

LINCOLN COUNTY NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

LINCOLN COUNTY NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Prepared By
Finance Department**

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LINCOLN COUNTY

NORTH CAROLINA

BOARD OF COMMISSIONERS

CECELIA A. MARTIN, CHAIR

CARROL D. MITCHEM, VICE-CHAIRMAN

BILL BEAM

MARTIN OAKES

ALEX E. PATTON

KELLY ATKINS, COUNTY MANAGER

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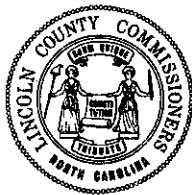
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COUNTY OF LINCOLN, NORTH CAROLINA

115 WEST MAIN STREET, 3RD FLOOR CITIZENS CENTER, LINCOLNTON, NORTH CAROLINA 28092

FINANCE DEPARTMENT

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FAX (704) 735-0273

January 26, 2017

Chairman Bill Beam,
Board of County Commissioners,
And the Citizens of Lincoln
County, North Carolina

The Comprehensive Annual Financial Report (CAFR) for Lincoln County, North Carolina, for the fiscal year ended June 30, 2016, is hereby submitted. The report consists of management's representations concerning the finances of Lincoln County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of Lincoln County has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft or misuse and to compile reliable information for the preparation of Lincoln County's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The cost of internal controls should not outweigh their benefits. Lincoln County's internal controls have been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Lincoln County's financial statements have been audited by Martin Starnes & Associates CPAs, P.A. The goal of the independent audit was to provide reasonable assurance that the financial statements of Lincoln County for the fiscal year ended June 30, 2016, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that Lincoln County's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditors report is presented as the first component of the financial section of this report.

The Comprehensive Annual Financial Report (CAFR) has been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments*. Additionally, the financial statements have been prepared in compliance with applicable requirements of the General Statutes of North Carolina and are consistent with the standards and guidelines recognized for governmental accounting and financial reporting contained in both *Audits of State and Local Governmental Units*, an audit guide prepared by the Committee of Governmental Accounting of the American Institute of Certified Public Accountants (AICPA), and *Government Auditing Standards*, issued by the Comptroller General of the United States. Among other resources used in the preparation of the financial statements, the Finance Department Staff has given particular attention to *Governmental Accounting*,

Auditing, and Financial Reporting (GAAFR) issued by the Government Finance Officers Association of the United States and Canada (GFOA), and Governmental Accounting Standards Board (GASB) pronouncements.

The Single Audit Act of 1984 established requirements for state and local governments that receive federal assistance. The audit requirements have also been adopted by the State of North Carolina for state grants. Information related to this single audit, including the schedule of federal and state financial awards, schedule of findings and questioned costs, auditor's report on internal control and compliance with laws and regulations, and other schedules and exhibits necessary to satisfy the requirements of the single audit, are included in the single audit section.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. Lincoln County's MD&A is presented immediately following the report of our independent auditors.

Financial Reporting Entity

The CAFR includes all funds and account groups of the County, including all activities considered to be part of (controlled by or dependent on) the County. Control by, or dependence on, the County was determined in accordance with the criteria established by the Governmental Accounting Standards Board (GASB) and included in the GASB's guidance in defining the governmental reporting entity.

The financial reporting entity includes all funds and account groups of Lincoln County, as well as its component units. Component units are legally separate entities for which Lincoln County is financially accountable.

The East Lincoln County Water and Sewer District Fund and the Lincoln County ABC Board are component units of Lincoln County and presented as proprietary funds. Proprietary funds are used to account for a government's continuing business-type organizations and activities. Most of the generally accepted accounting principles of proprietary funds are those applicable to similar private businesses. Effective July 1, 2007 the assets of the East Lincoln County Water and Sewer District were transferred to the Lincoln County Water and Sewer Fund to allow the sewer system to serve a larger area in a rapidly growing portion of the County. The Sewer District will remain in existence and levy a tax until the existing debt service of the District is repaid.

State Statutes require the adoption of an annual balanced budget for all funds, except the agency fiduciary funds and those authorized by project ordinance. Expenditures may not legally exceed appropriations at the functional level for the general fund, the departmental level for the special revenue funds and enterprise funds and at the object level for the capital project funds. The annual budget serves as the basis for the County's financial planning and control. Budgets are developed on a departmental basis by expenditure function within a fund. The budgets display all of the County's financial operations including funding for various agencies outside the County's organizational structure. The County Manager submits the annual balanced budget to the Board of Commissioners before June each year. A public hearing on the budget is held in the middle of June with an expected budget adoption by June 30. In accordance with North Carolina statutes, the governing board shall adopt a budget not earlier than ten days after the budget is presented to the Board and no later than July 1.

During the fiscal year, the County Manager is authorized to transfer budgeted amounts within objects of a department and up to \$50,000 between departments of the same fund; however, any revisions that alter the total budget of any fund must be approved by the Board of Commissioners.

Profile of the Government

The County is located in the western portion of the North Carolina Piedmont Plateau, approximately 165 miles west of Raleigh, the State Capital, and 30 miles northwest of Charlotte, the state's largest city. The County was formed in 1779 and has a total land area of approximately 308 square miles. The City of Lincolnton, with an estimated 2014 population of approximately 10,732 is the center of an urban area of 15,000, the County seat, and the only incorporated municipality in the County. The County's population as of July 1, 2015, according to the State Demographer, was 81,397.

There is growing suburban development and extensive construction in the eastern portion of the County along and near Lake Norman, the state's largest man-made lake by surface area, with approximately 520 miles of shoreline. This area is within 30 minutes of uptown Charlotte and has experienced significant residential and commercial growth in recent years.

Economic Diversity

A combination of diversified industries, agricultural production, and major distribution centers contributes to the economy of the County. The main agricultural pursuits are poultry production, dairy farming, apple production and field crops and vegetable production, with a new and growing focus on blackberries. The major industrial employers are in metal and electronics manufacturing, specialty textiles, home products, food processing and motorsports.

The Lincolnton and Lincoln County Micropolitan Area was ranked 4th nationally by *Site Selection* magazine in 2010 for its ability to secure new and expanded industrial projects. Since 2004, the Lincoln County Micropolitan Area had been ranked in the top 25 every year except for one.

Fiscal year 2016 again saw large increases in residential construction permitting on the eastern end of the County. Trilogy Corporation continues to construct a large residential development, and many other permits have been taken for new construction in that part of the County.

Fiscal year 2015 saw a large increase in residential construction on the eastern end of the County. Trilogy Corporation will be constructing over 1,500 homes, along with associated greenways, and commercial space. There were also several other permits issued for residential developments, with over 300 and 500 homes to be built, respectively.

Fiscal year 2014 saw four economic development announcements. The Lincolnton-Lincoln County Airport is seeking to expand and construct a business park, with a possible \$7,000,000 investment in buildings and airplane hangars.

Capital Improvement Program

With the 2008 – 2009 budget adoption, the Board of Commissioners approved the first formal Capital Improvement Program (CIP) for the County covering many years of capital needs. One of the capital needs being addressed is office space for court and County administrative functions. A committee

considered options which consisted of purchasing and renovating existing facilities or the construction of a new facility. As a means to immediately address some of the office space needs, in 2006 the Board of Commissioners entered into a lease for a former bank building in downtown Lincolnton, which included an option to purchase the building if the County chooses. The County exercised that option in Fiscal Year 2013. County offices previously located in the Courthouse have relocated to this building providing much needed space and freeing up space in the Courthouse for court functions.

At the same September 2006 meeting the Board of Commissioners also approved an agreement that allowed Lincoln Health System to enter into an agreement for Carolinas Healthcare System to apply for a certificate of need to construct a new hospital in Lincolnton. The certificate of need was received in 2008, and construction began soon after. This hospital was completed and occupied on July 10, 2010. On September 1, 2010 the former facility reverted back to Lincoln County, which plans to use the facility for county office space. In 2015, the Board of Commissioners approved an architect to perform a detailed space study of all county departments and how their needs can best be addressed in light of the hospital facility becoming available. The space study was completed and the project moved to the next phase, the schematic design of the facility, which had the architect to determine a more accurate estimate of the renovation costs. Currently parts of the old building have been demolished, and construction will start shortly on the Health Department portion of the facility. After this facility is renovated and existing county offices are moved in, the offices currently occupied by county departments will also be renovated for court and related functions needed by the County in the downtown area.

The Lincoln County Board of Education at their September 2003 joint meeting with the Board of Commissioners presented a ten-year capital facility plan. This plan projected school enrollment versus capital needs over the next ten years. The list of capital needs included renovations to existing facilities along with the construction of various new schools throughout the County. In keeping with this plan, the Board of Commissioners in the fall of 2007 approved an additional school bond referendum in the amount of \$44.6 million that was presented for voter approval on May 6, 2008. This referendum was approved by the voters. It has provided funds for renovation and expansion of existing buildings, expansion of the bus garage, a new technology arts building, and a new elementary school. These bonds, which were originally proposed to be issued over three fiscal years, are being spread over a longer period due to a decline in the economy and a slight decline in school enrollment. The first issuance of \$13 million, along with an additional \$2 million of authorized but unissued 2004 bonds was issued in October, 2008. The second installment of this financing, \$8.5 million, was issued in February, 2010. The third installment, in the amount of \$9.6 million, was issued in February, 2011. The final amount of unissued bonds remaining, \$13.5 million, has been delayed until January 2015, or such time as is deemed necessary, due to the economic downturn and school enrollment numbers. By selling these bonds over an eight year period, we can meet the cash flow needs of the schools on these projects and spread our debt over a longer period. The 2003 and part of the 2006 bonds were refunded in November, 2013. This will result in a slightly lower debt service burden for the remaining life of the bonds. The remaining 2006 bonds were refunded in Fiscal Year 2015.

Lincoln County completed construction of a new wastewater treatment plant in October 2010. The new treatment facility has an initial capacity of 1.67 MGD and will be expandable up to 8.0 MGS as future flows require. This project, estimated at \$22 million, is being funded by a State revolving loan of \$17.5 million and an installment financing of \$2.5 million. It is to be repaid from sewer fees and capacity development fees from current and future customers. The balance came from funds accumulated within the Water and Sewer Fund.

Long Term Planning

As one of the principal goals of the Planning and Inspections Department, Long Range Planning includes several projects which provide guidance for the future development throughout Lincoln County. The staff continues to work on many long term projects simultaneously with advisement from the Board of Commissioners, Planning Board and the citizens. Permitting activity has significantly increased in Lincoln County over the past two years.

Staff and the planning board are examining existing zoning districts and how they correlate with the Lincoln County Land Use Plan and other small area plans. Considering the fact that zoning in Lincoln County has been in existence for nearly twenty years, it is prudent to examine how the County has changed. For example, there are water and sewer lines and future expansions that need to be considered when examining current and future density patterns. While it is likely that there will not be numerous zoning changes, it is important to recognize those areas that might need to be adjusted accordingly.

Education

Funding for education remains a large expenditure category in our budget with a total of \$17,179,606 expended from the General Fund. In addition, \$1,729,091 was paid for capital project expenditures.

Other Postemployment Benefits

The County provides certain other post-employment benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees.

The County offers post-retirement health care benefits to all full-time County employees who retire with at least 20 years of service from the Local Government Retirement System. Effective September 1, 2005, the service requirement was increased to 25 years for new hires after that date. After the employee reaches age 65 or until they are eligible to receive Medicare Benefits, whichever occurs first, the coverage will be terminated and the County will provide a Medicare supplement. The County pays the same rate for insurance coverage for both retired employees post-retirement health care and for current employees with the balance paid by the employees or retirees. The County will fund this benefit on a pay-as-you-go basis for the upcoming year.

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. GASSB Statement No. 45 generally required that state and local governmental employers account for other post-employment benefits (OPEB) on an accrual basis similar to the manner that they currently account for pensions. GASB Statement No. 45 also requires disclosure of information on the plan in which an employer participates, the funding policy followed, and the actuarial valuation process and assumptions. The County is considered a "Phase 2" government under GASB Statement No. 45 and implemented the required changes in fiscal year 2008 – 2009.

Awards and Acknowledgements

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Lincoln County for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the nineteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

We appreciate the assistance and dedication of the Finance Department staff throughout the year, especially during the preparation of the CAFR. We would like to thank all members of the Department who contributed to its preparation and the County's independent certified public accountants, Martin Starnes & Associates, CPAs, for their assistance. The cooperation of each County department is appreciated as we work together in conducting the County's financial operations. We also express our appreciation to the members of the Board of County Commissioners for their continued support, guidance, and advice in planning and conducting the financial activities of the County in a responsible and progressive manner.

Respectfully submitted,



Kelly G. Atkins
County Manager



Deanna L. Rios
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Lincoln County
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

LINCOLN COUNTY, NORTH CAROLINA

Principal Officials

June 30, 2016

Board of County Commissioners

Carrol D. Mitchem, Chairman

Bill Beam, Vice-Chairman

Cecelia A. Martin

Martin Oakes

Alex E. Patton

County Officials

Kelly Atkins

Wesley Deaton

Danny Hester

David Carpenter

Taylor Sumansky

Donnie Fields

Tom Dyson

Bradley Putnam

Bill Summers

Ron Rombs

Deanna Rios

Margaret Dollar

Jennifer Sackett

Dante' Patterson

Andrew Bryant

Don Chamblee

John Davis

Marti Hovis

Susan McCracken

Rick McSwain

Susan Sain

Ron Rombs

Eric Robinson

County Manager

County Attorney

Register of Deeds

Sheriff

Animal Services

Buildings and Grounds

Cooperative Extension

Elections

Emergency Management

Emergency Medical Services

Finance Director

Health

Library

Information Technology

Planning and Inspections

Public Works

Recreation

Senior Services

Social Services

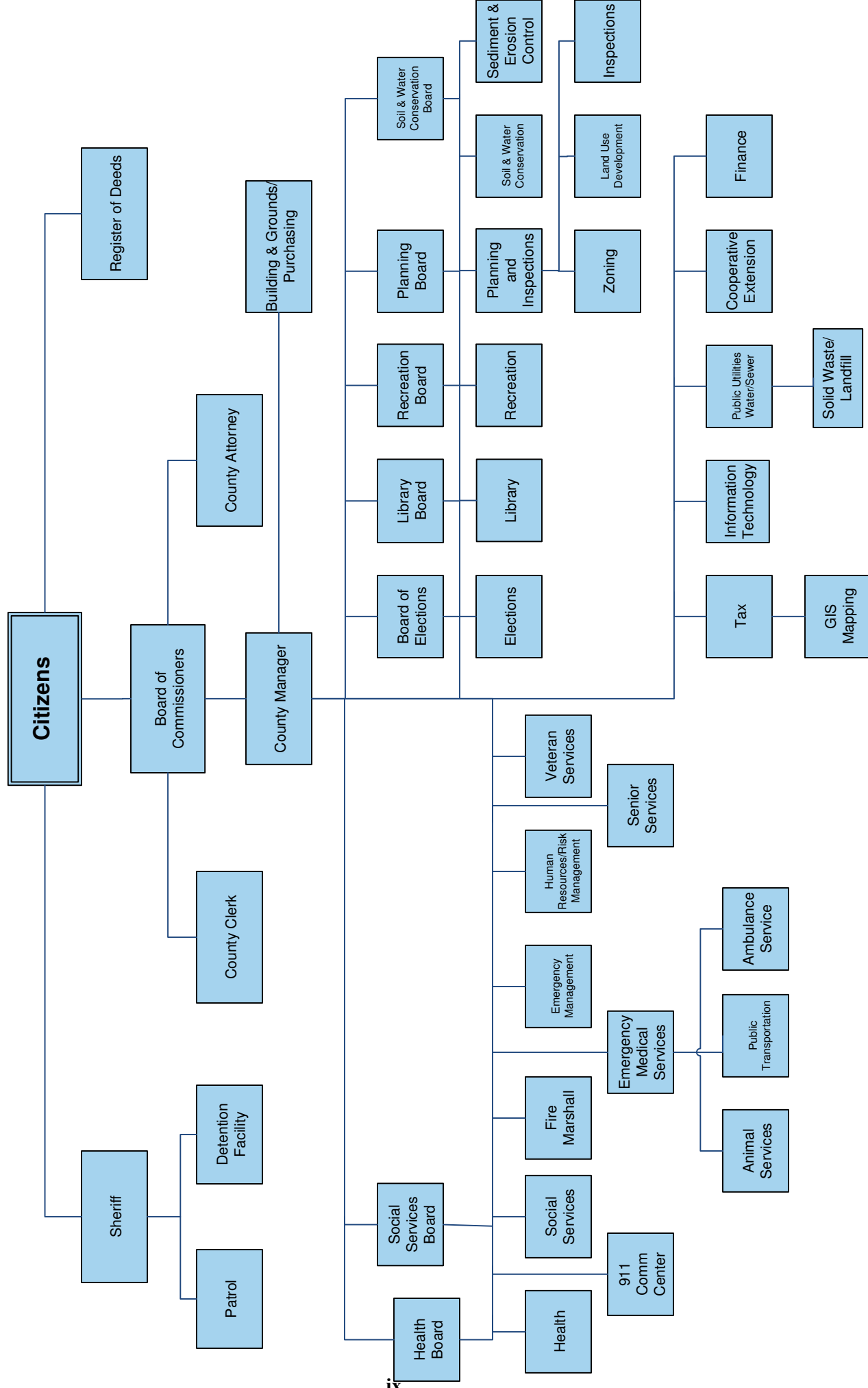
Soil Conservation

Interim Tax Administrator

Transportation

Veterans Service

Lincoln County



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

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

Independent Auditor's Report

To the Board of Commissioners
Lincoln County
Lincolnton, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lincoln County ABC Board, which represents 99.3 percent, 99.2 percent, and 99.6 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by another auditor whose report has been furnished to us; and our opinion, insofar as it relates to the amounts included for the Lincoln County ABC Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Lincoln County ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, North Carolina, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officer's Special Separation Allowance Schedule of Funding Progress, the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions, the Local Government Employee's Retirement System Proportionate Share of Net Pension Liability (Asset) and Schedule of County's Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) and Schedule of County's Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lincoln County's basic financial statements. The introductory information, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical section as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed above, and the report of the other auditors, the combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2017, on our consideration of Lincoln County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln County's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
January 26, 2017

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Management's Discussion and Analysis

As management of Lincoln County, we offer readers of Lincoln County's financial statements this narrative overview and analysis of the financial activities of Lincoln County for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

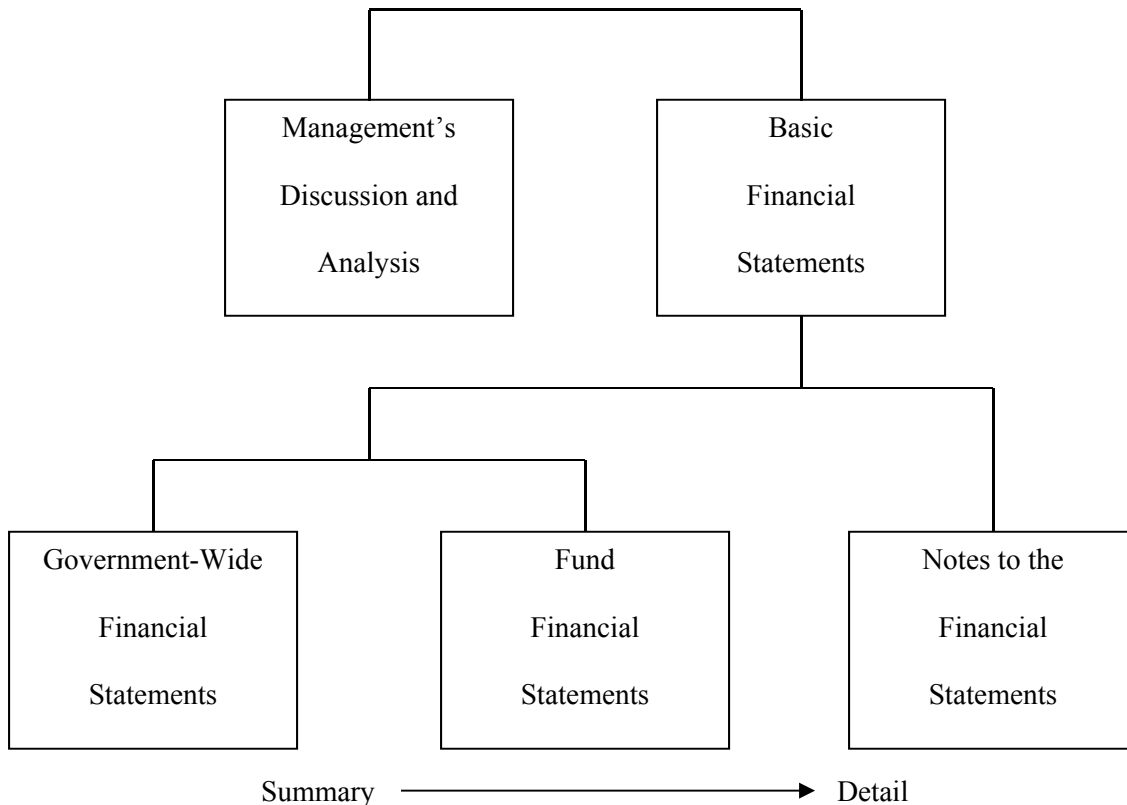
- The assets and deferred outflows of resources of Lincoln County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$59,022,056 (*net position*).
- Current year decreases in debt related to school construction and expansion of the water treatment plant were the primary factors contributing to the increase in the government's total net position of \$19,577,911.
- As of the close of the current fiscal year, Lincoln County's governmental funds reported combined ending fund balances of \$33,528,257, an increase of \$4,021,971, in comparison with the prior year amount. This increase was primarily due to the sale of the Home Health Agency to a private party. Approximately 25.22% of this total amount, or \$8,456,635, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$18,408,808, or 20.93%, of total General Fund expenditures for the fiscal year.
- Lincoln County's total debt decreased by \$6,120,852, or 4.18%, during the current fiscal year. The key factor in this decrease was the principal payments on existing debt and a debt refunding.
- The assets of the East Lincoln County Water and Sewer District were transferred to the Lincoln County Water and Sewer Fund on July 1, 2007 in order to better serve a rapidly growing area of the County. The East Lincoln County Water and Sewer District will remain in existence until all debt of the District incurred prior to the asset transfer is repaid.
- Standard & Poor's increased Lincoln County's bond rating from AA- to AA+ in September 2014. Lincoln County has maintained bond ratings of Aa3 from Moody's Investors Service and AA rating from Fitch Ratings as a result of our last ratings in January 2011. Fitch reaffirmed our rating in September 2013.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Lincoln County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Lincoln County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits C through J) are the **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, 3) the proprietary fund statements, and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, **Supplemental Information** is provided to show details about the County's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how they have changed. Net position is the difference between the County's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the County's basic services, such as public safety, parks and recreation, and general administration. Property taxes and State and Federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and sewer and solid waste services offered by Lincoln County. The final category is the component units. Although legally separate from the County, the ABC Board is important to the County because the County is financially accountable for the Board by appointing its members and because the Board is required to distribute its profits to the County. Lincoln Community Friends, a 501(c)(3) corporation, was founded to obtain grants for Lincoln County. Lincoln Community Friends is made up of a nine-member Board, all of whom are appointed by the County Commissioners.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Lincoln County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Lincoln County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

Proprietary Funds. Lincoln County has one kind of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Lincoln County uses enterprise funds to account for its water and sewer activity and for its solid waste collection and disposal. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Lincoln County has five fiduciary funds, which are agency funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start after Exhibit J of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Lincoln County's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information starts after the Notes to the Financial Statements.

