⁽¹⁾	Personal Income	Per Capita Income ⁽²⁾	Median Age ⁽³⁾	School Enrollment ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
2007	153,784	4,624,900,016	30,074	37.0	24,766	5.90
2008	155,452	4,826,940,052	31,051	36.9	25,305	7.20
2009	157,073	4,998,534,079	31,823	38.1	24,688	15.50
2010	159,013	4,941,148,000	31,052	38.2	24,338	12.90
2011	159,125	5,016,806,000	32,504	38.4	24,245	12.00
2012	154,992	5,137,333,000	33,320	39.9	24,250	11.30
2013	155,494	5,357,979,000	34,716	40.3	24,241	10.80
2014	155,411	5,478,237,750	35,250	40.5	24,204	7.10
2015	155,832	5,725,579,344	36,742	40.7	23,889	6.00
2016	156,182	N/A	N/A	40.8	23,679	4.90

N/A = Not available

Sources:

- ¹ Based upon estimates issued by the U.S. Census Bureau
- ² Bureau of Economic Analysis
- ³ Office of State Planning
- ⁴ North Carolina Department of Public Instruction
- ⁵ Department of Commerce - Employment Security Commission

CATAWBA COUNTY, NORTH CAROLINA

Table 7

**Principal Property Taxpayers
December 31, 2015 and December 31, 2006**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>December 31, 2015</u>			<u>December 31, 2006</u>		
		<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Apple, Inc.	Computer Server	\$ 1,065,891,653	1	6.62	\$ -	-	-
Duke Energy Corporation	Electric utility	602,186,605	2	3.74	409,596,011	1	3.07
GKN Driveline Newton, LLC	Gears	168,439,111	3	1.05	110,679,902	3	0.83
CommScope, Inc.	Cable mfg.	96,248,172	4	0.60	130,623,155	2	0.98
Target Corporation	Warehouse/Retail	85,329,962	5	0.53	-	-	-
Corning Cable Systems	Cable mfg.	71,296,078	6	0.44	102,046,872	4	0.76
Frye Regional/American Medical	Medical care	61,951,492	7	0.38	66,265,906	5	0.50
Draka Comteq Americas, Inc.	Cable mfg.	55,470,441	8	0.34	59,330,185	7	0.44
HSM Solutions - (formerly Hickory Springs Mfg. Co.)	Furniture supplies	51,155,238	9	0.32	65,974,735	6	0.49
Valley Hills Mall, LLC	Retail	38,724,561	10	0.24	48,187,465	9	0.36
Shuford Mills/Shurtape Technologies	Textiles & Tape	-	-	-	48,769,888	8	0.37
Central Telephone Company	Telephone	-	-	-	45,329,520	10	0.34
		<u>\$ 2,296,693,313</u>		<u>14.26</u>	<u>\$ 1,086,803,639</u>		<u>8.14</u>
Total Assessed Valuation		<u>\$ 16,094,340,156</u>			<u>\$ 13,359,326,399</u>		

Source: Catawba County Tax Collector

CATAWBA COUNTY, NORTH CAROLINA

Table 12

**Principal Employers
Current Year and Nine Years Ago**

Employer	2016			2007		
	Employees ⁽¹⁾	Rank	Percentage of Total County Employment ⁽²⁾	Employees ⁽¹⁾	Rank	Percentage of Total County Employment ⁽²⁾
Catawba County School Systems	2,043	1	2.73%	2,100	1	2.85%
Catawba Valley Medical Center	1,986	2	2.65%	1,559	4	2.12%
CommScope, Inc.	1,609	3	2.15%	2,000	2	2.72%
Frye Regional Medical Center	1,600	4	2.14%	1,970	3	2.68%
Catawba County Government	1,120	5	1.50%	1,147	6	1.56%
Corning Cable Systems ⁽³⁾	1,000	6	1.33%	-	-	-
HSM Solutions (Hickory Springs)	925	7	1.23%	1,228	5	1.67%
Heritage Home Group LLC	861	8	1.15%	-	-	-
Pierre Foods	827	9	1.10%	815	9	1.11%
Sherrill Furniture Company	775	10	1.03%	1,012	8	1.38%
CV Industries, Inc.	-	-	-	1,067	7	1.45%
Thomasville Industries	-	-	-	785	10	1.07%
	<u>12,746</u>		<u>17.01%</u>	<u>13,683</u>		<u>18.61%</u>

Sources:

¹ Survey of Employers

² Labor estimates provided by the Employment Security Commission of North Carolina

³ Catawba County Chamber of Commerce

CATAWBA COUNTY, NORTH CAROLINA
General Long-Term Debt Requirements and Maturity Schedule
June 30, 2016