Interdependence with Other Entities. The County depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Lincoln County's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 42,064,112	\$ 41,586,690	\$ 17,573,767	\$ 16,615,648	\$ 59,637,879	\$ 58,202,338
Capital assets	63,293,806	61,060,680	79,039,852	76,289,878	142,333,658	137,350,558
Total assets	<u>105,357,918</u>	<u>102,647,370</u>	<u>96,613,619</u>	<u>92,905,526</u>	<u>201,971,537</u>	<u>195,552,896</u>
Deferred outflows of resources	<u>2,694,549</u>	<u>2,515,936</u>	<u>262,816</u>	<u>262,638</u>	<u>2,957,365</u>	<u>2,778,574</u>
Liabilities:						
Long-term liabilities						
outstanding	111,455,274	116,205,239	28,681,873	30,052,760	140,137,147	146,257,999
Other liabilities	<u>3,654,777</u>	<u>4,980,630</u>	<u>741,403</u>	<u>612,846</u>	<u>4,396,180</u>	<u>5,593,476</u>
Total liabilities	<u>115,110,051</u>	<u>121,185,869</u>	<u>29,423,276</u>	<u>30,665,606</u>	<u>144,533,327</u>	<u>151,851,475</u>
Deferred inflows of resources	<u>1,224,060</u>	<u>6,144,527</u>	<u>149,459</u>	<u>891,323</u>	<u>1,373,519</u>	<u>7,035,850</u>
Net Position:						
Net investment in capital assets	55,659,430	52,409,026	61,317,027	56,348,162	116,976,457	108,757,188
Restricted	8,895,232	7,513,118	-	-	8,895,232	7,513,118
Unrestricted	<u>(72,836,306)</u>	<u>(82,089,234)</u>	<u>5,986,673</u>	<u>5,263,073</u>	<u>(66,849,633)</u>	<u>(76,826,161)</u>
Total net position	<u>\$ (8,281,644)</u>	<u>\$ (22,167,090)</u>	<u>\$ 67,303,700</u>	<u>\$ 61,611,235</u>	<u>\$ 59,022,056</u>	<u>\$ 39,444,145</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Lincoln County exceeded liabilities and deferred inflows of resources by \$59,022,056 as of June 30, 2016. The County's net position increased by \$19,577,911 for the fiscal year ended June 30, 2016. One of the largest portions, \$116,976,457, reflects the County's net investment in capital assets (e.g., land, buildings, machinery, and equipment). Lincoln County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Lincoln County's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Several particular aspects of the County's financial operations influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 98.57%
- Long-term liabilities decreased with a corresponding increase in capital assets. This is due to the fact that in North Carolina counties issue debt for school construction, but school systems report the assets. The Lincoln County Board of Education has buildings and improvements valued at over \$306 million.
- Essentially flat ad valorem tax revenue, an increase in sales tax revenue due to a general increase in retail sales in County
- Continued low cost of debt due to the County's high bond rating

Lincoln County's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 9,092,148	\$ 8,710,495	\$ 14,838,377	\$ 13,100,455	\$ 23,930,525	\$ 21,810,950
Operating grants and contributions	15,870,781	13,072,616	-	-	15,870,781	13,072,616
Capital grants and contributions	1,409,490	2,143,834	2,962,527	-	4,372,017	2,143,834
General revenues:						
Property taxes	59,381,739	57,588,885	875,860	912,435	60,257,599	58,501,320
Other taxes	17,056,409	15,987,730	-	-	17,056,409	15,987,730
Other	478,634	420,286	71,362	48,656	549,996	468,942
Total revenues	<u>103,289,201</u>	<u>97,923,846</u>	<u>18,748,126</u>	<u>14,061,546</u>	<u>122,037,327</u>	<u>111,985,392</u>
Expenses:						
General government	19,892,679	17,453,401	-	-	19,892,679	17,453,401
Public safety	27,812,079	26,537,779	-	-	27,812,079	26,537,779
Economic and physical development	1,569,081	2,353,021	-	-	1,569,081	2,353,021
Human services	17,080,572	17,324,069	-	-	17,080,572	17,324,069
Transportation	321,507	-	-	-	-	-
Cultural and recreational	1,498,480	2,610,692	-	-	1,498,480	2,610,692
Education	18,193,559	21,484,615	-	-	18,193,559	21,484,615
Interest on long-term debt	3,035,798	3,189,629	-	-	3,035,798	3,189,629
Solid waste	-	-	4,406,194	4,925,026	4,406,194	4,925,026
Water and sewer	-	-	8,649,467	8,097,060	8,649,467	8,097,060
Total expenses	<u>89,403,755</u>	<u>90,953,206</u>	<u>13,055,661</u>	<u>13,022,086</u>	<u>102,459,416</u>	<u>103,975,292</u>
Change in net position	<u>13,885,446</u>	<u>6,970,640</u>	<u>5,692,465</u>	<u>1,039,460</u>	<u>19,577,911</u>	<u>8,010,100</u>
Net Position						
Beginning of year - July 1	(22,167,090)	(27,823,148)	61,611,235	58,374,358	39,444,145	30,551,210
Prior period adjustment	-	(1,314,582)	-	2,197,417	-	882,835
Beginning net position, restated	<u>(22,167,090)</u>	<u>(29,137,730)</u>	<u>61,611,235</u>	<u>60,571,775</u>	<u>39,444,145</u>	<u>31,434,045</u>
End of year - June 30	<u>\$ (8,281,644)</u>	<u>\$ (22,167,090)</u>	<u>\$ 67,303,700</u>	<u>\$ 61,611,235</u>	<u>\$ 59,022,056</u>	<u>\$ 39,444,145</u>

Governmental Activities. Governmental activities increased the County's net position by \$13,885,446. The key elements of this increase in 2016 were increased revenues from sales taxes and restricted intergovernmental revenues. There were decreases in expenditures in human services, culture and recreation, public safety and debt service.

Business-Type Activities. Business-type activities increased Lincoln County's net position by \$5,692,465. The business-type activities increase was primarily related to increases in availability fees and charges for services.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Lincoln County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Lincoln County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Lincoln County. At the end of the current fiscal year, available fund balance of the General Fund was \$26,089,936, while total fund balance reached \$33,256,233. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 29.66% of total General Fund expenditures, while total fund balance represents 37.81% of that same amount. This slight percentage increase is the result of increased revenues primarily increase in sales taxes and the sale of the County's Home Health Agency to a private party.

The General Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). At the end of the current fiscal year, total fund balance of the General Capital Projects Fund was (\$1,225,605), a decrease of \$1,077,880. The decrease is attributed to expenditures exceeding revenues and other financing sources, and closing of several projects along with transferring them out of the Fund.

At June 30, 2016, the governmental funds of Lincoln County reported a combined fund balance of \$33,528,257, a 12.0% increase from last year. Decreases in the General Capital Projects Fund, School Capital Projects Fund, Emergency Telephone Systems Fund, and Capital Reserve Fund were offset by an increase in the General Fund.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget projections on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues and expenses by \$3,039,002. The largest part of this increase, \$711,777, was to increase revenues and expenses in our DSS and Health programs to account for additional revenues and expenditures to assist clients. The other increases were to account for grants and to carryover encumbered funds from the previous year in various departments.

Proprietary Funds. Lincoln County's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Solid Waste Fund at the end of the fiscal year amounted to (\$2,541,748), the Water and Sewer Fund equaled \$8,415,864, and those for the East Lincoln County Water and Sewer District equaled \$112,557. The total change in net position for the three funds was (\$233,037), \$5,134,017, and \$791,485, respectively. The increase in the Water and Sewer Fund is primarily due to increases in charges for services. Other factors concerning the finances of these funds have already been addressed in the discussion of Lincoln County's business-type activities. Please refer to the Notes to Accounting Policies for a discussion of landfill closure/post-closure liabilities.

Capital Asset and Debt Administration

Capital Assets. Lincoln County's capital assets for its governmental and business-type activities as of June 30, 2016 totals \$142,333,658 (net of accumulated depreciation). These assets include buildings, land, water and sewer line and treatment facilities, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Purchased new building for consolidation of departments
- Construction of new water distribution lines
- Construction of sewer collection lines
- Improvements to buildings
- Industrial park improvements

Lincoln County's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 6,846,974	\$ 5,645,888	\$ 1,459,075	\$ 1,459,075	\$ 8,306,049	\$ 7,104,963
Buildings and structures	31,921,739	32,864,779	30,802,452	28,052,604	62,724,191	60,917,383
Other improvements	7,540,475	7,933,290	4,254,177	4,435,567	11,794,652	12,368,857
Machinery and equipment	3,637,811	3,632,279	2,497,734	2,646,960	6,135,545	6,279,239
Infrastructure	-	-	36,851,978	35,211,315	36,851,978	35,211,315
Vehicles and other equipment	3,524,996	3,142,395	-	-	3,524,996	3,142,395
Construction in progress	<u>9,821,811</u>	<u>7,842,049</u>	<u>3,174,436</u>	<u>4,484,357</u>	<u>12,996,247</u>	<u>12,326,406</u>
Total	<u>\$ 63,293,806</u>	<u>\$ 61,060,680</u>	<u>\$ 79,039,852</u>	<u>\$ 76,289,878</u>	<u>\$ 142,333,658</u>	<u>\$ 137,350,558</u>

Additional information on the County's capital assets can be found in Note 5 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2016, Lincoln County had total bonded debt outstanding of \$68,735,000, all of which is debt backed by the full faith and credit of the County.

Lincoln County's Outstanding Debt General Obligation Bonds

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	<u>\$ 68,160,000</u>	<u>\$ 75,085,000</u>	<u>\$ 575,000</u>	<u>\$ 1,085,000</u>	<u>\$ 68,735,000</u>	<u>\$ 76,170,000</u>

Lincoln County's total bonded debt decreased by \$7,435,000, or 9.76%, during the past fiscal year, primarily due to paying off debt.

As mentioned in the financial highlights section of this document, Lincoln County, through rating confirmations, maintained an Aa3 bond rating from Moody's Investor Service and earned a AA+ rating from Standard and Poor's Corporation, and a AA rating from Fitch Ratings. These bond ratings are a clear indication of the sound financial condition of Lincoln County. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Lincoln County is approximately \$593,700,000. The County had \$13,500,000 in school bonds, authorized but un-issued, at June 30, 2016.

Additional information regarding Lincoln County's long-term debt can be found in Note 6 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County.

- The County unemployment rate for 2015-2016 averaged approximately 4.7%, slightly lower than the State average of 5.1%.
- The Lincoln County Industrial Park now has over 3.5 million square feet representing over \$250 million in investments.
- In March 2010, Site Selection Magazine ranked the Lincolnton and Lincoln County Micropolitan Area 4th nationally for its ability to secure new and expanded corporate facility projects.
- The County's proximity to Charlotte and major transportation corridors continue to make it attractive for development.
- The County has a relative low tax rate of 61.1 cents, which is less than the State average of 65.54 cents.
- Lincoln County had the first LEED Certified (Silver) distribution center in North Carolina, built during 2009.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities. The County adopted a General Fund budget in the amount of \$95,634,214 for the fiscal year ended June 30, 2016, an increase of \$6,020,829, or 6.71%, from the fiscal year 2015 budget. The majority of the budget increases were in Public Safety expenses and School funding. The property tax levy remained at \$.611 per \$100 valuation.

Business-Type Activities. The water and sewer rates in the County continue to remain stable with growth and customer base adequate to cover expenses, and tap and capacity fees have increased due to the increase in construction. The water system recently completed construction of additional distribution lines. This construction has allowed for the continued expansion of residential and commercial growth in the eastern part of the County along with providing adequate water service for our industrial park in the northern part of the County. The County Water and Sewer System has also completed construction of a new \$22 million wastewater treatment facility, and complete demolition and removal of the old facility, which will allow for future growth in the eastern part of the County. Rates for landfill tipping fees have increased slightly, and availability fees have also increased to \$99 per year to allow the accumulation of funds for future landfill cells and the closure of existing landfill cells.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Lincoln County, 115 West Main Street, Lincolnton, North Carolina 28092.

LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Units	
				Lincoln County ABC Board	Lincoln Community Friends
Assets:					
Cash and cash equivalents	\$ 32,154,869	\$ 16,256,507	\$ 48,411,376	\$ 202,341	\$ 10,591
Taxes receivable (net)	1,676,206	96,690	1,772,896	-	-
Accounts receivable (net)	2,498,312	1,279,783	3,778,095	-	-
Due from other governments	2,984,801	204,815	3,189,616	-	-
Internal balances	411,784	(411,784)	-	-	-
Inventories	-	-	-	185,830	-
Prepaid items	538,710	8,186	546,896	-	-
Cash and cash equivalents, restricted	1,604,344	139,570	1,743,914	-	-
Net pension asset	195,086	-	195,086	-	-
Capital assets, non-depreciable	16,668,785	4,633,511	21,302,296	751,332	-
Capital assets, depreciable, net	46,625,021	74,406,341	121,031,362	353,640	-
Total assets	105,357,918	96,613,619	201,971,537	1,493,143	10,591
Deferred Outflows of Resources:					
Contributions to pension plan in current fiscal year	1,682,875	250,371	1,933,246	-	-
Pension deferrals	93,911	12,445	106,356	13,227	-
Deferred charges, net	917,763	-	917,763	-	-
Total deferred outflows of resources	2,694,549	262,816	2,957,365	13,227	-
Liabilities:					
Accounts payable and other accrued liabilities	3,646,877	601,833	4,248,710	190,877	-
Prepaid fees	7,900	-	7,900	-	-
Liabilities to be paid from restricted assets:					
Customer deposits	-	139,570	139,570	-	-
Long-term liabilities:					
Net pension liability	1,887,361	282,020	2,169,381	5,430	-
Due in less than one year	9,693,054	2,161,249	11,854,303	-	-
Due in more than one year	99,874,859	26,238,604	126,113,463	-	-
Total liabilities	115,110,051	29,423,276	144,533,327	196,307	-
Deferred Inflows of Resources:					
Pension deferrals	1,009,411	149,459	1,158,870	2,823	-
Prepaid taxes	214,649	-	214,649	-	-
Total deferred inflows of resources	1,224,060	149,459	1,373,519	2,823	-
Net Position:					
Net investment in capital assets	55,659,430	61,317,027	116,976,457	662,021	-
Restricted for Stabilization by State statute	7,036,925	-	7,036,925	-	-
Restricted for Register of Deeds	43,937	-	43,937	-	-
Restricted for education	1,136,803	-	1,136,803	-	-
Restricted for public safety	677,567	-	677,567	-	-
Restricted for working capital	-	-	-	81,496	-
Unrestricted	(72,836,306)	5,986,673	(66,849,633)	563,723	10,591
Total net position	\$ (8,281,644)	\$ 67,303,700	\$ 59,022,056	\$ 1,307,240	\$ 10,591

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

LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 19,892,679	\$ 1,970,356	\$ 3,059,063	\$ 626,090
Public safety	27,812,079	5,635,205	923,587	-
Economic and physical development	1,569,081	-	30,229	-
Human services	17,080,572	1,405,400	11,739,707	-
Cultural and recreational	1,498,480	81,187	118,195	-
Transportation	321,507	-	-	-
Education	18,193,559	-	-	783,400
Debt service:				
Interest and fees	3,035,798	-	-	-
Total governmental activities	<u>89,403,755</u>	<u>9,092,148</u>	<u>15,870,781</u>	<u>1,409,490</u>
Business-Type Activities:				
Solid waste	4,406,194	4,143,385	-	-
Water and sewer	8,563,573	10,694,992	-	2,962,527
East Lincoln County water and sewer	85,894	-	-	-
Total business-type activities	<u>13,055,661</u>	<u>14,838,377</u>	<u>-</u>	<u>2,962,527</u>
Total primary government	<u>\$ 102,459,416</u>	<u>\$ 23,930,525</u>	<u>\$ 15,870,781</u>	<u>\$ 4,372,017</u>
Component Unit:				
Lincoln County ABC Board	\$ 2,599,404	\$ 2,776,643	\$ -	\$ -
Lincoln Community Friends	-	-	10,591	-
Total component unit	<u>\$ 2,599,404</u>	<u>\$ 2,776,643</u>	<u>\$ 10,591</u>	<u>\$ -</u>

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

LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Lincoln County ABC Board	Lincoln Community Friends
Functions/Programs:					
Primary Government:					
Governmental Activities:					
General government	\$ (14,237,170)	\$ -	\$ (14,237,170)		
Public safety	(21,253,287)	-	(21,253,287)		
Economic and physical development	(1,538,852)	-	(1,538,852)		
Human services	(3,935,465)	-	(3,935,465)		
Cultural and recreational	(1,299,098)	-	(1,299,098)		
Transportation	(321,507)	-	(321,507)		
Education	(17,410,159)	-	(17,410,159)		
Debt service:					
Interest and fees	(3,035,798)	-	(3,035,798)		
Total governmental activities	(63,031,336)	-	(63,031,336)		
Business-Type Activities:					
Solid waste	-	(262,809)	(262,809)		
Water and sewer	-	5,093,946	5,093,946		
East Lincoln County water and sewer	-	(85,894)	(85,894)		
Total business-type activities	-	4,745,243	4,745,243		
Total primary government	(63,031,336)	4,745,243	(58,286,093)		
Component Unit:					
Lincoln County ABC Board				\$ 177,239	\$ -
Lincoln Community Friends				-	10,591
Total component unit				177,239	10,591
General Revenues:					
Ad valorem taxes	59,381,739	875,860	60,257,599	-	-
Local option sales tax	15,459,998	-	15,459,998	-	-
Utility franchise tax	220,188	-	220,188	-	-
Real estate transfer tax	974,733	-	974,733	-	-
Other taxes	401,490	-	401,490	-	-
Unrestricted intergovernmental	306,511	-	306,511	-	-
Investment earnings	172,123	71,362	243,485	532	-
Total general revenues	76,916,782	947,222	77,864,004	532	-
Change in net position	13,885,446	5,692,465	19,577,911	177,771	10,591
Net Position:					
Beginning of year - July 1	(22,167,090)	61,611,235	39,444,145	1,129,469	-
End of year - June 30	\$ (8,281,644)	\$ 67,303,700	\$ 59,022,056	\$ 1,307,240	\$ 10,591

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

LINCOLN COUNTY, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 27,455,200	\$ -	\$ 1,009,375	\$ 28,464,575
Taxes receivable, net	1,348,841	-	327,365	1,676,206
Accounts receivable, net	2,406,050	-	91,142	2,497,192
Due from other governments	2,948,770	28,313	7,718	2,984,801
Due from other funds	1,574,467	-	-	1,574,467
Prepaid items	256,545	-	-	256,545
Cash and cash equivalents, restricted	1,136,803	-	467,541	1,604,344
Total assets	<u>\$ 37,126,676</u>	<u>\$ 28,313</u>	<u>\$ 1,903,141</u>	<u>\$ 39,058,130</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and other accrued liabilities	\$ 1,968,331	\$ 138,347	\$ 31,035	\$ 2,137,713
Prepaid fees	7,900	-	-	7,900
Due to other funds	-	1,115,571	47,112	1,162,683
Total liabilities	<u>1,976,231</u>	<u>1,253,918</u>	<u>78,147</u>	<u>3,308,296</u>
Deferred Inflows of Resources:				
Unavailable taxes	1,348,841	-	327,365	1,676,206
Prepaid taxes	214,649	-	-	214,649
Unavailable revenue	<u>330,722</u>	<u>-</u>	<u>-</u>	<u>330,722</u>
Total deferred inflows of resources	<u>1,894,212</u>	<u>-</u>	<u>327,365</u>	<u>2,221,577</u>
Fund Balances:				
Non-spendable:				
Prepays	256,545	-	-	256,545
Restricted:				
Stabilization for State statute	6,909,752	28,313	98,860	7,036,925
Register of Deeds	43,937	-	-	43,937
Education	1,136,803	-	467,541	1,604,344
Public safety	-	-	677,567	677,567
Committed	1,000,000	-	303,043	1,303,043
Assigned	5,500,388	-	-	5,500,388
Unassigned	<u>18,408,808</u>	<u>(1,253,918)</u>	<u>(49,382)</u>	<u>17,105,508</u>
Total fund balances	<u>33,256,233</u>	<u>(1,225,605)</u>	<u>1,497,629</u>	<u>33,528,257</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 37,126,676</u>	<u>\$ 28,313</u>	<u>\$ 1,903,141</u>	