Schedule J-1

Fiscal Year Ended June 30	Governmental Activities			Business Type Activities		
	Debt Principal	Interest	Total	Debt Principal	Interest	Total
2017	10,978,409	4,856,022	15,834,431	1,228,229	293,455	1,521,684
2018	10,932,944	4,517,654	15,450,598	1,238,473	261,283	1,499,756
2019	10,906,464	4,173,859	15,080,323	1,248,924	228,956	1,477,880
2020	10,202,980	3,842,632	14,045,612	1,176,281	198,132	1,374,413
2021	10,133,905	3,515,298	13,649,203	1,186,525	168,822	1,355,347
2022-2026	65,136,950	12,246,325	77,383,275	4,862,498	371,314	5,233,812
2027-2031	<u>12,575,124</u>	<u>1,096,381</u>	<u>13,671,505</u>	<u>668,209</u>	<u>15,682</u>	<u>683,891</u>
	<u>\$ 130,866,776</u>	<u>\$ 34,248,171</u>	<u>\$ 165,114,947</u>	<u>\$ 11,609,139</u>	<u>\$ 1,537,644</u>	<u>\$ 13,146,783</u>

⁽¹⁾ 12% of Legal Debt Limit

GLOSSARY

Ad Valorem Tax: A tax levied in proportion to the value of a property.

Accrual Basis of Accounting: Revenues are reported on the income statement when they are earned not when they are received. Expenses are matched with related revenues and/or are reported when the expense occurs, not when the cash is paid. The result of accrual accounting is an income statement that better measures profitability during a specific time period.

Activity: Departmental efforts which contribute to the achievement of a specific set of program outcomes; the smallest unit of the program budget.

Allocate: To set apart portions of budgeted expenditures which are specifically designated to organizations for special activities or purposes (i.e., various rescue squads).

Annual Budget: A budget covering a single fiscal year.

Appropriation: An authorization granted by the Board of Commissioners to make budgeted expenditures and to incur obligations for purposes specified in the budget ordinance.

Approved Budget: The budget as formally adopted by the Board of Commissioners for the upcoming fiscal year.

Assessed Value: The value of real estate or personal property as determined by tax assessors and used as a basis for levying taxes.

Assessment: The process for determining values of real and personal property for taxation purposes.

Authorized Bond: Bonds which have been legally approved but may or may not have been sold.

Balanced Budget: Occurs when planned expenditures equal anticipated revenues. In North Carolina it is required that the budget submitted to the Board of Commissioners be balanced.

Board of Commissioners (BOC): Five-member Board elected at large by the voters of the County for four year terms.

Bond: A written promise to pay a specific amount of money with interest within a specific time period, usually long-term.

Bond Issued: Bonds that are sold.

Bond Rating: A grade indicating a governmental unit's investment qualities. Generally speaking, the higher bond rating, the more favorable the interest rate and the lower the cost of financing capital projects funded by bonds. A high rating is indicative of the Government's strong financial position. Ratings range from AAA (highest) to D (lowest).

Budget Document: A formal document presented to the Board of Commissioners containing the County's financial plan for a fiscal year.

Budget Message: A written overview of the proposed budget from the County Manager to the Board of Commissioners which discusses the major budget items and the County's present and future financial condition.

Capital Improvement Plan (CIP): A long term plan of proposed capital improvement projects which includes estimated project costs and funding sources that the County expects to undertake within a five-year period. The plan is updated annually to reassess capital needs.

Capital Outlay: An expenditure expected to have a useful life greater than three years or an estimated total cost of \$5,000 or more. Capital outlay expenditures include such purchases as a vehicle, ambulance equipment, or Landfill equipment.

Capital Project: A project expected to have a useful life greater than ten years or an estimated total cost of \$100,000 or more and requiring professional certification. Capital projects include the construction, purchase, or major renovation of a building or the purchase of land.

Capital Projects Fund: A fund used to account for the acquisition or construction of major governmental capital facilities and equipment which are not financed by other funds.

Comprehensive Annual Financial Report (CAFR): Reports generally accepted accounting principles that evidence the spirit of transparency and full disclosure to ensure that users of the financial statements have the information they need to assess the financial health of the agency.

Contingency Account: Account in which funds are set aside for unforeseen expenditures which may become necessary during the year and which have not been provided for in the context of the annual operating budget. Transfers from this account must be approved by the County Manager or Board of Commissioners.

Current Expense: Local funds used to supplement the State's minimum level of support for operating the schools. These funds by State law are appropriated on a per pupil basis.

Debt Service: Used for payment of general long-term debt principal, interest, and related costs.

Delinquent Taxes: Taxes that remain unpaid after the due date on which a penalty for nonpayment is incurred.

Department: A major administrative division of the County that has overall management responsibility for an operation within a function area.

DHR: Represents Departments of Human Resources that includes Social Services, Public Health, and Partners Behavioral Health Management (Partners BHM).

Encumbrance: A financial commitment for services, contracts, or goods that have not as yet been delivered or performed.

Enterprise Fund: A grouping of activities whose expenditures are wholly or partially offset by revenues collected from consumers in the form of fees and charges.

Expenditures: The total costs of a program or capital project.

Fire Protection Service Districts: Districts established pursuant to NCGS 153A-301(a)(2) within the County for the purpose of establishing fire tax rates to provide fire protection services.

Fiscal Year: The time period beginning July 1 of a calendar year and ending on June 30 of the following calendar year. Budgeting is carried out on a fiscal year schedule.