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

LINCOLN COUNTY, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

		<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		63,293,806
Deferred charges related to advance refunding of long-term debt are not current financial resources and, therefore, are not reported in the funds.		
Deferred cost of refunding	\$ 1,116,957	
Less accumulated amortization	<u>(199,194)</u>	917,763
Long-term liabilities and related accrued interest, unfunded pension obligations, compensated absences, and other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.		(109,567,913)
Net pension asset - ROD		195,086
Net pension liability - LGERS		(1,887,361)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.		1,682,875
Pension related deferrals		(915,500)
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end.		2,006,928
An Internal Service Fund is used by management to charge insurance costs to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.		<u>2,464,415</u>
Net position of governmental activities, per Exhibit A		<u>\$ (8,281,644)</u>

LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 52,162,535	\$ -	\$ 6,940,996	\$ 59,103,531
Local option sales taxes	15,459,998	-	-	15,459,998
Other taxes and licenses	1,343,373	-	253,038	1,596,411
Unrestricted intergovernmental revenues	306,511	-	-	306,511
Restricted intergovernmental revenues	12,498,128	352,432	1,202,422	14,052,982
Permits and fees	2,368,484	-	-	2,368,484
Sales, service, and rents	5,938,525	-	-	5,938,525
Miscellaneous	2,888,667	273,658	1,711	3,164,036
Investment earnings	147,178	-	6,944	154,122
Total revenues	<u>93,113,399</u>	<u>626,090</u>	<u>8,405,111</u>	<u>102,144,600</u>
Expenditures:				
Current:				
General government	10,296,498	-	23,074	10,319,572
Public safety	23,250,693	-	7,317,553	30,568,246
Economic and physical development	1,513,856	-	-	1,513,856
Human services	19,162,102	-	-	19,162,102
Transportation	-	-	321,507	321,507
Cultural and recreational	2,559,533	-	63,361	2,622,894
Education	18,908,697	-	-	18,908,697
Capital outlay	-	2,021,638	519,261	2,540,899
Debt service:				
Principal repayments	9,053,807	-	-	9,053,807
Interest	3,213,983	-	-	3,213,983
Total expenditures	<u>87,959,169</u>	<u>2,021,638</u>	<u>8,244,756</u>	<u>98,225,563</u>
Revenues over (under) expenditures	<u>5,154,230</u>	<u>(1,395,548)</u>	<u>160,355</u>	<u>3,919,037</u>
Other Financing Sources (Uses):				
Long-term debt issued	5,244,000	-	-	5,244,000
Payment to refunding bond escrow agent	(5,141,066)	-	-	(5,141,066)
Transfers out	(385,918)	-	(1,222,851)	(1,608,769)
Transfers in	1,222,851	317,668	68,250	1,608,769
Total other financing sources (uses)	<u>939,867</u>	<u>317,668</u>	<u>(1,154,601)</u>	<u>102,934</u>
Net change in fund balances	6,094,097	(1,077,880)	(994,246)	4,021,971
Fund Balances:				
Beginning of year - July 1	<u>27,162,136</u>	<u>(147,725)</u>	<u>2,491,875</u>	<u>29,506,286</u>
End of year - June 30	<u>\$ 33,256,233</u>	<u>\$ (1,225,605)</u>	<u>\$ 1,497,629</u>	<u>\$ 33,528,257</u>

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

LINCOLN COUNTY, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 4,021,971
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	5,350,325
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(3,072,598)
Capital assets disposed of during the year not recognized on the modified accrual basis.	(44,601)
Change in deferred outflow - pension	10,717
Change in deferred inflows - pension	4,957,941
Change in net pension liability	(4,322,960)
Expenses related to compensated absences, Law Enforcement Officers' Separation Allowance, and other post-employment benefits that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(2,323,836)
Accrued interest and amortization of refunding costs and premiums and amortized expenses that do not require current financial resources are not reported as expenditures in the governmental funds statement.	178,185
Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:	
Property taxes	278,208
Other fees for service	24,455
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	9,053,807
The net revenue of certain activities of the Internal Service Fund is reported with governmental activities.	(123,234)
The issuance of long-term debt (e.g., bonds, leases) and the refunding of long-term debt provide current financial resources to governmental funds. The repayment of refunded long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, is reported in the Statement of Activities.	(102,934)
Change in net position of governmental activities	<u>\$ 13,885,446</u>

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

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Over/Under
Revenues:				
Ad valorem taxes	\$ 50,846,817	\$ 50,846,817	\$ 52,162,535	\$ 1,315,718
Local option sales taxes	14,149,000	14,149,000	15,459,998	1,310,998
Other taxes and licenses	1,062,923	1,062,923	1,343,373	280,450
Unrestricted intergovernmental revenues	300,000	300,000	306,511	6,511
Restricted intergovernmental revenues	13,379,338	13,497,197	12,498,128	(999,069)
Permits and fees	1,897,600	1,972,600	2,368,484	395,884
Sales, service, and rents	5,942,863	6,028,452	5,938,525	(89,927)
Miscellaneous	736,993	989,420	2,888,667	1,899,247
Investment earnings	75,000	75,000	147,178	72,178
Total revenues	<u>88,390,534</u>	<u>88,921,409</u>	<u>93,113,399</u>	<u>4,191,990</u>
Expenditures:				
Current:				
General government	9,546,512	10,956,591	10,296,498	660,093
Public safety	23,796,557	24,671,018	23,250,693	1,420,325
Economic and physical development	1,633,351	1,700,228	1,513,856	186,372
Human services	20,606,645	21,066,181	19,162,102	1,904,079
Cultural and recreational	2,653,610	2,778,725	2,559,533	219,192
Education	18,908,697	18,908,697	18,908,697	-
Debt service:				
Principal	9,000,270	9,000,270	9,053,807	(53,537)
Interest and fees	3,326,045	3,428,979	3,213,983	214,996
Total expenditures	<u>89,471,687</u>	<u>92,510,689</u>	<u>87,959,169</u>	<u>4,551,520</u>
Revenues over (under) expenditures	<u>(1,081,153)</u>	<u>(3,589,280)</u>	<u>5,154,230</u>	<u>8,743,510</u>
Other Financing Sources (Uses):				
Long-term debt issued	-	102,934	5,244,000	5,141,066
Payment to refunding bond escrow agent	-	-	(5,141,066)	(5,141,066)
Transfers out	(141,698)	(385,918)	(385,918)	-
Transfers in	1,222,851	1,222,851	1,222,851	-
Fund balance appropriated	-	2,649,413	-	(2,649,413)
Total other financing sources (uses)	<u>1,081,153</u>	<u>3,589,280</u>	<u>939,867</u>	<u>(2,649,413)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>6,094,097</u>	<u>\$ 6,094,097</u>
Fund Balance:				
Beginning of year - July 1			<u>27,162,136</u>	
End of year - June 30			<u>\$ 33,256,233</u>	

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

LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities				Governmental Activities
	Solid Waste Fund	Water and Sewer Fund	East Lincoln County Water and Sewer District Fund	Total Enterprise Funds	Internal Service Funds
Assets:					
Current assets:					
Cash and cash equivalents	\$ 6,795,494	\$ 9,352,283	\$ 108,730	\$ 16,256,507	\$ 3,690,294
Taxes receivable, net	88,899	-	7,791	96,690	-
Accounts receivable, net	237,624	1,042,126	33	1,279,783	1,120
Due from other governments	51,308	153,507	-	204,815	-
Prepaid items	2,599	5,587	-	8,186	282,165
Cash and cash equivalents, restricted	-	139,570	-	139,570	-
Total current assets	7,175,924	10,693,073	116,554	17,985,551	3,973,579
Capital assets:					
Non-depreciable capital assets	640,648	3,992,863	-	4,633,511	-
Depreciable capital assets, net	5,803,028	68,603,313	-	74,406,341	-
Total non-current assets	6,443,676	72,596,176	-	79,039,852	-
Total assets	13,619,600	83,289,249	116,554	97,025,403	3,973,579
Deferred Outflows of Resources:					
Contributions to pension plan in current fiscal year	115,556	134,815	-	250,371	-
Pension deferrals	5,744	6,701	-	12,445	-
Total deferred outflows of resources	121,300	141,516	-	262,816	-
Liabilities:					
Current liabilities:					
Accounts payable and other accrued liabilities	159,197	438,639	3,997	601,833	1,509,164
Due to other funds	77,784	334,000	-	411,784	-
Current portion of compensated absences	25,000	30,000	-	55,000	-
Current portion of long-term debt	111,818	1,344,431	650,000	2,106,249	-
Liabilities to be paid from restricted assets:					
Customer deposits	-	139,570	-	139,570	-
Total current liabilities	373,799	2,286,640	653,997	3,314,436	1,509,164
Non-current liabilities:					
Net pension liability	130,163	151,857	-	282,020	-
Accrued landfill closure/post-closure care costs	8,218,174	-	-	8,218,174	-
Compensated absences	45,687	63,117	-	108,804	-
Other post-employment benefits	1,113,986	1,181,064	-	2,295,050	-
Long-term debt	523,238	14,918,338	175,000	15,616,576	-
Total non-current liabilities	10,031,248	16,314,376	175,000	26,520,624	-
Total liabilities	10,405,047	18,601,016	828,997	29,835,060	1,509,164
Deferred Inflows of Resources:					
Pension deferrals	68,981	80,478	-	149,459	-
Net Position:					
Net investment in capital assets	5,808,620	56,333,407	(825,000)	61,317,027	-
Unrestricted	(2,541,748)	8,415,864	112,557	5,986,673	2,464,415
Total net position	\$ 3,266,872	\$ 64,749,271	\$ (712,443)	\$ 67,303,700	\$ 2,464,415

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

LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities				Governmental Activities
	Solid Waste Fund	Water and Sewer Fund	East Lincoln County Water and Sewer District Fund	Total Enterprise Funds	Internal Service Funds
Operating Revenues:					
Charges for services	\$ 743,230	\$ 10,447,941	\$ -	\$ 11,191,171	\$ -
Water and sewer taps	-	236,782	-	236,782	-
Other operating revenues	25,000	6,750	-	31,750	7,643,438
Total operating revenues	768,230	10,691,473	-	11,459,703	7,643,438
Operating Expenses:					
Water treatment and distribution	-	3,937,882	-	3,937,882	-
Sewage collection	-	1,074,126	-	1,074,126	-
Pumping station	-	186,313	-	186,313	-
Landfill operations	3,246,242	-	-	3,246,242	-
Water and Sewer District	-	-	28,848	28,848	-
Landfill closure and post-closure costs	271,725	-	-	271,725	-
Other services	-	-	-	-	7,847,926
Depreciation	870,738	2,823,329	-	3,694,067	-
Total operating expenses	4,388,705	8,021,650	28,848	12,439,203	7,847,926
Operating income (loss)	(3,620,475)	2,669,823	(28,848)	(979,500)	(204,488)
Non-Operating Revenues (Expenses):					
Ad valorem taxes	-	-	875,860	875,860	-
Availability fee	3,013,211	-	-	3,013,211	-
Investment earnings	29,772	40,071	1,519	71,362	18,001
White goods disposal tax	6,566	-	-	6,566	-
Tire disposal tax	108,112	-	-	108,112	-
Franchise fees	35,000	-	-	35,000	-
Solid waste disposal tax	55,661	-	-	55,661	-
Federal and State grants, non-capital	15,000	-	-	15,000	-
Miscellaneous	141,605	3,519	-	145,124	63,253
Interest and fees	(17,489)	(541,923)	(57,046)	(616,458)	-
Total non-operating revenues (expenses)	3,387,438	(498,333)	820,333	3,709,438	81,254
Income (loss) before contributions	(233,037)	2,171,490	791,485	2,729,938	(123,234)
Capital contributions	-	2,962,527	-	2,962,527	-
Change in net position	(233,037)	5,134,017	791,485	5,692,465	(123,234)
Net Position:					
Beginning of year - July 1	3,499,909	59,615,254	(1,503,928)	61,611,235	2,587,649
End of year - June 30	\$ 3,266,872	\$ 64,749,271	\$ (712,443)	\$ 67,303,700	\$ 2,464,415

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

LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities				Governmental Activities
	Solid Waste Fund	Water and Sewer Fund	East Lincoln County Water and Sewer District Fund	Total Enterprise Funds	Internal Service Funds
Operating Activities:					
Cash received from customers	\$ 662,204	\$ 10,783,502	\$ -	\$ 11,445,706	\$ -
Cash received from interfund services	-	-	-	-	7,643,484
Cash received from other operating revenues	3,385,155	10,269	874,760	4,270,184	63,253
Cash paid for goods and services	(1,239,197)	(3,028,359)	(29,732)	(4,297,288)	(7,979,929)
Cash paid on behalf of employees	(1,877,887)	(2,040,261)	-	(3,918,148)	-
Net cash provided (used) by operating activities	930,275	5,725,151	845,028	7,500,454	(273,192)
Non-Capital Financing Activities:					
Federal and State grants, non-capital	15,000	-	-	15,000	-
Loans (to) from other funds	96,745	325,737	-	422,482	(63,329)
Net cash provided (used) by non-capital financing activities	111,745	325,737	-	437,482	(63,329)
Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(528,898)	(2,952,616)	-	(3,481,514)	-
Debt principal paid	(110,320)	(1,348,571)	(760,000)	(2,218,891)	-
Interest and fees paid	(17,489)	(541,923)	(57,046)	(616,458)	-
Net cash provided (used) by capital and related financing activities	(656,707)	(4,843,110)	(817,046)	(6,316,863)	-
Investing Activities:					
Interest on investments	29,772	40,071	1,519	71,362	18,001
Net cash provided (used) by investing activities	29,772	40,071	1,519	71,362	18,001
Net increase (decrease) in cash and cash equivalents/investments	415,085	1,247,849	29,501	1,692,435	(318,520)
Cash and Cash Equivalents/Investments:					
Beginning of year - July 1	6,380,409	8,244,004	79,229	14,703,642	4,008,814
End of year - June 30	\$ 6,795,494	\$ 9,491,853	\$ 108,730	\$ 16,396,077	\$ 3,690,294

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

LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities				Governmental Activities
	Solid Waste Fund	Water and Sewer Fund	East Lincoln County Water and Sewer District Fund	Total Enterprise Funds	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (3,620,475)	\$ 2,669,823	\$ (28,848)	\$ (979,500)	\$ (204,488)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	870,738	2,823,329	-	3,694,067	-
Non-operating items	3,360,155	3,519	875,860	4,239,534	63,253
Change in Assets and Liabilities:					
(Increase) decrease in receivables	(77,893)	98,779	(1,100)	19,786	46
(Increase) decrease in due from other governments	(3,133)	(63,254)	-	(66,387)	-
(Increase) decrease in prepaids	(2,599)	(5,587)	-	(8,186)	-
(Increase) decrease in other assets	-	-	-	-	(114,087)
(Increase) decrease in deferred outflows - pension	(82)	(96)	-	(178)	-
Decrease in net pension asset	168,789	196,920	-	365,709	-
Increase in net pension liability	130,163	151,857	-	282,020	-
Decrease in deferred inflows - pension	(342,399)	(399,465)	-	(741,864)	-
Increase (decrease) in accounts payable	37,664	99,268	(884)	136,048	(17,916)
Increase (decrease) in customer deposits	-	(6,579)	-	(6,579)	-
Increase (decrease) in landfill closure/post-closure care cost	271,725	-	-	271,725	-
Increase (decrease) in other post-employment benefits	138,416	144,067	-	282,483	-
Increase (decrease) in compensated absences payable	(794)	12,570	-	11,776	-
Total adjustments	4,550,750	3,055,328	873,876	8,479,954	(68,704)
Net cash provided (used) by operating activities	\$ 930,275	\$ 5,725,151	\$ 845,028	\$ 7,500,454	\$ (273,192)
Non-Cash Investing, Capital, and Financing Activities:					
Contributed depreciable assets, net of accumulated depreciation	\$ -	\$ 2,962,527	\$ -	\$ 2,962,527	\$ -

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

LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2016

	Agency Funds
	<hr/>
Assets:	
Cash and cash equivalents	\$ 300,871
Total assets	<u>\$ 300,871</u>
 Liabilities:	
Intergovernmental payable	\$ 300,871
Total liabilities	<u>\$ 300,871</u>

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

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LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies

The accounting policies of Lincoln County and its component units conform to generally accepted accounting principles (GAAP) as applicable to governments. 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 153 A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The following discretely presented component unit is reported in a separate column in the county's government-wide financial statements in order to emphasize that it is legally separate from the County. The blended component unit, although it is a legally separate entity, is in substance, part of the County's operations.

Component Units

Blended Component Unit

The East Lincoln County Water and Sewer District Fund (the "District") exists to provide and maintain a sewer system for the County residents within each district. Under State law [G.S. 162A-89], the County's Board of Commissioners also serve as the governing board for the District. Therefore, the District is reported as an Enterprise Fund in the County's financial statements. The District does not issue separate financial statements.

Discretely Presented Component Units

Lincoln County ABC Board

The members of the governing body of the Lincoln County ABC Board (the "ABC Board") are appointed by the County. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the County. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund. Complete financial statements for the ABC Board may be obtained from Huggins & Co., P.O. Box 680668, Charlotte, North Carolina 28216.

Lincoln Community Friends

Lincoln Community Friends, a 501(c)(3) corporation, was founded to obtain grants for Lincoln County. Lincoln Community Friends is made up of a nine-member Board, all of whom are appointed by the County Commissioners. The County can remove any commissioner of the entity with or without cause. Lincoln Community Friends does not issue separate financial statements.

Lincoln County Industrial Facility and Pollution Control Financing Authority

Lincoln 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 is governed by a seven-member Board, all of whom are appointed by the County

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Authority does not issue separate financial statements.

B. Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of 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. Interfund services provided are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program or function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from 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. Non-operating revenues, such as subsidies and investments earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the County. It is used to account for all financial resources of the general government, except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales taxes, Federal and State grants, and user fees. The primary expenditures are for public safety, social services, health services, parks and recreation, libraries, and general governmental services. Debt service payments of general long-term debt are accounted for in the General Fund.

General Capital Projects Fund. The General Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds).

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

The County reports the following nonmajor governmental funds:

Special Revenue Funds. Special revenue funds are used to account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The County has the following special revenue funds: the Fire Districts Fund, the Law Enforcement Fund, the Federal Law Enforcement Fund, the Emergency Telephone Systems Fund, and the Special Grants Fund.

Capital Projects Funds. Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The County has the following nonmajor capital projects funds: School Capital Projects Fund and the Capital Reserve Fund. The Capital Reserve Fund is a legally adopted Capital Reserve Fund under North Carolina General Statutes. However, for statement presentation, in accordance with GASB Statement No. 54, the Capital Reserve Fund is presented as a Capital Projects Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

The County reports all of its enterprise funds as major:

Enterprise Funds. Lincoln County has the following enterprise funds: the Solid Waste Fund, the Water and Sewer Fund, and the East Lincoln County Water and Sewer District Fund. In addition, the Water and Sewer Capital Projects Fund is consolidated with the Water and Sewer Fund for financial reporting purposes. The enterprise funds are used to account for those operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The County reports the following fund types:

Internal Service Funds. Internal service funds account for operations that provide services to other departments or agencies of the government or to other governments on a cost-reimbursement basis. Lincoln County has two internal service funds: the Health Insurance Fund and the Workers' Compensation Fund.

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains five agency funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Tax Collector Fund, which accounts for ad valorem property taxes that are billed and collected by the County for a municipality and fire districts within the County; the Register of Deeds SB202 Fund, which accounts for the \$6.20 of each fee collected by the Register of Deeds for registering or filing a deed of trust or mortgage; the Inmate Trust Fund, which accounts for monies held on behalf of inmates in the County jail; and the Miscellaneous Fund, which accounts for monies deposited with various other organizations.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for the agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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, property taxes are recognized as revenues in the year for which they are levied. Grants, entitlements, and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 non-operating 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 are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customer to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating 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. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures 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 receivable is not accrued as revenue in the governmental funds statement because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County, are recognized as revenues. Other intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. 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 position 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.

D. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund, special revenue funds, and enterprise funds. All unencumbered annual appropriations lapse at fiscal year-end. However, encumbered appropriations are re-appropriated in the ensuing year's budget. Project ordinances are adopted for the capital projects funds. All budgets are prepared using the modified accrual basis of accounting.

The lowest level that the budget is legally adopted is at the department level for the General Fund, special revenue funds, and enterprise funds and at the project level for the capital project funds. Expenditures may not legally exceed appropriations at the departmental level for the General Fund, special revenue funds, and enterprise funds and at the project level for the capital project funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The County Manager may transfer up to \$50,000 between departments of the same fund. Such transfers must be reported at the next regular meeting of the Board of County Commissioners.

A budget calendar is included in State law that prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 – Each department head will transmit to the Budget Officer the departmental budget requests and revenue estimates for the current year.

June 1 – The budget and budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.