Fixed Asset: An asset of long-term character. For budgetary purposes a fixed asset is defined as an item costing \$5,000 or more with an expected life of more than three years.

Fringe Benefits: For budgeting purposes fringe benefits include employer payments for social security, retirement, group health, life insurance, dental insurance, and worker's compensation.

Full-Time Equivalent (FTE): An FTE converts the hours worked by a position into a percentage of a full year's number of hours. One FTE equals 40 hours per week or 2,080 hours per years per permanent position.

Fund: An accounting entity created to record the financial activity for a selected financial grouping. A fund is set up to carry out a special function or attain certain objectives in accordance with set laws and regulations.

Fund Balance: Amounts shown as fund balance represent monies which remain unspent after all budgeted expenditures have been made. North Carolina statutes dictate that a portion of fund balance should be retained and not made available for appropriation in the following fiscal year.

Function: A broad grouping of activities and departments whose outcomes and expenditures are inter related. Examples of functions within Catawba County include Human Services, Public Safety, and General Government.

Generally Accepted Accounting Principles (GAAP): Rules and standards mandated by policy boards for the creation of uniform financial reports. Accountants adhere to GAAP for consistency, fairness, honesty and accuracy in measuring and disclosing financial information.

General Fund: The general operating fund of the County used to account for all financial resources except those required to be accounted for in another fund.

General Obligation Bonds: Bonds issued by a government that are backed by the full faith and credit of its taxing authority.

General Statutes (GS): A written law passed by a legislative body.

Government Finance Officers Association (GFOA): An organization that provides best practice guidance, consulting, networking opportunities, publications including books, e-books, and periodicals, recognition programs, research, and training opportunities for those in the profession of public finance.

Governmental Funds: There are three groups of funds for which financial statements are prepared—governmental, proprietary, and fiduciary. Proprietary funds are employed to report on activities financed primarily by revenues generated by the activities themselves, such as a utility. Fiduciary funds contain resources held by a government but belonging to individuals or entities other than the government. Governmental funds account for everything else. Catawba County has three types of governmental funds:

- General Fund and like funds
- Special Revenue Funds
- Capital Project Funds

Grants: A broad statement of desired conditions to be maintained or achieved through the efforts of an organization.

Health Savings Account (HSA): A type of savings account that allows you to set aside money on a pre-tax basis to pay for qualified medical expenses. A Health Savings Account can be used only if you have a high deductible health plan

Indirect Cost: The component of the total cost for a service that is provided by and budgeted within another department or division. Indirect costs are budgeted to more accurately reflect the true total cost for such services such as those provided by the Administrative Departments.

Intergovernmental Revenues: Revenues from other governments (State, Federal, or local), which can be in the form of grants, shared revenues, or entitlement.

Lease Purchase: A method of purchasing equipment in which payments are spread over a period of time.

Levy: The amount of tax, service charge, and assessments imposed by the government.

Line Item: A budgetary account representing a specific object of expenditure.

Metropolitan Statistical Area (MSA): Geographical divisions, determined by the United States Office of Management and Budget, for the purposes of the census data and other urban population calculations. The divisions are primarily based on urban areas that have a high degree of social and economic integration with the urban core area, and tend to follow town or county borders.

Modified Accrual: The County budgets all funds on the modified accrual basis of accounting according to North Carolina General Statute. This is an accounting method in which revenues are recorded when they are earned or billed and expenditures are recorded when they are obligated.

Ordinance: A formal legislative enactment by the Board of Commissioners that has the full force and effect of law within the boundaries of the County.

Personal Services: Salaries and wages paid to employees for full-time, part-time, and temporary work including overtime and similar compensation. Also included in this account group are fringe benefits paid for employees.

Popular Annual Financial Reporting (PAFR): A report designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance.

Program: A well-defined portion of the operating plan for which a distinct set of goals and outcomes may be developed.

Program Objective: A specific statement about what is to be accomplished or achieved for a particular program during the fiscal year.

Public Safety: A group of expenditures related to the provision and enforcement of law enforcement and fire and disaster protection.

Reappraisal: The process of revaluing a jurisdiction's real property in order to adjust the tax value to the market value. By North Carolina law, a revaluation must be conducted at a minimum of every eight years.

Reclassification: A change in the classification and corresponding job title of an existing position that results from a major change in assigned responsibilities.

Reinventing Department: One of four departments operating under alternative methods for budgeting which give more flexibility for accounts.

Reserve: An account designated for a portion of the fund balance that is to be used for a specific purpose.

Revenue: Income including transfers and excluding proceeds from the sale of bonds or notes for the fiscal year. The major categories of revenue include taxes, intergovernmental, Federal and State, permits and fees, sales and services, and interest on investments.

Special Revenue Fund: A fund used to account for the revenues from specific sources that are to be used for legally specified expenditures.

Tax Levy: Revenue produced by applying a given tax rate to a property's assessed or tax value.

Turn in a Pusher (TIP): In an effort to eliminate drug traffickers and the illegal drugs they sell in the community, the Sheriff provides a forum in which citizens can "turn in a pusher." A pusher is informally a person who sells illegal drugs.