July 1 – The budget ordinance shall be adopted by the governing board.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Also, as required by State law, the County's Health Insurance Fund and Workers' Compensation Insurance Fund, intra-governmental service funds, operate under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved. The financial plan was also entered into the minutes of the governing board. During the year, several changes to the original financial plan were necessary.

E. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity

Deposits and Investments. All deposits of the County with banks and savings associations are made in Board-designated official depositories and are secured as required by North Carolina 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 County may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes 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).

The County's investments are carried at fair value as determined by quoted market prices. The NC Capital Management Trust Cash Portfolio, an SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

A central cash depository is maintained by the County to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Accounts Receivable and Payable. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Ad Valorem Taxes Receivable. In accordance with North Carolina G.S. 105.347 and G.S. 159-13(a), the County levies ad valorem taxes on all real and personal property sited within the County. Other than taxes on motor vehicles, taxes are levied on July 1 of the fiscal year and are due and payable without penalty until January 6, when property taxes become enforceable as liens. These taxes are based on the assessed values as of January 1, 2015. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

Restricted Assets. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. The sinking fund balance for QZAB debt is restricted for the purpose of future debt retirement. The unexpended bond proceeds are classified as restricted assets because their use is completely restricted to the purpose for which the bonds were originally issued.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	QZAB Sinking Fund	\$ 1,136,803
School Capital Projects Fund	Unexpended proceeds	467,541
Water and Sewer Fund	Customer deposits	139,570
Total restricted cash		<u>\$ 1,743,914</u>

Allowances for Doubtful Accounts. All receivables are shown net of an allowance for doubtful accounts. Estimation of the amount appropriate to each class of receivable is based on analysis of historical date and current conditions.

Prepaid Items. 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. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Enterprise plant assets of the County are depreciated on a composite straight-line basis for the entire plant, regardless of the year of the acquisition, at a 2% annual rate. In the composite rate, gain or loss on dispositions is not calculated except in extraordinary circumstances. Landfill cells are depreciated based on the percent of capacity used each year.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Other capital assets are depreciated on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	25-50 years
Infrastructure	30-50 years
Furniture and office equipment	5-20 years
Equipment	7-15 years
Vehicles	6 years
Computer software	5 years
Water and sewer lines	25-80 years

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has three items that meet this criteria – a charge on refunding, contributions made to the pension plan in the current fiscal year, and pension related deferrals.

In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has several items that meet the criteria for this category – prepaid taxes, property taxes receivable, health department receivables, ambulance receivables, and other pension related deferrals.

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 Statement of Net Position. Bond premium and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The County's long-term debt for the water districts and solid waste is carried within the Enterprise Fund. The debt service requirements for the water districts' debt are being met by water revenues, but the taxing power of the County is pledged to make these payments if water revenues should ever be insufficient.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Compensated Absences. The vacation policy of the County provides for the accumulation of up to thirty (30) days earned vacation leave, with such leave being fully vested when earned. In the County's governmental proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The County has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The County's sick leave policy provides for an unlimited accumulation of earned 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 the County has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances. Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through State statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance. This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepays – portion of fund balance that is not an available resource because it represents prepaid amounts, which are not spendable resources. Non-spendable fund balance for prepaids was \$256,545 at June 30, 2016.

Restricted Fund Balance. This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization for State Statute – portion of fund balance that is restricted by State statute [G.S. 159-8(a)].

Restricted for Register of Deeds – portion of fund balance restricted by State statute for automation enhancement (software) improvements.

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety activities, such as sheriff, fire, EMS, and E-911.

Restricted for Education – portion of fund balance restricted by revenue source to be used to support public education.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Restricted fund balance at June 30, 2016 is as follows:

Purpose	General Fund	General Capital Projects Fund	Other Governmental Funds	Total
Restricted, All Other:				
Stabilization by State statute	\$ 6,909,752	\$ 28,313	\$ 98,860	\$ 7,036,925
Register of Deeds	43,937	-	-	43,937
Public safety	-	-	677,567	677,567
Education	1,136,803	-	467,541	1,604,344
Total	<u>\$ 8,090,492</u>	<u>\$ 28,313</u>	<u>\$ 1,243,968</u>	<u>\$ 9,362,773</u>

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds of \$467,541 as of June 30, 2016.

Committed Fund Balance. This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Commissioners is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Future Capital Projects – portion of fund balance budgeted by the Board to be used for future capital projects.

Committed for Sale of Home Health – portion of fund balance budgeted by the Board to be used for the sale of home health.

Committed fund balance at June 30, 2016 is as follows:

Purpose	General Fund	Other Governmental Funds	Total
Future capital projects	\$ -	\$ 303,043	\$ 303,043
Sale of home health	1,000,000	-	1,000,000
Total	<u>\$ 1,000,000</u>	<u>\$ 303,043</u>	<u>\$ 1,303,043</u>

Assigned Fund Balance. Portion of fund balance that the County intends to use for specific purposes. The County's governing body has the authority to assign fund balance. The County Manager and Finance Director, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Manager to make certain modifications utilizing a contingency line item without requiring Board approval.

Assigned fund balance at June 30, 2016 is as follows:

<u>Purpose</u>	<u>General Fund</u>
Subsequent year's expenditures	<u>\$ 5,500,388</u>

Unassigned Fund Balance. Represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance.

Lincoln County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following order: debt proceeds, federal funds, State funds, local non-County funds, and/or County funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the County or when required by grant or other contractual agreements.

Lincoln County has also adopted a minimum fund balance policy for the General Fund, which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 15% of expenditures.

In accordance with North Carolina G.S. 159-8(a), appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget year. Accordingly, fund balance available for appropriation is calculated net of this stabilization by State statute amount.

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 33,256,233
Less:	
Prepays	(256,545)
Stabilization by State statute	<u>(6,909,752)</u>
Fund balance available for appropriation	<u>\$ 26,089,936</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

	<u>General Fund</u>
Encumbrances	<u>\$ 311,187</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Other Resources. The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as “Transfers–Out” in the General Fund and “Transfers–In” in the receiving fund.

Comparative Data/Reclassifications. Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the County’s financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide enhanced understanding of the County’s financial position and operations or would cause the statements to be unduly complex or difficult to understand.

Use of Estimates. The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State: the Local Governmental Employees’ Retirement System (LGERS) and the Register of Deeds’ Supplemental Pension Plan (RODSPF) (collectively, the “state-administered defined benefit pension plans”). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans’ fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County’s employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

Note 2. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance or Net Position of Individual Funds

At year-end, the County reported deficit fund balance or net position in the following funds:

East Lincoln County Water and Sewer Fund	<u>\$ (712,443)</u>
General Capital Projects Fund	<u>\$ (1,225,605)</u>
Workers' Compensation Fund	<u>\$ (130,440)</u>

Corrective Action Plan. The deficit in the East Lincoln County Water and Sewer Fund will be eliminated with the payoff of the debt and closure of the fund in FY 17.

The deficit in the General Capital Projects Fund and Workers’ Compensation Fund will be eliminated with future transfers.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

B. Non-Compliance with North Carolina General Statutes-Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations are in violation of State law [G159-28(b)]. Violations as of June 30, 2016, are as follows:

General Fund:

Governing Body	\$	51,644
County Manager		3,947
Human Resources		1,954
Finance		6,446
Information Technology		213
Register of Deeds		79,157
Building Maintenance		129,828
Communications		14,663
Emergency Management		1,307
Medical Examiner		12,574
Animal Control		41,028
Community Development Block Grant		34,285
Maternal Health		11,282
Day Care Grant		489
CAP- Disabled Adults		3,596
Adult Medicaid		38,235
DSS- SHIP		3,495
Assistance Programs		60,745
JCP- Savy Shepherd		1,754
Recreation- Buildings and Grounds		79,149
Payment to refunding bond escrow agent		5,141,066

Special Revenue Fund:

Special Grants Fund	\$	53,939
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Enterprise Funds:

Water and Sewer Fund:

Sewer system	\$	11,325
Indian Creek pumping station		12,524
Debt service		118,279

East Lincoln Water and Sewer Fund		9,324
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LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Management and the Board will more closely monitor the budget in these funds to ensure compliance in future years.

Note 3. Deposits and Investments

A. 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 deferral depository insurance coverage are collateralized with securities held by the County's agent in the County's name. Under the Pooling Method, a collateral pool was created, and 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 for the County, these deposits are considered to be held by the County's agent in the County's name. 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 undercollateralization, 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 County has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the carrying amount of the County's deposits with banks was \$8,657,729. Balances with banks equaled \$9,825,813. Of the bank balances, \$507,084 was covered by federal depository insurance and \$9,318,729 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The total amount of cash on hand and petty cash was \$5,612.

B. Investments

At June 30, 2016, the County's investments consisted of the following:

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months	6-12 Months
NC Capital Management Trust - Cash Portfolio	Amortized Cost	\$ 32,951,504	N/A	N/A
NC Capital Management Trust - Term Portfolio*	Fair Value- Level 1	801,410	\$ 801,410	\$ -
US government agencies	Fair Value- Level 1	8,039,906	8,039,906	-
Total investments		<u>\$ 41,792,820</u>	<u>\$ 8,841,316</u>	<u>\$ -</u>

*Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level Two debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk. Lincoln County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The County has no policy regarding credit risk. The County's investment in the NC Capital Management Trust Cash Portfolio carried a rating of AAAM by Standard and Poor's as of June 30, 2016. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended. The County's investments in US government agencies are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Note 4. Receivables

A. Detail

Receivables at the government-wide level at June 30, 2016 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 3,111,063	\$ 2,100,366	\$ 2,948,770	\$ 8,160,199
Other governmental	92,262	328,036	36,031	456,329
Total receivables	3,203,325	2,428,402	2,984,801	8,616,528
Allowance for doubtful accounts	(705,013)	(752,196)	-	(1,457,209)
Total governmental activities	<u>\$ 2,498,312</u>	<u>\$ 1,676,206</u>	<u>\$ 2,984,801</u>	<u>\$ 7,159,319</u>
Business-Type Activities:				
Solid waste	\$ 237,624	\$ 208,060	\$ 51,308	\$ 496,992
East Lincoln County Water and Sewer				
District Fund	33	25,228	-	25,261
Water and sewer	1,143,087	-	153,507	1,296,594
Total receivables	1,380,744	233,288	204,815	1,818,847
Allowance for doubtful accounts	(100,961)	(136,598)	-	(237,559)
Total business-type activities	<u>\$ 1,279,783</u>	<u>\$ 96,690</u>	<u>\$ 204,815</u>	<u>\$ 1,581,288</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Due from other governments consisted of the following:

Local option sales tax	\$ 3,035,564
Refundable sales tax	144,794
Other governmental agencies	<u>9,258</u>
Total due from other government agencies	<u>\$ 3,189,616</u>

B. Deferred Outflows and Inflows of Resources

Deferred inflows of resources at year-end are comprised of the following:

	<u>Deferred Inflows</u>
Taxes receivable, net (General Fund and Special Revenue Fund)	\$ 1,676,206
Prepaid taxes not yet earned	214,649
Ambulance receivables, net (General Fund)	317,316
Health department receivables, net (General Fund)	13,406
Pension deferrals - difference between actual and expected	<u>1,158,870</u>
Total	<u>\$ 3,380,447</u>

Deferred outflows of resources at year-end are comprised of the following:

	<u>Deferred Outflows</u>
Deferred charges	\$ 917,763
Contributions to pension plan in current fiscal year	1,933,246
Pension deferrals - difference between actual and expected	<u>106,356</u>
Total	<u>\$ 2,957,365</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

C. 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. The amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,932,312	\$ 458,925	\$ 2,391,237
2014	1,984,888	292,771	2,277,659
2015	1,901,209	109,320	2,010,529
2016	<u>1,935,091</u>	<u>-</u>	<u>1,935,091</u>
Total	<u>\$ 7,753,500</u>	<u>\$ 861,016</u>	<u>\$ 8,614,516</u>

Note 5. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2016</u>
Governmental Activities:					
Non-Depreciable Assets:					
Land	\$ 5,645,888	\$ 1,201,086	\$ -	\$ -	\$ 6,846,974
Construction in progress	<u>7,842,049</u>	<u>2,021,640</u>	<u>(16,676)</u>	<u>(25,202)</u>	<u>9,821,811</u>
Total non-depreciable assets	<u>13,487,937</u>	<u>3,222,726</u>	<u>(16,676)</u>	<u>(25,202)</u>	<u>16,668,785</u>
Depreciable Assets:					
Buildings	43,961,925	-	(27,925)	-	43,934,000
Other improvements	10,743,575	-	-	-	10,743,575
Equipment	10,359,626	707,962	-	25,202	11,092,790
Vehicles and other equipment	<u>9,936,523</u>	<u>1,419,637</u>	<u>-</u>	<u>-</u>	<u>11,356,160</u>
Total	<u>75,001,649</u>	<u>2,127,599</u>	<u>(27,925)</u>	<u>25,202</u>	<u>77,126,525</u>
Less Accumulated Depreciation:					
Buildings	(11,097,146)	(915,115)	-	-	(12,012,261)
Other improvements	(2,810,285)	(392,815)	-	-	(3,203,100)
Equipment	(6,727,347)	(727,632)	-	-	(7,454,979)
Vehicles and other equipment	<u>(6,794,128)</u>	<u>(1,037,036)</u>	<u>-</u>	<u>-</u>	<u>(7,831,164)</u>
Total accumulated depreciation	<u>(27,428,906)</u>	<u>\$ (3,072,598)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(30,501,504)</u>
Capital assets, net	<u>\$ 61,060,680</u>				<u>\$ 63,293,806</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2016</u>
Proprietary Capital Assets:					
Solid Waste Fund:					
Non-Depreciable Assets:					
Land	\$ 640,648	\$ -	\$ -	\$ -	\$ 640,648
Depreciable Assets:					
Buildings and structures	590,143	-	-	-	590,143
Improvements	12,019,023	187,190	-	-	12,206,213
Machinery, equipment, and vehicles	7,666,604	341,708	-	-	8,008,312
Total	<u>20,916,418</u>	<u>528,898</u>	<u>-</u>	<u>-</u>	<u>21,445,316</u>
Less Accumulated Depreciation:					
Buildings and structures	(240,706)	(11,803)	-	-	(252,509)
Improvements	(8,110,580)	(481,896)	-	-	(8,592,476)
Machinery, equipment, and vehicles	(5,779,616)	(377,039)	-	-	(6,156,655)
Total accumulated depreciation	<u>(14,130,902)</u>	<u>\$ (870,738)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(15,001,640)</u>
Solid waste fund capital assets, net	<u>6,785,516</u>				<u>6,443,676</u>
	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2016</u>
Proprietary Capital Assets:					
Water and Sewer Fund:					
Non-Depreciable Assets:					
Land	818,427	\$ -	\$ -	\$ -	818,427
Construction in progress	4,484,357	2,927,130	-	(4,237,051)	3,174,436
Total non-depreciable assets	<u>5,302,784</u>	<u>2,927,130</u>	<u>-</u>	<u>(4,237,051)</u>	<u>3,992,863</u>
Depreciable Assets:					
Buildings and structures	34,610,700	-	-	3,993,743	38,604,443
Improvements	786,448	-	-	151,750	938,198
Water lines	38,399,967	1,674,132	-	-	40,074,099
Sewer lines	15,858,781	1,288,395	-	91,558	17,238,734
Machinery, equipment, and vehicles	4,061,574	25,486	-	-	4,087,060
Total	<u>93,717,470</u>	<u>2,988,013</u>	<u>-</u>	<u>4,237,051</u>	<u>100,942,534</u>
Less Accumulated Depreciation:					
Buildings and structures	(6,907,533)	(1,232,092)	-	-	(8,139,625)
Improvements	(259,324)	(38,434)	-	-	(297,758)
Water lines	(14,579,826)	(939,814)	-	-	(15,519,640)
Sewer lines	(4,467,607)	(473,608)	-	-	(4,941,215)
Machinery, equipment, and vehicles	(3,301,602)	(139,381)	-	-	(3,440,983)
Total accumulated depreciation	<u>(29,515,892)</u>	<u>\$ (2,823,329)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(32,339,221)</u>
Water and sewer fund capital assets, net	<u>69,504,362</u>				<u>72,596,176</u>
Business type activities capital assets, net	<u>\$ 76,289,878</u>				<u>\$ 79,039,852</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Depreciation expense was charged to functions/programs as follows:

General government	\$ 929,248
Public safety	1,382,523
Economic and physical development	149,479
Transportation	349,511
Human services	44,248
Cultural and recreational	217,589
Total	<u>\$ 3,072,598</u>

Business-Type Activities:

Solid waste	\$ 870,738
Water and sewer	2,823,329
Total	<u>\$ 3,694,067</u>

Effective July 1, 2007, all assets of the East Lincoln County Water and Sewer District Fund were transferred to the County's Water and Sewer Fund. The County will be responsible for all operations of what was formerly the East Lincoln County Water and Sewer District Fund. The East Lincoln County Water and Sewer District Fund will continue to exist for the purpose of levying taxes to service debt acquired prior to July 1, 2007.

Net Investment in Capital Assets

	Governmental Activities	Business-Type Activities
Capital assets, net	<u>\$ 63,293,806</u>	<u>\$ 79,039,852</u>
Long-term debt, gross	90,918,059	17,722,825
Debt for assets not owned by County (school debt)*	<u>(83,283,683)</u>	<u>-</u>
Capital debt, net	<u>7,634,376</u>	<u>17,722,825</u>
Net investment in capital assets	<u>\$ 55,659,430</u>	<u>\$ 61,317,027</u>

*Includes premium related to school debt

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Note 6. Liabilities

A. Payables

Payables at the government-wide level at June 30, 2016 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Insurance Claims Incurred, but Not Reported</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:					
General	\$ 1,419,697	\$ 548,634	\$ -	\$ -	\$ 1,968,331
Other governmental	169,382	-	-	-	169,382
Internal Service Fund	107,394	-	1,401,770	-	1,509,164
Total governmental activities	<u>\$ 1,696,473</u>	<u>\$ 548,634</u>	<u>\$ 1,401,770</u>	<u>\$ -</u>	<u>\$ 3,646,877</u>
Business-Type Activities:					
Solid waste	\$ 136,578	\$ 22,401	\$ -	\$ 218	\$ 159,197
Water and sewer	317,021	26,359	-	95,259	438,639
East Lincoln water and sewer	640	-	-	3,357	3,997
Total business-type activities	<u>\$ 454,239</u>	<u>\$ 48,760</u>	<u>\$ -</u>	<u>\$ 98,834</u>	<u>\$ 601,833</u>

Construction Commitments

The government has active construction projects as of June 30, 2016. At June 30, 2016, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
County Services Design Center 2016	\$ 171,561	\$ 723,586
Oaklawn School Renovation	317,807	311,119
Citizens Center Upgrade	473,842	1,175,600
Total	<u>\$ 963,210</u>	<u>\$ 2,210,305</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

B. Long-Term Debt

General Obligation Indebtedness. All general obligation bonds serviced by the County's General Fund and the Water and Sewer Fund are collateralized by the full-faith credit and taxing power of the County. East Lincoln County Water and Sewer District Fund issued general obligation bonds to finance the acquisition and construction of a major sewer system. These bonds, which are recorded in the East Lincoln County Water and Sewer District Fund, are collateralized by the full-faith credit and taxing power of the District. Principal and interest requirements are appropriated when due.

The County's general obligation bonds at June 30, 2016 are comprised of the following individual issues:

Governmental Activities:

Governmental Funds:

\$12,360,000 2012A Advance Refunding School serial bonds, due in annual installments ranging from \$105,000 to \$1,200,000 through June 1, 2023; interest rates from 2.00% to 3.00%; interest payments due June 1 and December 1	\$ 8,905,000
\$17,895,000 2012B Advance Refunding School serial bonds, due in annual installments ranging from \$100,000 to \$3,195,000 through June 1, 2024; interest rates from 2.00% to 4.00% due June 1 and December 1	16,075,000
\$9,795,000 2005 School Refunding bonds, due in annual installments of \$205,000 to \$1,395,000 through June 1, 2018; interest rates from 4.00% to 5.00%; interest payments due June 1 and December 1	1,230,000
\$15,000,000 2008 Schools Building bonds, due in annual installments of \$600,000 to \$1,650,000 through June 1, 2027; interest rates from 4.25% to 6.25%; interest payments due June 1 and December 1 (partially refunded in 2009-2010)	1,200,000
\$4,200,000 2008 Public Improvement bonds, due in annual installments of \$200,000 to \$350,000 through June 1, 2027; interest rates from 4.0% to 6.0%; interest payments due June 1 and December 1 (partially refunded in 2009-2010)	400,000
\$18,140,000 2010A School & Public Facility Refunding bonds, due in annual installments of \$130,000 to \$2,085,000 through June 1, 2027; interest rates from 2.00% to 3.85%; interest payments due June 1 and December 1	13,045,000

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

General Obligation Indebtedness (continued)

\$8,500,000 2010B School bonds, due in annual installments of \$300,000 to \$1,200,000 through June 1, 2029; interest rates from 2.00% to 4.00%; interest payments due June 1 and December 1	6,700,000
\$17,405,000 2011A School Refunding bonds, due in annual installments of \$55,000 to \$3,240,000 through June 1, 2021; interest rates from 2.00% to 5.00%; interest payments due June 1 and December 1	12,630,000
\$9,600,000 2011B School bonds, due in annual installments of \$325,000 to \$900,000 through June 1, 2029; interest rates from 3.00% to 4.75%; interest payments due June 1 and December 1	<u>7,975,000</u>
Total serviced by governmental activities	<u>68,160,000</u>

Business-Type Activities:

Proprietary Funds:

East Lincoln County Water and Sewer District:

\$1,600,000 1998 Sanitary Sewer bonds, due in annual installments of \$25,000 to \$150,000 through June 1, 2019; interest rates from 4.60% to 4.75%; interest payments due June 1 and December 1	325,000
\$5,520,000 Sanitary Sewer Refunding bonds, due in annual installments of \$75,000 to \$540,000 through June 1, 2017; interest rates from 2.00% to 3.40%; interest payments due June 1 and December 1	<u>250,000</u>
Total serviced by business-type activities	<u>575,000</u>
Total general obligation bonds	<u>\$ 68,735,000</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Installment Purchase Agreements

As authorized by State law (G.S. 160A-20 and 153A-158.1), the County financed various property and equipment acquisitions by installment purchases. Installment purchase contracts at June 30, 2016, are comprised of the following individual agreements:

Governmental Activities:

General Fund:

\$2,000,000 2005 Qualified Zone Academy installment purchase contract for school building improvements due September 15, 2021. The contract requires 15 annual sinking fund installments of \$104,315 to be invested. If investment earnings do not result as projected, the County will pay the amount required for the total funds to equal \$2,000,000 on September 15, 2021	\$ 2,000,000
\$5,244,000 2015 School Refunding issued to refund the 2006 COPS; due in annual installments from \$968,000 to \$1,162,000 through June 1, 2020; interest at 1.38%; interest payments due December 1 and June 1	4,082,000
\$7,845,000 2013 School Refunding installment contract issued to partially refund the 2006 COPS; due in annual installments from \$93,000 to \$1,078,000 through June 1, 2027; interest from 1.776% to 2.520%; interest payments due June 1 and December 1	7,488,000
\$1,650,000 2008 State Revolving Loan issued for water source protection and passive park; due in annual installments of \$82,500 through May 1, 2028; interest at 1.00%; interest payments due November 1 and May 1	990,000
\$1,100,000 installment purchase contract for Arlie Business Park and water projects; due in semi-annual installments of \$217,880; interest at 2.65%	694,411
\$1,480,691 2013 Refunding installment contract issued to refund the 2003 COPS for jail, social services, library buildings, and school construction; due in annual installments from \$158,613 to \$426,329 through June 2018; interest at 1.64%; interest payments due June 1 and December 1	320,893
\$6,115,000 installment financing contract, issued to fund various capital projects; due in semi-annual installments of \$216,667, plus interest at 3.02%; through June 26, 2029	<u>5,299,668</u>
Total governmental activities	<u>20,874,972</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Business-Type Activities:

Water and Sewer Fund:

\$134,309 2013 Refunding installment contract issued to refund the 2003 COPS for water plant sludge de-watering project; due in annual installments from \$14,387 to \$38,671 through June 2018; interest at 1.64%; interest payments due June 1 and December 1 29,107

\$387,438 Federal Revolving Loan issued for water system improvements; due in annual installments of \$22,790 through May 1, 2022; interest at 2.66%; interest payments due November 1 and May 1 136,743

\$520,430 Federal Revolving Loan issued for water system improvements; due in annual installments of \$30,614 through May 1, 2022; interest at 2.66%; interest payments due November 1 and May 1 183,681

\$2,295,067 Federal Revolving Loan issued for water system improvements; due in annual installments of \$135,004 through May 1, 2024; interest at 2.66%; interest payments due November 1 and May 1 1,080,032

\$17,500,000 Federal Revolving Loan issued for sewer system improvements; due in annual installments of \$850,175 through May 1, 2030; interest at 2.48%; interest payments due November 1 and May 1 13,125,000

\$2,706,000 installment purchase contract for water projects, due in semi-annual installment of \$217,880 through January 17, 2022; interest at 2.65% 1,708,206

Solid Waste Fund:

\$400,000 contract for equipment, due in monthly installments of \$7,593; interest at 1.86%; through November 23, 2019 301,390

\$385,000 contract for land and vehicles, due in semi-annual installments of \$216,667; interest at 3.02%; through June 26, 2029 333,666

Total business-type activities 16,897,825

Total installment purchase contracts \$ 37,772,797

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Note Payable

\$5,000,000 State Clean Water Loan. In August 1995, the East Lincoln County Water and Sewer District entered into a loan agreement with the State of North Carolina Department of Environment, Health, and Natural Resources. The District was approved for a loan of \$5,000,000 from the Clean Water Direct Bond Loan Program which financed the cost of construction of wastewater sewers, pump stations, force mains, and a wastewater treatment facility. The loan calls for 20 annual installments of \$250,000 due on May 1 with interest payments due May 1 and November 1. The loan is being carried in the East Lincoln County Water and Sewer District Fund. The balance of the loan at June 30, 2016, is \$250,000.

Changes in Long-Term Debt. The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>	<u>Current Portion</u>
Governmental Activities:					
General obligation bonds	\$ 75,085,000	\$ -	\$ 6,925,000	\$ 68,160,000	\$ 6,925,000
Premium on long-term debt	2,129,442	-	246,355	1,883,087	246,355
Installment purchases	22,664,779	5,244,000	7,033,807	20,874,972	1,921,699
Net pension liability (LGERS)	-	1,887,361	-	1,887,361	-
Unfunded pension obligation	831,847	178,713	62,368	948,192	-
Other post-employment benefits	13,961,100	2,759,351	687,815	16,032,636	-
Compensated absences	1,533,071	598,662	462,707	1,669,026	600,000
Total	<u>\$ 116,205,239</u>	<u>\$ 10,668,087</u>	<u>\$ 15,418,052</u>	<u>\$ 111,455,274</u>	<u>\$ 9,693,054</u>
Business-Type Activities:					
Solid Waste Fund:					
Installment purchases	\$ 745,376	\$ -	\$ 110,320	\$ 635,056	\$ 111,818
Net pension liability (LGERS)	-	130,163	-	130,163	-
Compensated absences	71,481	17,046	17,840	70,687	25,000
Other post-employment benefits	975,570	184,375	45,959	1,113,986	-
Accrued landfill closure/ post-closure care costs	7,946,449	271,725	-	8,218,174	-
Total	<u>9,738,876</u>	<u>603,309</u>	<u>174,119</u>	<u>10,168,066</u>	<u>136,818</u>
Water and Sewer Fund:					
Installment purchases	17,611,340	-	1,348,571	16,262,769	1,344,431
Net pension liability (LGERS)	-	151,857	-	151,857	-
Compensated absences	80,547	43,216	30,646	93,117	30,000
Other post-employment benefits	1,036,997	191,901	47,834	1,181,064	-
Total	<u>18,728,884</u>	<u>386,974</u>	<u>1,427,051</u>	<u>17,688,807</u>	<u>1,374,431</u>
East Lincoln Water and Sewer District Fund:					
General obligation bonds	1,085,000	-	510,000	575,000	400,000
State bond loan	500,000	-	250,000	250,000	250,000
Total	<u>1,585,000</u>	<u>-</u>	<u>760,000</u>	<u>825,000</u>	<u>650,000</u>
Total business-type activities	<u>\$ 30,052,760</u>	<u>\$ 990,283</u>	<u>\$ 2,361,170</u>	<u>\$ 28,681,873</u>	<u>\$ 2,161,249</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Compensated absences, net pension obligation, and OPEB liabilities typically have been liquidated in the General Fund for governmental activities. Compensated absences are accounted for on an FIFO basis, assuming that employees are taking leave time as it is earned.

At June 30, 2016, Lincoln County had a legal debt margin of approximately \$593,700,000.

Future Maturities for Long-Term Indebtedness. The following table summarizes the annual requirements to amortize all long-term debt outstanding (excluding compensated absences, law enforcement officers' unfunded retirement contribution, other post-employment benefits, and accrued landfill closure/post-closure care costs):

	General		Notes Payable		Installment		Total	
	Obligation Bonds				Purchase Agreements			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental								
Activities:								
2017	\$ 6,925,000	\$ 2,456,167	\$ -	\$ -	\$ 1,921,699	\$ 434,854	\$ 8,846,699	\$ 2,891,021
2018	6,835,000	2,239,317	-	-	1,888,920	399,130	8,723,920	2,638,447
2019	6,845,000	1,950,167	-	-	1,701,271	363,811	8,546,271	2,313,978
2020	6,790,000	1,703,317	-	-	1,671,316	331,430	8,461,316	2,034,747
2021	6,740,000	1,453,417	-	-	1,688,442	299,393	8,428,442	1,752,810
2022-2026	27,215,000	4,075,423	-	-	9,656,323	877,275	36,871,323	4,952,698
2027-2029	6,810,000	469,237	-	-	2,347,001	91,278	9,157,001	560,515
Total	<u>\$ 68,160,000</u>	<u>\$ 14,347,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,874,972</u>	<u>\$ 2,797,171</u>	<u>\$ 89,034,972</u>	<u>\$ 17,144,216</u>
Business-Type								
Activities:								
2017	\$ 400,000	\$ 23,938	\$ 250,000	\$ 8,575	\$ 1,456,249	\$ 421,497	\$ 2,106,248	\$ 454,010
2018	150,000	8,313	-	-	1,464,726	385,049	1,614,726	393,362
2019	25,000	1,188	-	-	1,459,279	348,386	1,484,279	349,574
2020	-	-	-	-	1,415,139	311,981	1,415,139	311,981
2021	-	-	-	-	1,384,950	276,629	1,384,950	276,629
2022-2026	-	-	-	-	5,265,482	919,334	5,265,482	919,334
2027-2031	-	-	-	-	4,452,000	329,569	4,452,000	329,569
Total	<u>\$ 575,000</u>	<u>\$ 33,439</u>	<u>\$ 250,000</u>	<u>\$ 8,575</u>	<u>\$ 16,897,825</u>	<u>\$ 2,992,445</u>	<u>\$ 17,722,824</u>	<u>\$ 3,034,459</u>

Debt Related to Capital Activities

Of the total governmental activities debt listed, only \$7,634,376 relates to assets to which the County holds title, while the remaining \$83,283,683 is related to assets owned and utilized by the school system. Unspent restricted cash related to the school debt amounts to \$467,541. Deferred charges of \$917,763 are related to school debt.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Advance Refunding

On November 17, 2015, the County issued \$5,244,000 in installment debt for the purpose of an advance refunding of the Series 2006 Certificates of Participation in the amount of \$4,905,000. The proceeds were placed in an irrevocable trust to be used for all future debt service payments. As a result, the certificates of participation are considered to be defeased, and the liability has been removed from the governmental activities column of the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$236,066. This amount is being netted against the new debt and amortized over the life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 4 years by \$218,811 and resulted in an economic gain of \$102,934.

Note 7. Pension Plan Obligations

A. Local Government Employees' Retirement System

Plan Description. The County and the ABC Board are participating employers in the State-wide Local Governmental Employees' Retirement system (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The LGERS 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, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Lincoln County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Lincoln County's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.78% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from Lincoln County were \$1,925,926 for the year ended June 30, 2016.

Refunds of Contributions – County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the County reported a liability of \$2,169,381 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing updated procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the County's proportion was 0.48338%, which was an increase of 0.00637% from its proportion measured as of June 30, 2014.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

For the year ended June 30, 2016, the County recognized pension expense of \$1,200,445. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 509,928
Net difference between projected and actual earnings on pension plan investments	-	617,616
Changes in proportion and differences between employer contributions and proportionate share of contributions	95,726	22,137
County contributions subsequent to the measurement date	<u>1,925,926</u>	<u>-</u>
Total	<u>\$ 2,021,652</u>	<u>\$ 1,149,681</u>

\$1,925,926 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows or inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ (693,410)
2018	(693,410)
2019	(692,949)
2020	1,025,814
2021	-
Thereafter	<u>-</u>
Total	<u>\$ (1,053,955)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	2.2%
Global equity	42.0%	5.8%
Real estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation protection	<u>6.0%</u>	3.4%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ 15,127,389	\$ 2,169,381	\$ (8,747,456)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

B. Law Enforcement Officers' Special Separation Allowance

Description. Lincoln County administers a public employee retirement system (the "Separation Allowance"), a single-employer, defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85% of the annual base rate of compensation multiplied by total creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. North Carolina G.S. 143-12D assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Separation Allowance covers all full-time law enforcement officers of the County. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	108
Total	116

A separate report was not issued for the plan.

Summary of Significant Accounting Policies. The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

The Separation Allowance has no assets accumulated in a trust that meets the following criteria, which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers

Contribution Requirements and Contributions Made. The County is required by North Carolina G.S. 143-12D to provide these retirement benefits and has chosen to fund benefit payments on a pay-as-you-go basis through appropriations in the General Fund operating budget. The County's obligation to contribute to this plan is established by statute and may be amended by the North Carolina General Assembly. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. There were no contributions made by employees. The current year obligations of \$62,368 were paid by the General Fund for the Separation Allowance.

The annual required contribution for the fiscal year ended June 30, 2016 was determined as part of the December 31, 2014, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25 percent to 7.85% per year. The inflation component was 3.00%. The assumptions did not include post-retirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level dollar on a closed basis. The remaining amortization period at December 31, 2014, was 16 years.

The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$ 210,220
Interest on net pension obligation	41,592
Adjustment to annual required contribution	<u>(73,099)</u>
Annual pension cost	178,713
Benefit payments made	<u>62,368</u>
Increase (decrease) in net pension obligation	116,345
Net pension obligation:	
Beginning of year - July 1	<u>831,847</u>
End of year - June 30	<u><u>\$ 948,192</u></u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Trend Information. Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information for years ended June 30, 2014, 2015, and 2016 is as follows:

Three-Year Trend Information			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	\$ 145,409	55.55%	\$ 740,509
6/30/2015	175,256	47.88%	831,847
6/30/2016	178,713	34.90%	948,192

Funded Status and Funding Progress. As of December 31, 2015, 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 \$2,030,142. The covered payroll (annual payroll of active employees covered by the plan) was \$4,574,742, and the ratio of the UAAL to the covered payroll was 44.38%.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing, over time, related to the actuarial accrued liability for benefits.

C. Supplemental Retirement Income Plan for Law Enforcement Officers

The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. North Carolina G.S. 135-5 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.

North Carolina G.S. 143-12E requires the County to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. In addition, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016, were \$276,579, which consisted of \$223,350 from the County and \$53,229 from the law enforcement officers.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

D. Registers of Deeds' Supplemental Pension Fund

Plan Description. The County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers 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 Registers 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$7,320 for the year ended June 30, 2016.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the County reported an asset of \$195,086 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2015, the County's proportion was 0.84183%, which was an increase of 0.03383% from its proportion measured as of June 30, 2014. For the year ended June 30, 2016, the County recognized pension expense of \$7,209. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 955	\$ 3,229
Net difference between projected and actual earnings on pension plan investments	9,675	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	5,960
County contributions subsequent to the measurement date	7,320	-
Total	<u>\$ 17,950</u>	<u>\$ 9,189</u>

\$7,320 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2017. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

June 30	Amount
2017	\$ (1,308)
2018	(1,449)
2019	1,587
2020	2,611
2021	-
Thereafter	-
Total	<u>\$ 1,441</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	4.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	5.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.2%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Sensitivity of the County's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 5.75%, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75%) or 1-percentage point higher (6.75%) than the current rate:

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
County's proportionate share of the net pension liability (asset)	<u>\$ (176,010)</u>	<u>\$ (195,086)</u>	<u>\$ (211,501)</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Note 8. Death Benefit Plan

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), 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 the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the system at the time of death are eligible for death benefits. Lump sum death benefit 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. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. 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. The County considers these contributions to be immaterial.

Note 9. Other Post-Employment Benefits (OPEB)

Description. The County administers a single-employer, defined benefit healthcare plan (the "HCB Plan"), which provides post-retirement healthcare, prescription drug, and dental benefits to retirees of the County, provided that they meet any of the retirement options available through the North Carolina Local Governmental Employees' Retirement System (LERS), have at least 15 years of creditable service with the County, and were hired before July 1, 2013. The County pays the same cost of coverage for these benefits as current full-time employees pay. Also, retirees can purchase coverage for their dependents at the County's group rates.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

<u>Commencement of Service</u>	<u>Years of Creditable Service</u>	<u>County Contribution</u>
Prior to September 1, 2005	20	County pays cost of coverage until sooner of 65th birthday or Medicare eligibility, then Medicare supplement until death
Prior to July 1, 2013	25	County pays cost of coverage until sooner of 65th birthday or Medicare eligibility, then Medicare supplement until death
Prior to July 1, 2013	15	Retiree may participate by paying full cost of coverage until the sooner of birthday or Medicare eligibility
On or after July 1, 2013	Not eligible	Not eligible

Currently, 119 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2016, the County made payments for post-retirement health benefit premiums of \$781,608. The County self-funds health and dental coverage for retirees, which is administered by a third-party administrator, along with coverage for employees. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	98	21
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	464	85
Total	<u>562</u>	<u>106</u>

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the County Board of Commissioners. In addition, the budget for these expenditures is approved, along with other healthcare expenditures as part of the annual budget process. In addition to coverage for employees, the County's members can elect to pay for spouse, dependent or family coverage. For fiscal year 2016, the County chose to fund the plan benefits on a pay-as-you-go basis.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

The current annual required contribution (ARC) rate is 15.95% of annual covered payroll. For the current year, the County contributed \$781,608, or 3.7%, of annual covered payroll. There were no contributions by retirees. The County self-funds health and dental coverage for all retirees and employees. The County's obligation to contribute to the HCB Plan is established and may be amended by the County Commissioners.

Summary of Significant Accounting Policies. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting throughout the year and adjusted to full accrual where required for reporting purposes. 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 ARC, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board 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 30 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:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 2,992,908	\$ 408,124	\$ 3,401,032
Interest on net OPEB obligation	562,273	76,674	638,947
Adjustments to annual required contribution	(795,830)	(108,522)	(904,352)
Annual OPEB cost (expense)	2,759,351	376,276	3,135,627
Contributions made	(687,815)	(93,793)	(781,608)
Increase (decrease) in net OPEB obligation	2,071,536	282,483	2,354,019
Net OPEB obligation:			
Beginning of year - July 1	13,961,100	2,012,567	15,973,667
End of year - June 30	<u>\$ 16,032,636</u>	<u>\$ 2,295,050</u>	<u>\$ 18,327,686</u>

The County's annual OPEB cost, the percentage of OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2016 were as follows:

Year Ended June 30	OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
2014	\$ 3,004,662	24.4%	\$ 13,953,783
2015	2,858,588	29.3%	15,973,667
2016	3,135,627	24.9%	18,327,686

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Funding Status and Funding Progress. As of December 31, 2014, 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 \$34,908,297. The covered payroll (annual payroll of active employees covered by the plan) was \$21,324,933, and the ratio of the UAAL to the covered payroll was 163.7%. 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 multi-year 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 the 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 assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, an annual pre-Medicare medical trend increase of 7.50% to 5.00%, and an annual post-Medicare medical trend increase of 5.50% to 5.00%. Both rates included a 3.00 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 five-year period. The UAAL is being amortized as a level dollar amount of projected payroll on an open basis. The remaining amortization period at December 31, 2014, was 30 years.

Note 10. Closure and Post-Closure Care Costs – Landfill Facility

The County's new landfill consists of Phases I through VIII and an area used for construction and debris (C&D) materials. Cells have been constructed in Phase I, II, and III, accordingly, along with the C&D area. Federal and State laws and regulations require the County to place a final cover on its landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$8,218,174 reported as landfill closure and post-closure care liability at June 30, 2016, represents a cumulative amount reported to date based on the use of landfill capacity in the County's sanitary and C&D landfill sections. The sanitary landfill reported a cumulative amount of \$6,861,987 to date based on the use of 72% of Phase I through III's estimated capacity. The C&D portion reported a cumulative amount of \$1,356,187 to date based on the use of 83% of estimated capacity. The

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

County will recognize the remaining estimated cost of closure and post-closure care of \$2,987,991 as the remaining estimated capacity is filled. Of this amount, \$2,717,013 is related to the remaining capacity in the sanitary landfill, and \$270,978 is related to the C&D portion. The amounts are based on what it would cost to perform all closure and post-closure care in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County expects to close Phases I through III in the year 2020 for the sanitary portion and that same year for the C&D portion.

The County has met the requirements of a local government financial test, which is one option under federal and State laws and regulations that help determine if a unit is financially able to meet closure and post-closure care requirements.

Note 11. 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 County participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners.

Through these pools, the County obtains property coverage equal to the replacement cost of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability coverage of \$2 million per occurrence; auto physical damage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to the statutory limits.

All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County. The pools are audited annually by certified public accountants, and audited financial statements are available to the County upon request.

Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000, up to a \$2 million limit for liability coverage, and single occurrence losses in excess of \$750,000 for workers' compensation.

Through the captive, the Liability and Property Pool is reinsured for \$2,000,000 of annual aggregate losses in excess of \$250,000 per occurrence for property, auto physical damage and crime coverage, with additional limits of \$498 million purchased through a group of commercial carriers through the multi-state public entity captive.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more of the County's funds at any given time are performance bonded through a commercial surety bond. The Finance Director and Tax Collector are each individually bonded for \$50,000 each. The Register of Deeds and the Sheriff are each individually bonded for \$25,000 each. The remaining employees who have access to funds are bonded under a blanket bond for \$250,000.

The County carries flood insurance through the NCACC. This coverage provides flood insurance with a \$25,000 deductible per occurrence.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

Liabilities of the Health Benefits 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). The County's claims that are incurred but not reported are considered a current liability and are included in accounts payable of the Health Benefits Fund and the Workers' Compensation Fund (the Internal Service Funds). The County has recognized provisions of \$791,906 for claims incurred but not reported in the Health Benefits Fund and \$154,379 for claims incurred, but not reported in the Workers' Compensation Fund. These provisions are estimated based upon analysis of historical claims experience reviewed by the County's third-party administrator.

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>2016</u>	<u>2015</u>
Unpaid claims, beginning	\$ 1,326,816	\$ 473,134
Incurred claims	150,285	1,874,343
Claim payments	<u>(75,331)</u>	<u>(1,020,661)</u>
Unpaid claims, ending	<u>\$ 1,401,770</u>	<u>\$ 1,326,816</u>

Note 12. Interfund Activity

The transfers to/from other funds at June 30, 2016 were for the purpose of funding capital projects and consist of the following:

<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Emergency Telephone System Fund	County match for E911 project	\$ 38,000
General Fund	General Capital Projects Fund	Annual transfer from General Fund to cover projects	317,668
General Fund	Special Grant Fund	County match for grant projects	30,250
Capital Reserve Fund	General Fund	Transfer for school monies from the lottery	1,222,851
Water & Sewer Capital Projects Fund	Water & Sewer Fund	Transfers back to operating fund for completed projects	8,442
Water & Sewer Fund	Water & Sewer Capital Projects Fund	Annual transfer to project fund	<u>2,450,966</u>
Total			<u>\$ 4,068,177</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

The due to/from other funds at June 30, 2016 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 334,000
General Fund	General Capital Projects Fund	1,115,571
General Fund	Solid Waste Fund	77,784
General Fund	Special Grants Fund	47,112
Total		<u>\$ 1,574,467</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. These balances also include the amount of working capital loans made to internal service funds that the General Fund expects to collect in the subsequent year.

Note 13. Claims and Judgments

At June 30, 2016, the County was involved in several lawsuits involving damages and potential claims. The exact amount of any claim cannot be determined at this time. It is the opinion of the County Attorney and County management that none of these lawsuits would have any adverse financial impact upon the County or its financial position.

Note 14. Summary Disclosure of Significant Contingencies

The County has received proceeds from several 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. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Note 15. Related Organization

Carolinas Medical Center – Lincoln is a 101-bed general and acute care hospital that is owned and operated by the Charlotte-Mecklenburg Hospital Authority (“CMHA”). The Hospital’s new facility opened on July 10, 2010, at 433 McAlister Road in Lincolnton. All financial reporting and major decisions other than day-to-day operations are made by CMHA. Lincoln County’s government is not financially responsible for the Hospital and does not participate in its operation.

A 17-member Advisory Board serves as the Hospital’s liaison with the community and acts as ambassadors for the Hospital within the community. Advisory Board members are nominated by the Board’s Governance and Nominating Committee and are approved by the full Advisory Board.

The former Hospital facility reverted to Lincoln County on September 1, 2010, as per our agreement. All debt that was associated with this former facility has been retired. The County is looking at using this property for possible County space needs.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Note 16. Joint Ventures

The County, in conjunction with Gaston, Cleveland, Catawba, Burke, Surry, Yadkin, and Iredell Counties, participates in Partners Behavioral Health Management. Partners manages a comprehensive array of services to children, adolescents, and adults with mental health, substance abuse, and developmental disabilities needs. Service delivered is offered by numerous providers throughout the multi-County area. Partners receives the majority of its financial support through Federal and State sources, as well as direct payments by clients and insurers for services rendered.

The County has an ongoing financial responsibility to supplement these funds, and for the year ended June 30, 2016, provided \$384,589 in support of Partners' services. Additionally, the County remitted \$30,000 to Pathways from the alcohol rehabilitation tax. The County does not have an equity interest in Partners; therefore, no equity interest has been reflected in the financial statements at June 30, 2016. Complete financial statements for Partners may be obtained from Partners' administrative offices at 901 South New Hope Road, Gastonia, North Carolina 28054.

The County, in conjunction with the City of Lincolnton, participates in a general aviation airport. Each participating government appoints three members to the six-member Board. The Airport is a joint venture established to facilitate economic expansion within the County and to improve the quality of life for its citizens. The Airport has been in existence since 1986, but it is not yet self-sustaining. The County has an ongoing financial responsibility for the Airport because it and the City are legally obligated under the intergovernmental agreement that created the Airport to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The County contributed \$60,000 to the Airport during the fiscal year ended June 30, 2016. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2016. Complete financial statements for the Airport can be obtained from Lincoln County administrative offices at 115 West Main Street, Lincolnton, NC 28092.

Note 17. Jointly Governed Organization

The County, in conjunction with seven other counties and 50 municipalities, established the Centralina 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 dues of \$19,139 to the Council during the fiscal year ended June 30, 2016.

The County's Board of Commissioners appoints two of the Gaston College trustees. The County provided funding of \$170,000 for operations for the year ended June 30, 2016.

The County's Board of Commissioners appoints one of the Lake Norman Marine Commission Board of Directors. The County provided funding of \$27,000 for the year ended June 30, 2016.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

Note 18. Benefit Payments Issued By the State

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

	<u>Federal</u>	<u>State</u>
Children's Health Insurance Program - North Carolina Health Choice	\$ 1,571,168	\$ 80,324
Medical assistance program	58,745,140	31,361,735
Temporary Assistance to Needy Families	271,726	-
Chafee Foster Care Independence Program	28,488	-
SC/SA Domiciliary Care Payment	-	389,263
SFHF Maximization	-	54,869
Special Supplemental Food Program for Women, Infants, and Children (WIC)	1,087,026	-
IV-E foster care	199,104	54,563
F/C at Risk Maximum	-	15,218
IV-E adoption subsidy & vendor	302,137	77,278
CWS Adoption Subsidy & vendor payments	-	321,913
State foster home	-	44,571
Total	<u>\$ 62,204,789</u>	<u>\$ 32,399,734</u>

Note 19. Subsequent Event

Events occurring subsequent to year-end have been evaluated through January 26, 2017. This is the date on which the financial statements were available to be issued.

The County issued \$8,858,000 in installment debt on July 21, 2016. These funds will be used in the Solid Waste Fund, Water and Sewer Capital Projects Fund and General Capital Projects Fund.

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LINCOLN COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/2010	\$ -	\$ 1,198,517	\$ 1,198,517	0.00%	\$ 4,329,558	27.68%
12/31/2011	-	1,248,101	1,248,101	0.00%	4,003,013	31.18%
12/31/2012	-	1,316,627	1,316,627	0.00%	4,015,989	32.78%
12/31/2013	-	1,374,091	1,374,091	0.00%	4,154,487	33.07%
12/31/2014	-	1,391,513	1,391,513	0.00%	4,383,881	31.74%
12/31/2015	-	2,030,142	2,030,142	0.00%	4,574,742	44.38%

Notes to the Required Schedules:

The information presented in the supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/15
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	3.57%
Projected salary increases*	3.50% - 7.35%
*Includes inflation at	3.00%
Cost of living adjustments	N/A

LINCOLN COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/2008	\$ -	\$ 25,534,872	\$ 25,534,872	0.00%	\$ 23,588,521	108.3%
12/31/2010	-	29,653,869	29,653,869	0.00%	23,605,719	125.6%
12/31/2012	-	29,492,800	29,492,800	0.00%	24,819,345	118.8%
12/31/2014	-	34,908,297	34,908,297	0.00%	21,324,933	163.7%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contributed
2010	\$ 2,842,132	12.49%
2011	2,898,226	16.40%
2012	2,898,226	33.70%
2013	2,998,367	25.11%
2014	2,983,975	24.56%
2015	3,090,431	27.14%
2016	3,401,032	22.98%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated.

Additional information as of the latest valuation follows:

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, open
Remaining amortization period	30 years
Amortization factor	17.9837
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate:	
Pre-Medicare trend rate	7.50% - 5.00%
Post-Medicare trend rate	5.50% - 5.00%
Year of ultimate trend rate	2020
*Includes inflation at	3.00%

LINCOLN COUNTY, NORTH CAROLINA**COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS***

Local Government Employees' Retirement System			
	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.48338%	0.47701%	0.46080%
Proportion of the net pension liability (asset) (\$)	\$ 2,169,381	\$ (2,813,149)	\$ 5,554,409
Covered-employee payroll	\$ 26,371,714	\$ 26,134,922	\$ 23,251,657
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.23%	-10.76%	23.89%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Pension schedules are intended to show information for ten years. That additional information will be added as it becomes available.

LINCOLN COUNTY, NORTH CAROLINA**LINCOLN COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS****Local Government Employees' Retirement System**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,925,926	\$ 1,892,547	\$ 1,847,353
Contributions in relation to the contractually required contribution	<u>1,925,926</u>	<u>1,892,547</u>	<u>1,847,353</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 28,375,873	\$ 26,371,714	\$ 26,134,922
Contributions as a percentage of covered-employee payroll	6.79%	7.18%	7.07%

Pension schedules are intended to show information for ten years. That additional information will be added as it becomes available.

LINCOLN COUNTY, NORTH CAROLINA**COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS***

Register of Deeds' Supplemental Pension Fund			
	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.84183%	0.80800%	0.79900%
Proportion of the net pension liability (asset) (\$)	\$ (195,086)	\$ (183,245)	\$ 170,709
Covered-employee payroll	\$ 70,339	\$ 68,058	\$ 67,613
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-277.35%	-269.25%	252.48%
Plan fiduciary net position as a percentage of the total pension liability	197.29%	193.88%	190.50%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Pension schedules are intended to show information for ten years. That additional information will be added as it becomes available.

LINCOLN COUNTY, NORTH CAROLINA**LINCOLN COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS****Register of Deeds' Supplemental Pension Fund**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 7,320	\$ 6,736	\$ 6,601
Contributions in relation to the contractually required contribution	<u>7,320</u>	<u>6,736</u>	<u>6,601</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 74,522	\$ 70,339	\$ 68,058
Contributions as a percentage of covered-employee payroll	9.82%	9.58%	9.70%

Pension schedules are intended to show information for ten years. That additional information will be added as it becomes available.

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes	\$ 50,846,817	\$ 52,162,535	\$ 1,315,718	\$ 50,857,508
Local Option Sales Taxes:				
Article 39 one percent	5,974,000	6,580,882	606,882	6,145,225
Article 40 one-half of one percent	4,500,000	4,678,724	178,724	4,418,811
Article 42 one-half of one percent	3,375,000	3,599,353	224,353	3,367,263
Article 44 one-half of one percent	-	1,333	1,333	5,447
Medicaid hold harmless	300,000	599,706	299,706	487,247
Total	14,149,000	15,459,998	1,310,998	14,423,993
Other Taxes and Licenses:				
Real estate transfer tax	735,423	974,733	239,310	858,192
Local occupancy tax and car rental tax	97,500	148,452	50,952	146,633
Utility franchise tax	230,000	220,188	(9,812)	229,091
Total	1,062,923	1,343,373	280,450	1,233,916
Unrestricted Intergovernmental Revenues:				
Beer and wine tax	300,000	306,511	6,511	330,007
Restricted Intergovernmental Revenues:				
Federal and State grants	13,175,197	12,128,459	(1,046,738)	11,963,446
Court facilities fees	100,000	107,143	7,143	101,592
ABC revenue	222,000	262,526	40,526	294,820
Total	13,497,197	12,498,128	(999,069)	12,359,858
Permits and Fees:				
Inspection department	1,428,000	1,721,630	293,630	1,403,263
Sheriff department	159,000	188,500	29,500	121,057
Fire marshal	53,500	16,535	(36,965)	4,323
Register of Deeds	332,100	441,819	109,719	405,735
Total	1,972,600	2,368,484	395,884	1,934,378
Sales and Services:				
Rents, concessions, and fees	1,170,017	1,287,106	117,089	1,273,865
Ambulance fees	3,200,000	3,371,435	171,435	2,927,188
Animal control	78,000	71,002	(6,998)	83,467
Jail fees	30,000	37,441	7,441	40,224
Social Services	935,341	424,818	(510,523)	1,080,314
Health department	305,094	418,042	112,948	435,599
Collection fees - special tax districts and City of Lincolnton	310,000	328,681	18,681	302,357
Total	6,028,452	5,938,525	(89,927)	6,143,014

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Investment Earnings	75,000	147,178	72,178	75,793
Miscellaneous:				
Sale of property	100,000	72,276	(27,724)	86,967
Contributions	900	5,682	4,782	6,184
Indirect fees	440,000	411,784	(28,216)	455,094
Other	448,520	2,398,925	1,950,405	76,393
Total	989,420	2,888,667	1,899,247	624,638
Total revenues	88,921,409	93,113,399	4,191,990	87,983,105
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	114,738	128,716	(13,978)	124,677
Other operating expenditures	114,242	151,908	(37,666)	109,303
Total	228,980	280,624	(51,644)	233,980
County Manager:				
Salaries and employee benefits	183,833	199,278	(15,445)	382,213
Other operating expenditures	34,483	22,985	11,498	36,341
Total	218,316	222,263	(3,947)	418,554
Human Resources:				
Salaries and employee benefits	207,473	207,431	42	215,882
Other operating expenditures	46,099	48,095	(1,996)	40,576
Total	253,572	255,526	(1,954)	256,458
Finance:				
Salaries and employee benefits	555,313	559,676	(4,363)	535,745
Other operating expenditures	60,290	62,373	(2,083)	62,630
Total	615,603	622,049	(6,446)	598,375
Information Technology:				
Salaries and employee benefits	476,538	503,065	(26,527)	490,260
Other operating expenditures	289,133	267,719	21,414	172,999
Capital outlay	11,769	6,869	4,900	-
Total	777,440	777,653	(213)	663,259
Safety and Training:				
Other operating expenditures	30,978	30,496	482	27,955
Elections:				

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Salaries and employee benefits	411,468	349,442	62,026	274,028
Special compensation	9,486	7,860	1,626	7,585
Other operating expenditures	164,500	127,818	36,682	125,037
Capital outlay	242,000	196,620	45,380	-
Total	827,454	681,740	145,714	406,650
Taxes:				
Salaries and employee benefits	630,630	651,038	(20,408)	607,860
Other operating expenditures	582,684	434,663	148,021	396,281
Tax mapping	368,619	302,970	65,649	319,122
Tax revaluation	552,513	400,916	151,597	590,468
Total	2,134,446	1,789,587	344,859	1,913,731
Legal:				
Other operating expenditures	360,064	190,667	169,397	210,471
Register of Deeds:				
Salaries and employee benefits	444,056	435,249	8,807	422,704
Other operating expenditures	521,361	609,325	(87,964)	549,335
Total	965,417	1,044,574	(79,157)	972,039
Central Services:				
Salaries and employee benefits	769,000	707,769	61,231	722,175
Other operating expenditures	25,000	36,046	(11,046)	32,807
Total	794,000	743,815	50,185	754,982
Building Maintenance:				
Salaries and employee benefits	585,079	612,237	(27,158)	499,208
Other operating expenditures	869,074	836,374	32,700	881,350
Capital outlay	1,201,100	1,336,470	(135,370)	-
Total	2,655,253	2,785,081	(129,828)	1,380,558
Public Buildings:				
Salaries and employee benefits	107,978	5,848	102,130	67,029
Other operating expenditures	491,439	403,610	87,829	242,118
Total	599,417	409,458	189,959	309,147
District Court:				
Other operating expenditures	36,737	32,376	4,361	35,475

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Special Grants:				
Forestry program	87,241	74,275	12,966	61,854
Lake Norman Marine Commission	93,900	93,900	-	74,925
Lake Norman RPO	-	-	-	19,124
Regional Council of Government	19,139	19,139	-	18,784
West/East Lincoln Rescue Squads	55,650	52,235	3,415	54,395
Miscellaneous grants	30,000	28,035	1,965	10,103
Airport Authority	60,000	60,000	-	57,184
Arts Council	7,268	7,268	-	7,268
Cultural Development Center	30,216	30,216	-	29,216
Gaston Family Health Services	17,500	17,500	-	14,963
Centralina COG	25,000	15,021	9,979	-
Historical Association	33,000	33,000	-	33,000
Total	458,914	430,589	28,325	380,816
Total general government	10,956,591	10,296,498	660,093	8,562,450
Public Safety:				
Sheriff Department:				
Salaries and employee benefits	7,460,288	7,317,367	142,921	7,170,187
Other operating expenditures	1,368,633	1,179,497	189,136	1,216,661
Capital outlay	542,579	394,005	148,574	-
Total	9,371,500	8,890,869	480,631	8,386,848
Jail:				
Salaries and employee benefits	2,277,466	2,226,289	51,177	2,002,121
Other operating expenditures	1,033,880	961,609	72,271	916,691
Capital outlay	43,481	37,211	6,270	-
Total	3,354,827	3,225,109	129,718	2,918,812
Jail Commissary:				
Other operating expenditures	154,618	34,708	119,910	59,819
Communications:				
Salaries and employee benefits	1,106,585	1,070,663	35,922	1,034,872
Other operating expenditures	204,861	244,246	(39,385)	262,720
Capital outlay	-	11,200	(11,200)	-
Total	1,311,446	1,326,109	(14,663)	1,297,592
Emergency Management:				
Salaries and employee benefits	91,840	95,026	(3,186)	89,548
Other operating expenditures	28,495	26,616	1,879	37,762
Total	120,335	121,642	(1,307)	127,310

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Emergency Management - Beatties Ford:				
Other operating expenditures	53,852	52,499	1,353	56,730
Emergency Management - Special Operations:				
Other operating expenditures	16,124	16,094	30	25,873
Ambulance Services:				
Salaries and employee benefits	5,144,055	4,820,015	324,040	4,606,623
Other operating expenditures	1,060,730	1,047,135	13,595	977,026
Capital outlay	773,388	728,940	44,448	-
Total	6,978,173	6,596,090	382,083	5,583,649
Fire:				
Fire Marshall				
Salaries and employee benefits	234,325	217,182	17,143	174,520
Other operating expenditures	79,665	78,646	1,019	43,506
Capital outlay	35,000	34,359	641	-
Total	348,990	330,187	18,803	218,026
Assistance to Local Volunteer Fire Departments:				
Other operating expenditures	215,200	177,912	37,288	174,400
Planning:				
Salaries and employee benefits	588,857	600,430	(11,573)	1,206,826
Other operating expenditures	166,828	148,412	18,416	189,417
Capital outlay	44,000	43,377	623	-
Total	799,685	792,219	7,466	1,396,243
Inspections:				
Salaries and employee benefits	642,888	594,586	48,302	-
Other operating expenditures	86,100	34,101	51,999	-
Capital outlay	350,000	137,686	212,314	-
Total	1,078,988	766,373	312,615	-
Medical Examiner:				
Contracted services	42,700	55,274	(12,574)	47,063
Animal Control:				
Salaries and employee benefits	542,780	577,772	(34,992)	492,966
Other operating expenditures	250,400	287,836	(37,436)	267,934
Capital outlay	31,400	-	31,400	-
Total	824,580	865,608	(41,028)	760,900
Total public safety	24,671,018	23,250,693	1,420,325	21,053,265

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Economic and Physical Development:				
Cooperative Extension:				
Salaries and employee benefits	57,463	25,287	32,176	68,160
Other operating expenditures	306,534	172,646	133,888	197,821
Total	363,997	197,933	166,064	265,981
Economic Development Commission/Projects:				
Other operating expenditures	1,050,655	1,029,547	21,108	1,286,129
Soil and Water Conservation:				
Salaries and employee benefits	146,194	130,847	15,347	127,448
Other operating expenditures	18,813	15,290	3,523	16,176
Total	165,007	146,137	18,870	143,624
Natural Resources:				
Salaries and employee benefits	113,382	99,047	14,335	114,331
Other operating expenditures	7,187	6,907	280	7,804
Total	120,569	105,954	14,615	122,135
Community Development Block Grant:				
Contracted services - CDBG Grant	-	34,285	(34,285)	4,400
Total economic and physical development	1,700,228	1,513,856	186,372	1,822,269
Human Services:				
Health:				
Administration:				
Salaries and employee benefits	889,789	888,693	1,096	797,488
Special compensation	1,540	880	660	860
Other operating expenditures	187,948	145,136	42,812	181,128
Total	1,079,277	1,034,709	44,568	979,476
Immunization:				
Salaries and employee benefits	62,568	61,928	640	57,945
Other operating expenditures	41,597	36,422	5,175	39,324
Total	104,165	98,350	5,815	97,269
Adult Health:				
Salaries and employee benefits	113,585	111,803	1,782	105,295
Other operating expenditures	2,950	3,235	(285)	2,928
Total	116,535	115,038	1,497	108,223

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Duke Discretionary:				
Other operating expenditures	69,000	66,878	2,122	176,760
BCCP - Health:				
Salaries and employee benefits	4,217	4,274	(57)	5,732
Other operating expenditures	60,730	28,737	31,993	26,810
Total	64,947	33,011	31,936	32,542
Communicable Disease:				
Salaries and employee benefits	56,954	58,800	(1,846)	39,382
Other operating expenditures	11,766	8,593	3,173	7,088
Total	68,720	67,393	1,327	46,470
Lab:				
Salaries and employee benefits	106,546	100,067	6,479	105,554
Other operating expenditures	62,081	41,403	20,678	48,337
Total	168,627	141,470	27,157	153,891
Family Planning:				
Salaries and employee benefits	112,044	107,571	4,473	110,425
Other operating expenditures	36,978	27,387	9,591	13,706
Total	149,022	134,958	14,064	124,131
Maternal Health:				
Salaries and employee benefits	128,990	144,216	(15,226)	122,999
Other operating expenditures	7,569	3,912	3,657	3,616
Capital outlay	800	513	287	532
Total	137,359	148,641	(11,282)	127,147
Child Health:				
Salaries and employee benefits	124,310	124,471	(161)	122,923
Other operating expenditures	5,635	1,905	3,730	2,746
Total	129,945	126,376	3,569	125,669
Home Health Services:				
Salaries and employee benefits	271,365	72,174	199,191	506,685
Contracted services	91,212	625	90,587	179,002
Other operating expenditures	61,421	56,599	4,822	107,513
Total	423,998	129,398	294,600	793,200

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Maternal Health Clinic:				
Salaries and employee benefits	94,632	77,839	16,793	95,342
Other operating expenditures	8,597	4,696	3,901	6,659
Total	103,229	82,535	20,694	102,001
Child Service Coordination:				
Salaries and employee benefits	128,388	120,196	8,192	109,484
Other operating expenditures	9,395	4,808	4,587	5,790
Total	137,783	125,004	12,779	115,274
Peer Counselor:				
Salaries and employee benefits	15,031	10,614	4,417	10,539
Women, Infants, and Children:				
Salaries and employee benefits	308,892	219,744	89,148	216,232
Other operating expenditures	15,165	11,490	3,675	14,108
Total	324,057	231,234	92,823	230,340
Day Care Grant:				
Salaries and employee benefits	53,595	53,803	(208)	53,099
Other operating expenditures	4,735	5,016	(281)	6,651
Total	58,330	58,819	(489)	59,750
Nutrition:				
Salaries and employee benefits	128,189	71,486	56,703	73,663
Other operating expenditures	779	80	699	178
Total	128,968	71,566	57,402	73,841
Environmental Health:				
Salaries and employee benefits	540,951	528,311	12,640	521,519
Other operating expenditures	57,305	62,271	(4,966)	61,752
Capital outlay	36,845	36,845	-	-
Total	635,101	627,427	7,674	583,271
School Health:				
Salaries and employee benefits	445,857	418,593	27,264	426,042
Other operating expenditures	32,817	23,824	8,993	25,269
Total	478,674	442,417	36,257	451,311

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Health Promotion:				
Salaries and employee benefits	54,756	51,079	3,677	48,644
Other operating expenditures	9,892	5,397	4,495	11,094
Total	64,648	56,476	8,172	59,738
Bioterrorism:				
Salaries and employee benefits	61,845	62,048	(203)	61,074
Other operating expenditures	27,779	20,132	7,647	12,597
Total	89,624	82,180	7,444	73,671
Contracted Services:				
Salaries and employee benefits	597,444	469,920	127,524	517,998
Other operating expenditures	39,960	33,210	6,750	39,546
Total	637,404	503,130	134,274	557,544
Other Health Programs:				
Susan Komen	446,604	427,607	18,997	433,052
Total health	5,631,048	4,815,231	815,817	5,515,110
Social Services:				
Administration:				
Salaries and employee benefits	873,067	821,369	51,698	870,544
Special compensation	1,200	880	320	920
Other operating expenditures	708,154	682,876	25,278	512,706
Capital outlay	74,483	-	74,483	76,111
Total	1,656,904	1,505,125	151,779	1,460,281
Children's Services:				
Salaries and employee benefits	2,385,816	2,258,798	127,018	2,176,263
Foster care	985,275	855,770	129,505	886,270
Other operating expenditures	94,966	68,434	26,532	61,106
Total	3,466,057	3,183,002	283,055	3,123,639
Adolescent Parenting:				
Salaries and employee benefits	58,115	58,462	(347)	53,315
Other operating expenditures	3,353	2,881	472	1,455
Total	61,468	61,343	125	54,770
Adult Services:				
Salaries and employee benefits	699,986	664,006	35,980	663,330
Long-term care, SD	410,037	394,853	15,184	464,098
Other operating expenditures	272,958	259,403	13,555	220,321
Total	1,382,981	1,318,262	64,719	1,347,749

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Child Support Enforcement:				
Salaries and employee benefits	461,766	459,449	2,317	405,582
Other operating expenditures	20,999	18,937	2,062	16,917
Total	482,765	478,386	4,379	422,499
CAP - Children:				
Special contracted services	350	-	350	-
CAP - Disabled Adults:				
Special contracted services	7,000	9,227	(2,227)	8,904
Other operating expenditures	125,000	126,369	(1,369)	138,435
Total	132,000	135,596	(3,596)	147,339
TANF Program:				
Salaries and employee benefits	386,355	347,564	38,791	385,455
Client travel reimbursement	800	160	640	824
Other operating expenditures	29,152	6,186	22,966	4,882
Total	416,307	353,910	62,397	391,161
Family Medicaid:				
Salaries and employee benefits	669,075	629,265	39,810	525,045
TANF emergency assistance	10,338	6,202	4,136	8,910
Total	679,413	635,467	43,946	533,955
Adult Medicaid:				
Salaries and employee benefits	808,803	701,725	107,078	688,242
Client transportation	425,000	571,855	(146,855)	466,012
Medicaid, SD	4,460	3,600	860	4,580
Other operating expenditures	4,420	3,738	682	3,475
Total	1,242,683	1,280,918	(38,235)	1,162,309
Food and Nutrition:				
Salaries and employee benefits	731,814	683,989	47,825	629,076
Other operating expenditures	557,127	520,568	36,559	510,980
Total	1,288,941	1,204,557	84,384	1,140,056
Food and Nutrition - Fraud:				
Special contracted services	48,169	48,251	(82)	47,540
Other operating expenditures	678	160	518	463
Total	48,847	48,411	436	48,003

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
DSS - SHIP				
Other operating expenditures	1,487	4,982	(3,495)	3,872
Total social services	10,860,203	10,209,959	650,244	9,835,633
Assistance Programs:				
SA Blind	3,712	3,711	1	3,672
Child Daycare	2,161,694	2,287,911	(126,217)	1,963,540
Gaston skills	65,471	-	65,471	-
Total	2,230,877	2,291,622	(60,745)	1,967,212
Veterans Service Office:				
Salaries and employee benefits	111,318	106,806	4,512	104,758
Other operating expenditures	18,227	14,072	4,155	16,610
Total	129,545	120,878	8,667	121,368
JCP Administration:				
Administration	10,847	9,051	1,796	7,406
JCP - Communities In Schools:				
Communities in schools	27,749	27,749	-	27,689
JCP - Savy Shepherd:				
Savy Shepherd	2,552	4,306	(1,754)	60,789
JCP Mediation:				
Mediation	17,550	17,550	-	13,000
JCP CIS - After School:				
Other operating expenditures	59,059	59,059	-	65,309
JCP Phoenix Counseling:				
Other operating expenditures	-	-	-	3,750
JCP FamiliFirst:				
Other operating expenditures	23,205	22,847	358	18,873
JCP Shepherd - Take Hold of Reins:				
Shepherd - Take Hold of Reins	-	-	-	1,250
CIS/Restitution				
Other operating expenditures	35,918	35,918	-	33,000

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Senior Services:				
Salaries and employee benefits	249,920	224,654	25,266	223,379
Other operating expenditures	269,576	290,597	(21,021)	266,242
Total	519,496	515,251	4,245	489,621
Transportation TLC:				
Salaries and employee benefits	905,860	705,932	199,928	718,992
Other operating expenditures	338,222	275,714	62,508	344,103
Capital outlay	274,050	51,035	223,015	-
Total	1,518,132	1,032,681	485,451	1,063,095
Total human services	21,066,181	19,162,102	1,904,079	19,223,105
Cultural and Recreational:				
Recreation:				
Salaries and employee benefits	699,811	555,924	143,887	665,535
Contracted services	8,500	2,403	6,097	9,045
Other operating expenditures	331,518	314,525	16,993	350,029
Total	1,039,829	872,852	166,977	1,024,609
Recreation - Building and Grounds:				
Salaries and employee benefits	220,485	299,658	(79,173)	139,876
Other operating expenditures	57,275	62,392	(5,117)	57,647
Capital outlay	108,738	103,597	5,141	-
Total	386,498	465,647	(79,149)	197,523
Library:				
Salaries and employee benefits	828,579	775,968	52,611	783,471
Other operating expenditures	454,611	436,192	18,419	457,782
Books and magazines	10,400	8,557	1,843	-
Capital outlay	56,328	-	56,328	-
Total	1,349,918	1,220,717	129,201	1,241,253
Historical Properties:				
Other operating expenditures	2,480	317	2,163	679
Total cultural and recreational	2,778,725	2,559,533	219,192	2,464,064
Education:				
Public schools - current expense	17,009,606	17,009,606	-	16,156,982
Public schools - capital outlay	1,729,091	1,729,091	-	2,210,955
Community college - current expense	170,000	170,000	-	150,000
Total education	18,908,697	18,908,697	-	18,517,937

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Debt Service:				
Principal retirement	9,000,270	9,053,807	(53,537)	9,054,196
Interest and fees	3,428,979	3,213,983	214,996	3,651,770
Total debt service	<u>12,429,249</u>	<u>12,267,790</u>	<u>161,459</u>	<u>12,705,966</u>
 Total expenditures	 <u>92,510,689</u>	 <u>87,959,169</u>	 <u>4,551,520</u>	 <u>84,349,056</u>
 Revenues over (under) expenditures	 <u>(3,589,280)</u>	 <u>5,154,230</u>	 <u>8,743,510</u>	 <u>3,634,049</u>
 Other Financing Sources (Uses):				
Long-term debt issued	102,934	5,244,000	5,141,066	-
Payment to refunding bond escrow agent	-	(5,141,066)	(5,141,066)	-
Transfers out	(385,918)	(385,918)	-	(1,738,263)
Transfers in	1,222,851	1,222,851	-	1,659,861
Fund balance appropriated	2,649,413	-	(2,649,413)	-
Total other financing sources (uses)	<u>3,589,280</u>	<u>939,867</u>	<u>(2,649,413)</u>	<u>(78,402)</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>6,094,097</u>	 <u>\$ 6,094,097</u>	 <u>3,555,647</u>
 Fund Balance:				
Beginning of year - July 1		<u>27,162,136</u>		<u>23,606,489</u>
 End of year - June 30		<u>\$ 33,256,233</u>		<u>\$ 27,162,136</u>

LINCOLN COUNTY, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND

GENERAL CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

		Actual			
	Project Authorization	Prior Years	Current Year	Closed Projects	Total to Date
Revenues:					
Restricted intergovernmental					
Federal and State grants	\$ 2,856,431	\$ 589,723	\$ 352,432	\$ 5,000	\$ 937,155
Investment earnings	-	474	-	-	474
Contributions and donations	1,265,903	892,985	273,658	-	1,166,643
Miscellaneous	610,000	17,921	-	-	17,921
Total revenues	4,732,334	1,501,103	626,090	5,000	2,122,193
Expenditures:					
Capital outlay					
Land and buildings	-	132,250	-	132,250	-
Other improvements	93,447	26,391	-	-	26,391
Other equipment	1,586,867	3,569,786	137,066	2,157,345	1,549,507
Design	380,892	505,200	123,177	2	628,375
Construction	27,324,064	5,844,275	1,756,832	12,639	7,588,468
Miscellaneous	771,856	30,793	4,563	6,285	29,071
Contingency	26,632	-	-	-	-
Total expenditures	30,183,758	10,108,695	2,021,638	2,308,521	9,821,812
Revenues over (under) expenditures	(25,451,424)	(8,607,592)	(1,395,548)	(2,303,521)	(7,699,619)
Other Financing Sources (Uses):					
Long-term debt issued	23,375,161	5,707,311	-	812,306	4,895,005
Transfer to General Fund	-	(609,861)	-	(600,389)	(9,472)
Transfer from General Fund	2,076,263	3,362,417	317,668	2,091,604	1,588,481
Total other financing sources (uses)	25,451,424	8,459,867	317,668	2,303,521	6,474,014
Net change in fund balance	\$ -	\$ (147,725)	(1,077,880)	\$ -	\$ (1,225,605)
Fund Balance:					
Beginning of year - July 1			(147,725)		
End of year - June 30			\$ (1,225,605)		

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LINCOLN COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds				
	Fire Districts Fund	Law Enforcement Fund	Federal Law Enforcement Fund	Emergency Telephone Systems Fund	Special Grants Fund
Assets:					
Cash and cash equivalents	\$ 26,577	\$ 77,343	\$ 76,777	\$ 525,635	\$ -
Taxes receivable, net	327,365	-	-	-	-
Accounts receivable, net	-	24	23	21,246	69,849
Due from other governments	-	-	13	3,965	3,648
Cash and cash equivalents, restricted	-	-	-	-	-
Total assets	<u>\$ 353,942</u>	<u>\$ 77,367</u>	<u>\$ 76,813</u>	<u>\$ 550,846</u>	<u>\$ 73,497</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and other accrued liabilities	\$ 26,577	\$ -	\$ -	\$ 2,188	\$ 2,270
Due to other funds	-	-	-	-	47,112
Total liabilities	<u>26,577</u>	<u>-</u>	<u>-</u>	<u>2,188</u>	<u>49,382</u>
Deferred Inflows of Resources:					
Unavailable taxes	<u>327,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>327,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted:					
Stabilization for State statute	-	24	36	25,211	73,497
Restricted, all other	-	77,343	76,777	523,447	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	(49,382)
Total fund balances	<u>-</u>	<u>77,367</u>	<u>76,813</u>	<u>548,658</u>	<u>24,115</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 353,942</u>	<u>\$ 77,367</u>	<u>\$ 76,813</u>	<u>\$ 550,846</u>	<u>\$ 73,497</u>

LINCOLN COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>Capital Project Funds</u>		
	<u>School Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ -	\$ 303,043	\$ 1,009,375
Taxes receivable, net	-	-	327,365
Accounts receivable, net	-	-	91,142
Due from other governments	-	92	7,718
Cash and cash equivalents, restricted	467,541	-	467,541
Total assets	<u>\$ 467,541</u>	<u>\$ 303,135</u>	<u>\$ 1,903,141</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and other accrued liabilities	\$ -	\$ -	\$ 31,035
Due to other funds	-	-	47,112
Total liabilities	-	-	78,147
Deferred Inflows of Resources:			
Unavailable taxes	-	-	327,365
Total deferred inflows of resources	-	-	327,365
Fund Balances:			
Restricted:			
Stabilization for State statute	-	92	98,860
Restricted, all other	467,541	-	1,145,108
Committed	-	303,043	303,043
Unassigned	-	-	(49,382)
Total fund balances	<u>467,541</u>	<u>303,135</u>	<u>1,497,629</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 467,541</u>	<u>\$ 303,135</u>	<u>\$ 1,903,141</u>

LINCOLN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds				
	Fire Districts Fund	Law Enforcement Fund	Federal Law Enforcement Fund	Emergency Telephone Systems Fund	Special Grants Fund
Revenues:					
Ad valorem taxes	\$ 6,940,996	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	-	-	-	253,038	-
Restricted intergovernmental revenue	-	15,533	1,682	-	401,807
Miscellaneous	-	-	1,711	-	-
Investment earnings	-	301	326	2,368	-
Total revenues	<u>6,940,996</u>	<u>15,834</u>	<u>3,719</u>	<u>255,406</u>	<u>401,807</u>
Expenditures:					
Current:					
General government	-	-	-	-	23,074
Public safety	6,940,996	774	2,151	373,632	-
Transportation	-	-	-	-	321,507
Culture and recreation	-	-	-	-	63,361
Capital outlay - schools	-	-	-	-	-
Total expenditures	<u>6,940,996</u>	<u>774</u>	<u>2,151</u>	<u>373,632</u>	<u>407,942</u>
Revenues over (under) expenditures	<u>-</u>	<u>15,060</u>	<u>1,568</u>	<u>(118,226)</u>	<u>(6,135)</u>
Other Financing Sources (Uses):					
Transfers in	-	-	-	38,000	30,250
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,000</u>	<u>30,250</u>
Net change in fund balances	-	15,060	1,568	(80,226)	24,115
Fund Balances:					
Beginning of year - July 1	<u>-</u>	<u>62,307</u>	<u>75,245</u>	<u>628,884</u>	<u>-</u>
End of year - June 30	<u>\$ -</u>	<u>\$ 77,367</u>	<u>\$ 76,813</u>	<u>\$ 548,658</u>	<u>\$ 24,115</u>

LINCOLN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Capital Project Funds</u>		
	<u>School Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ -	\$ -	\$ 6,940,996
Other taxes and licenses	-	-	253,038
Restricted intergovernmental revenue	-	783,400	1,202,422
Miscellaneous	-	-	1,711
Investment earnings	1,397	2,552	6,944
Total revenues	<u>1,397</u>	<u>785,952</u>	<u>8,405,111</u>
Expenditures:			
Current:			
General government	-	-	23,074
Public safety	-	-	7,317,553
Transportation	-	-	321,507
Culture and recreation	-	-	63,361
Capital outlay - schools	519,261	-	519,261
Total expenditures	<u>519,261</u>	<u>-</u>	<u>8,244,756</u>
Revenues over (under) expenditures	<u>(517,864)</u>	<u>785,952</u>	<u>160,355</u>
Other Financing Sources (Uses):			
Transfers in	-	-	68,250
Transfers out	-	(1,222,851)	(1,222,851)
Total other financing sources (uses)	<u>-</u>	<u>(1,222,851)</u>	<u>(1,154,601)</u>
Net change in fund balances	(517,864)	(436,899)	(994,246)
Fund Balances:			
Beginning of year - July 1	<u>985,405</u>	<u>740,034</u>	<u>2,491,875</u>
End of year - June 30	<u>\$ 467,541</u>	<u>\$ 303,135</u>	<u>\$ 1,497,629</u>

LINCOLN COUNTY, NORTH CAROLINA

SPECIAL REVENUE - FIRE DISTRICTS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad valorem taxes	\$ 7,297,644	\$ 6,940,996	\$ (356,648)	\$ 6,683,494
Total revenues	<u>7,297,644</u>	<u>6,940,996</u>	<u>(356,648)</u>	<u>6,683,494</u>
Expenditures:				
Alexis Fire District	375,766	358,375	17,391	347,256
Boger City Fire District	693,648	665,511	28,137	616,549
Crouse Fire District	121,261	109,275	11,986	107,496
Denver Fire District	2,106,350	2,008,352	97,998	1,958,949
East Lincoln Fire District	1,914,978	1,825,636	89,342	1,786,765
Howard's Creek Fire District	316,916	293,657	23,259	286,176
North 321 Fire District	326,077	297,218	28,859	271,107
North Brook Fire District	348,650	334,982	13,668	282,197
Pumpkin Center Fire District	495,010	470,823	24,187	441,626
South Fork Fire District	355,900	340,329	15,571	338,502
Union Fire District	<u>243,088</u>	<u>236,838</u>	<u>6,250</u>	<u>246,871</u>
Total expenditures	<u>7,297,644</u>	<u>6,940,996</u>	<u>356,648</u>	<u>6,683,494</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Fund Balance:				
Beginning of year - July 1		-		-
End of year - June 30		<u>\$ -</u>		<u>\$ -</u>

LINCOLN COUNTY, NORTH CAROLINA

SPECIAL REVENUE - LAW ENFORCEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>			<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Restricted intergovernmental	\$ 20,000	\$ 15,533	\$ (4,467)	\$ 20,853
Investment earnings	25	301	276	141
Total revenues	<u>20,025</u>	<u>15,834</u>	<u>(4,191)</u>	<u>20,994</u>
Expenditures:				
Public safety	<u>20,025</u>	<u>774</u>	<u>19,251</u>	<u>8,526</u>
Total expenditures	<u>20,025</u>	<u>774</u>	<u>19,251</u>	<u>8,526</u>
Net change in fund balance	<u>\$ -</u>	<u>15,060</u>	<u>\$ 15,060</u>	<u>12,468</u>
Fund Balance:				
Beginning of year - July 1		<u>62,307</u>		<u>49,839</u>
End of year - June 30		<u>\$ 77,367</u>		<u>\$ 62,307</u>

LINCOLN COUNTY, NORTH CAROLINA

SPECIAL REVENUE - FEDERAL LAW ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>			<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Restricted intergovernmental revenue	\$ 15,000	\$ 1,682	\$ (13,318)	\$ 62,602
Investment earnings	40	326	286	116
Miscellaneous	-	1,711	1,711	4,665
Total revenues	<u>15,040</u>	<u>3,719</u>	<u>(11,321)</u>	<u>67,383</u>
Expenditures:				
Public safety	<u>15,040</u>	<u>2,151</u>	<u>12,889</u>	<u>34,688</u>
Total expenditures	<u>15,040</u>	<u>2,151</u>	<u>12,889</u>	<u>34,688</u>
Net change in fund balance	<u>\$ -</u>	<u>1,568</u>	<u>\$ 1,568</u>	<u>32,695</u>
Fund Balance:				
Beginning of year - July 1		<u>75,245</u>		<u>42,550</u>
End of year - June 30		<u>\$ 76,813</u>		<u>\$ 75,245</u>

LINCOLN COUNTY, NORTH CAROLINA

SPECIAL REVENUE - EMERGENCY TELEPHONE SYSTEM FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Other Taxes and Licenses:				
911 system subscriber fees	\$ 284,443	\$ 253,038	\$ (31,405)	\$ 329,821
Investment earnings	-	2,368	2,368	1,357
Total revenues	<u>284,443</u>	<u>255,406</u>	<u>(29,037)</u>	<u>331,178</u>
Expenditures:				
Public Safety:				
911 system subscriber fees				
Other operating expenditures	173,443	124,178	49,265	119,229
Telephone	80,000	88,035	(8,035)	71,724
Capital outlay	181,000	161,419	19,581	68,104
Total expenditures	<u>434,443</u>	<u>373,632</u>	<u>60,811</u>	<u>259,057</u>
Revenues over (under) expenditures	<u>(150,000)</u>	<u>(118,226)</u>	<u>31,774</u>	<u>72,121</u>
Other Financing Sources (Uses):				
Transfers in (out)	38,000	38,000	-	-
Fund balance appropriated	112,000	-	(112,000)	-
Total other financing sources (uses)	<u>150,000</u>	<u>38,000</u>	<u>(112,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(80,226)</u>	<u>\$ (80,226)</u>	<u>72,121</u>
Fund Balance:				
Beginning of year - July 1		<u>628,884</u>		<u>556,763</u>
End of year - June 30		<u>\$ 548,658</u>		<u>\$ 628,884</u>

LINCOLN COUNTY, NORTH CAROLINA

SPECIAL REVENUE - SPECIAL GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental revenue	\$ 323,753	\$ 401,807	\$ 78,054	\$ -
Total revenues	<u>323,753</u>	<u>401,807</u>	<u>78,054</u>	<u>-</u>
Expenditures:				
General government	27,476	23,074	4,402	-
Public safety	14,027	-	14,027	-
Transportation	252,500	321,507	(69,007)	-
Culture and recreation	<u>60,000</u>	<u>63,361</u>	<u>(3,361)</u>	<u>-</u>
Total expenditures	<u>354,003</u>	<u>407,942</u>	<u>(53,939)</u>	<u>-</u>
Revenues over (under) expenditures	(30,250)	(6,135)	24,115	-
Other Financing Sources (Uses):				
Transfers in (out)	<u>30,250</u>	<u>30,250</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	24,115	<u>\$ 24,115</u>	-
Fund Balance:				
Beginning of year - July 1		<u>-</u>		<u>-</u>
End of year - June 30		<u>\$ 24,115</u>		<u>\$ -</u>

LINCOLN COUNTY, NORTH CAROLINA

SCHOOL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Investment earnings	\$ 212,075	\$ 397,307	\$ 1,397	\$ 398,704
Total revenues	212,075	397,307	1,397	398,704
Expenditures:				
Education	37,634,195	36,889,558	519,261	37,408,819
Total expenditures	37,634,195	36,889,558	519,261	37,408,819
Revenues over (under) expenditures	(37,422,120)	(36,492,251)	(517,864)	(37,010,115)
Other Financing Sources (Uses):				
Long-term debt issued	39,777,839	39,848,504	-	39,848,504
Bond premium	-	76,694	-	76,694
Transfers out	(2,980,719)	(3,072,542)	-	(3,072,542)
Transfer from General Fund	625,000	625,000	-	625,000
Total other financing sources (uses)	37,422,120	37,477,656	-	37,477,656
Net change in fund balance	\$ -	\$ 985,405	(517,864)	\$ 467,541
Fund Balance:				
Beginning of year - July 1			985,405	
End of year - June 30			\$ 467,541	

LINCOLN COUNTY, NORTH CAROLINA

CAPITAL PROJECT - CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted Intergovernmental:				
Lottery proceeds	\$ 700,000	\$ 783,400	\$ 83,400	\$ 829,500
Investment earnings	1,000	2,552	1,552	1,663
Total revenues	<u>701,000</u>	<u>785,952</u>	<u>84,952</u>	<u>831,163</u>
Other Financing Sources (Uses):				
Transfers out	(1,222,851)	(1,222,851)	-	(1,050,000)
Appropriated fund balance	<u>521,851</u>	<u>-</u>	<u>(521,851)</u>	<u>-</u>
Total other financing sources (uses)	<u>(701,000)</u>	<u>(1,222,851)</u>	<u>(521,851)</u>	<u>(1,050,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(436,899)</u>	<u>\$ (436,899)</u>	<u>(218,837)</u>
Fund Balance:				
Beginning of year - July 1		<u>740,034</u>		<u>958,871</u>
End of year - June 30		<u>\$ 303,135</u>		<u>\$ 740,034</u>

LINCOLN COUNTY, NORTH CAROLINA**ENTERPRISE FUND - SOLID WASTE FUND****SCHEDULE OF REVENUES AND EXPENDITURES -****BUDGET AND ACTUAL (NON-GAAP)****FOR THE YEAR ENDED JUNE 30, 2016****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Solid waste charges/tipping fees	\$ 660,000	\$ 743,230	\$ 83,230	\$ 735,073
Other	2,000	25,000	23,000	-
Total operating revenues	662,000	768,230	106,230	735,073
Non-Operating Revenues:				
Availability fees	3,054,700	3,013,211	(41,489)	2,808,762
White goods disposal tax	-	6,566	6,566	-
Tire disposal tax	77,700	108,112	30,412	115,232
Franchise fees	35,000	35,000	-	34,482
Solid waste disposal tax	57,000	55,661	(1,339)	54,782
Federal and State grants	-	15,000	15,000	-
NC electronics management fund distribution	6,000	-	(6,000)	6,144
Miscellaneous	-	141,605	141,605	2,643
Investment earnings	8,000	29,772	21,772	15,194
Total non-operating revenues	3,238,400	3,404,927	166,527	3,037,239
Total revenues	3,900,400	4,173,157	272,757	3,772,312
Expenditures:				
Landfill Operations:				
Salaries and employee benefits	1,880,209	1,833,564	46,645	1,807,754
Other operating costs	1,368,390	1,318,585	49,805	1,339,093
Capital outlay	841,827	528,898	312,929	727,535
Debt Service:				
Principal	110,392	110,320	72	39,624
Interest	17,516	17,489	27	12,706
Total expenditures	4,218,334	3,808,856	409,478	3,926,712
Revenues over (under) expenditures	(317,934)	364,301	682,235	(154,400)

LINCOLN COUNTY, NORTH CAROLINA**ENTERPRISE FUND - SOLID WASTE FUND****SCHEDULE OF REVENUES AND EXPENDITURES -****BUDGET AND ACTUAL (NON-GAAP)****FOR THE YEAR ENDED JUNE 30, 2016****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Long-term debt issued	-	-	-	400,000
Appropriated fund balance	317,934	-	(317,934)	-
Total other financing sources (uses)	317,934	-	(317,934)	400,000
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>364,301</u>	<u>\$ 364,301</u>	<u>245,600</u>
Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Reconciling items:				
Debt principal		110,320		39,624
Long-term debt issued		-		(400,000)
Capital outlay added to capital assets		528,898		727,535
Depreciation		(870,738)		(988,283)
Decrease in net pension asset		(168,789)		-
Increase in deferred outflows of resources - pensions		82		113,553
Increase in net pension liability		(130,163)		-
Decrease in deferred inflows of resources - pensions		342,399		(12,503)
(Increase) decrease in compensated absences		794		(9,993)
(Increase) decrease in other post-employment benefits		(138,416)		(147,855)
(Increase) decrease in landfill closure and and post-closure costs		(271,725)		(720,392)
Total reconciling items		<u>(597,338)</u>		<u>(1,398,314)</u>
Change in net position		<u>\$ (233,037)</u>		<u>\$ (1,152,714)</u>

LINCOLN COUNTY, NORTH CAROLINA

ENTERPRISE FUND - WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Water and sewer charges/fees	\$ 9,460,200	\$ 10,447,941	\$ 987,741	\$ 9,004,085
Water and sewer taps	146,500	236,782	90,282	137,570
Other operating revenues	9,000	6,750	(2,250)	51,033
Total operating revenues	9,615,700	10,691,473	1,075,773	9,192,688
Non-Operating Revenues:				
Investment income	2,500	25,599	23,099	10,547
Miscellaneous revenue	4,500	3,519	(981)	150,649
Total non-operating revenues	7,000	29,118	22,118	161,196
Total revenues	9,622,700	10,720,591	1,097,891	9,353,884
Expenditures:				
Water System:				
Salaries and employee benefits	692,072	658,076	33,996	619,876
Other operating costs	1,536,626	1,471,495	65,131	1,150,759
Capital outlay	85,487	25,486	60,001	-
Total water system	2,314,185	2,155,057	159,128	1,770,635
Sewer System:				
Salaries and employee benefits	617,918	593,570	24,348	597,118
Other operating costs	460,118	495,791	(35,673)	454,492
Total sewer system	1,078,036	1,089,361	(11,325)	1,051,610
Water Treatment Plant:				
Salaries and employee benefits	562,282	562,574	(292)	564,876
Other operating costs	592,556	535,645	56,911	728,470
Total water treatment plant	1,154,838	1,098,219	56,619	1,293,346
Indian Creek Pumping Station:				
Other operating costs	173,789	186,313	(12,524)	107,014
Total Indian Creek pumping station	173,789	186,313	(12,524)	107,014
Wastewater Treatment - Killian Creek:				
Salaries and employee benefits	361,651	240,923	120,728	256,075
Other operating costs	441,258	348,081	93,177	427,671
Total wastewater treatment - Killian Creek	802,909	589,004	213,905	683,746

LINCOLN COUNTY, NORTH CAROLINA

ENTERPRISE FUND - WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Debt Service:				
Principal	1,329,108	1,348,571	(19,463)	1,354,724
Interest	443,107	541,923	(98,816)	382,618
Total debt service	1,772,215	1,890,494	(118,279)	1,737,342
Total expenditures	7,295,972	7,008,448	287,524	6,643,693
Revenues over (under) expenditures	2,326,728	3,712,143	1,385,415	2,710,191
Other Financing Sources (Uses):				
Fund balance appropriated	520,539	-	(520,539)	-
Transfers in (out)	(2,847,267)	(2,442,524)	404,743	(1,741,000)
Total other financing sources (uses)	(2,326,728)	(2,442,524)	(115,796)	(1,741,000)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	1,269,619	\$ 1,269,619	969,191
Reconciliation of Modified Accrual Basis (Modified Accrual) to Full Accrual Basis:				
Reconciling items:				
Debt principal		1,348,571		1,354,724
Capital outlay capitalized		25,486		-
Interest income		14,472		21,927
Intrafund transfers		2,442,524		1,741,000
Capital contributions		2,962,527		-
Depreciation		(2,823,329)		(2,673,997)
Decrease in net pension asset		(196,920)		-
Increase in deferred outflows of resources - pensions		96		132,478
Increase in net pension liability		(151,857)		-
Decrease in deferred inflows of resources - pensions		399,465		(14,587)
Gain (loss) on disposal of capital assets		-		(10,000)
(Increase) decrease in compensated absences		(12,570)		8,000
(Increase) decrease in other post-employment benefits		(144,067)		(140,701)
Total reconciling items		3,864,398		418,844
Change in net position		\$ 5,134,017		\$ 1,388,035

LINCOLN COUNTY, NORTH CAROLINA

ENTERPRISE FUND - WATER AND SEWER CAPITAL FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

		Actual			
	Project Authorization	Prior Years	Current Year	Closed Projects	Total to Date
Revenues:					
Investment earnings	\$ -	\$ 26,594	\$ 14,472	\$ -	\$ 41,066
Miscellaneous	-	17,247	-	-	17,247
Total revenues	-	43,841	14,472	-	58,313
Expenditures:					
Capital outlay	21,105,520	4,484,361	2,927,130	4,237,051	3,174,440
Total expenditures	21,105,520	4,484,361	2,927,130	4,237,051	3,174,440
Revenues over (under) expenditures	(21,105,520)	(4,440,520)	(2,912,658)	(4,237,051)	(3,116,127)
Other Financing Sources (Uses):					
Long-term debt issued	12,303,174	-	-	-	-
Transfers in (out)	8,802,346	5,201,766	2,442,524	4,237,051	3,407,239
Total other financing sources (uses)	21,105,520	5,201,766	2,442,524	4,237,051	3,407,239
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 761,246	\$ (470,134)	\$ -	\$ 291,112

LINCOLN COUNTY, NORTH CAROLINA

ENTERPRISE FUND - EAST LINCOLN COUNTY

WATER AND SEWER DISTRICT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Non-Operating Revenues:				
Ad valorem taxes	\$ 836,070	\$ 875,860	\$ 39,790	\$ 912,435
Investment earnings	500	1,519	1,019	988
Total revenues	<u>836,570</u>	<u>877,379</u>	<u>40,809</u>	<u>913,423</u>
Expenditures:				
Other operating costs	18,000	28,848	(10,848)	29,494
Debt Service:				
Principal	760,000	760,000	-	770,000
Interest	<u>58,570</u>	<u>57,046</u>	<u>1,524</u>	<u>79,790</u>
Total expenditures	<u>836,570</u>	<u>845,894</u>	<u>(9,324)</u>	<u>879,284</u>
Revenues over (under) expenditures	<u>\$ -</u>	31,485	<u>\$ 31,485</u>	34,139
Reconciliation of Modified Accrual Basis (Modified Accrual) to Full Accrual Basis:				
Reconciling items:				
Debt principal		<u>760,000</u>		<u>770,000</u>
Change in net position		<u>\$ 791,485</u>		<u>\$ 804,139</u>

LINCOLN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2016

	Health Insurance Fund	Workers' Compensation Fund	Total Internal Service Funds
Assets:			
Current assets:			
Cash and cash equivalents	\$ 3,676,359	\$ 13,935	\$ 3,690,294
Accounts receivable, net	1,116	4	1,120
Prepaid items	<u>272,165</u>	<u>10,000</u>	<u>282,165</u>
Total assets	<u>3,949,640</u>	<u>23,939</u>	<u>3,973,579</u>
Liabilities:			
Current liabilities:			
Accounts payable and other accrued liabilities	<u>1,354,785</u>	<u>154,379</u>	<u>1,509,164</u>
Total liabilities	<u>1,354,785</u>	<u>154,379</u>	<u>1,509,164</u>
Net Position:			
Unrestricted	<u>2,594,855</u>	<u>(130,440)</u>	<u>2,464,415</u>
Total net position	<u>\$ 2,594,855</u>	<u>\$ (130,440)</u>	<u>\$ 2,464,415</u>

LINCOLN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Health Insurance Fund	Workers' Compensation Fund	Total Internal Service Funds
Operating Revenues:			
Contributions from employer	\$ 6,040,133	\$ -	\$ 6,040,133
Contributions from employees	1,051,547	-	1,051,547
Workers' compensation premiums	-	551,758	551,758
Total operating revenues	<u>7,091,680</u>	<u>551,758</u>	<u>7,643,438</u>
Operating Expenses:			
Health, admin, and consultant fees	7,583,401	130,242	7,713,643
Health and workers' compensation claims	58,952	75,331	134,283
Total operating expenses	<u>7,642,353</u>	<u>205,573</u>	<u>7,847,926</u>
Operating income (loss)	<u>(550,673)</u>	<u>346,185</u>	<u>(204,488)</u>
Non-Operating Revenues (Expenses):			
Investment earnings	17,997	4	18,001
Miscellaneous	1,488	61,765	63,253
Total non-operating revenues (expenses)	<u>19,485</u>	<u>61,769</u>	<u>81,254</u>
Change in net position	(531,188)	407,954	(123,234)
Net Position:			
Beginning of year - July 1	<u>3,126,043</u>	<u>(538,394)</u>	<u>2,587,649</u>
End of year - June 30	<u>\$ 2,594,855</u>	<u>\$ (130,440)</u>	<u>\$ 2,464,415</u>

LINCOLN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Health Insurance Fund	Workers' Compensation Fund	Total Internal Service Funds
Operating Activities:			
Cash received from interfund services	\$ 7,091,730	\$ 551,754	\$ 7,643,484
Cash received from other operating revenues	1,488	61,765	63,253
Cash paid for goods and services	(7,443,670)	(536,259)	(7,979,929)
Net cash provided (used) by operating activities	(350,452)	77,260	(273,192)
Non-Capital Financing Activities:			
Loans (to) from other funds	-	(63,329)	(63,329)
Net cash provided (used) by non-capital financing activities	-	(63,329)	(63,329)
Investing Activities:			
Interest on investments	17,997	4	18,001
Net cash provided (used) by investing activities	17,997	4	18,001
Net increase (decrease) in cash and cash equivalents/investments	(332,455)	13,935	(318,520)
Cash and Cash Equivalents/Investments:			
Beginning of year - July 1	4,008,814	-	4,008,814
End of year - June 30	\$ 3,676,359	\$ 13,935	\$ 3,690,294
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (550,673)	\$ 346,185	\$ (204,488)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Non-operating items	1,488	61,765	63,253
Change in assets and liabilities:			
(Increase) decrease in receivables	50	(4)	46
(Increase) decrease in prepaids	(114,087)	-	(114,087)
Increase (decrease) in accounts payable	312,770	(330,686)	(17,916)
Total adjustments	200,221	(268,925)	(68,704)
Net cash provided (used) by operating activities	\$ (350,452)	\$ 77,260	\$ (273,192)

LINCOLN COUNTY, NORTH CAROLINA

INTERNAL SERVICE FUNDS

HEALTH INSURANCE FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

FINANCIAL PLAN AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions from employer	\$ 5,966,000	\$ 6,040,133	\$ 74,133	\$ 5,991,783
Contributions from employees	1,127,795	1,051,547	(76,248)	1,057,466
Flex account	150,000	-	(150,000)	5,102
Total operating revenues	<u>7,243,795</u>	<u>7,091,680</u>	<u>(152,115)</u>	<u>7,054,351</u>
Operating Expenditures:				
Health and consultant fees	7,757,000	7,583,401	173,599	7,492,122
Patient monitoring	134,795	58,952	75,843	54,218
Total operating expenditures	<u>7,891,795</u>	<u>7,642,353</u>	<u>249,442</u>	<u>7,546,340</u>
Operating income (loss)	<u>(648,000)</u>	<u>(550,673)</u>	<u>97,327</u>	<u>(491,989)</u>
Non-Operating Revenues:				
Miscellaneous revenue	-	1,488	1,488	-
Investment earnings	8,000	17,997	9,997	10,121
Total non-operating revenues	<u>8,000</u>	<u>19,485</u>	<u>11,485</u>	<u>10,121</u>
Other Financing Sources (Uses):				
Appropriated fund balance	<u>640,000</u>	<u>-</u>	<u>(640,000)</u>	<u>-</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ (531,188)</u>	<u>\$ (531,188)</u>	<u>\$ (481,868)</u>

Note: Prepared on the budgetary basis which is modified accrual.

LINCOLN COUNTY, NORTH CAROLINA

INTERNAL SERVICE FUNDS

WORKERS' COMPENSATION FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

FINANCIAL PLAN AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Workers' compensation premiums	\$ 524,475	\$ 551,758	\$ 27,283	\$ 523,018
Total operating revenues	<u>524,475</u>	<u>551,758</u>	<u>27,283</u>	<u>523,018</u>
Operating Expenditures:				
Admin and consultant fees	24,000	130,242	(106,242)	123,773
Workers' compensation claims	443,000	75,331	367,669	1,020,661
Reserve	<u>115,975</u>	<u>-</u>	<u>115,975</u>	<u>-</u>
Total operating expenditures	<u>582,975</u>	<u>205,573</u>	<u>377,402</u>	<u>1,144,434</u>
Operating income (loss)	<u>(58,500)</u>	<u>346,185</u>	<u>404,685</u>	<u>(621,416)</u>
Non-Operating Revenues:				
Miscellaneous revenue	58,000	61,765	3,765	-
Investment earnings	<u>500</u>	<u>4</u>	<u>(496)</u>	<u>194</u>
Total non-operating revenues	<u>58,500</u>	<u>61,769</u>	<u>3,269</u>	<u>194</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ 407,954</u>	<u>\$ 407,954</u>	<u>\$ (621,222)</u>

Note: Prepared on the budgetary basis which is modified accrual.

LINCOLN COUNTY, NORTH CAROLINA

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
Social Services:				
Assets:				
Cash and cash equivalents	\$ 95,346	\$ 292,299	\$ 310,633	\$ 77,012
Total assets	<u>\$ 95,346</u>	<u>\$ 292,299</u>	<u>\$ 310,633</u>	<u>\$ 77,012</u>
Liabilities:				
Intergovernmental payable	\$ 95,346	\$ 292,299	\$ 310,633	\$ 77,012
Total liabilities	<u>\$ 95,346</u>	<u>\$ 292,299</u>	<u>\$ 310,633</u>	<u>\$ 77,012</u>
Tax Collector Fund:				
Assets:				
Cash and cash equivalents	\$ 55,841	\$ 4,647,378	\$ 4,645,178	\$ 58,041
Total assets	<u>\$ 55,841</u>	<u>\$ 4,647,378</u>	<u>\$ 4,645,178</u>	<u>\$ 58,041</u>
Liabilities:				
Intergovernmental payable	\$ 55,841	\$ 4,647,378	\$ 4,645,178	\$ 58,041
Total liabilities	<u>\$ 55,841</u>	<u>\$ 4,647,378</u>	<u>\$ 4,645,178</u>	<u>\$ 58,041</u>
Register of Deeds SB202 Fund:				
Assets:				
Cash and cash equivalents	\$ 5,475	\$ 63,531	\$ 62,887	\$ 6,119
Total assets	<u>\$ 5,475</u>	<u>\$ 63,531</u>	<u>\$ 62,887</u>	<u>\$ 6,119</u>
Liabilities:				
Intergovernmental payable	\$ 5,475	\$ 63,531	\$ 62,887	\$ 6,119
Total liabilities	<u>\$ 5,475</u>	<u>\$ 63,531</u>	<u>\$ 62,887</u>	<u>\$ 6,119</u>
Inmate Trust Fund:				
Assets:				
Cash and cash equivalents	\$ 12,324	\$ 240,371	\$ 244,274	\$ 8,421
Total assets	<u>\$ 12,324</u>	<u>\$ 240,371</u>	<u>\$ 244,274</u>	<u>\$ 8,421</u>
Liabilities:				
Intergovernmental payable	\$ 12,324	\$ 240,371	\$ 244,274	\$ 8,421
Total liabilities	<u>\$ 12,324</u>	<u>\$ 240,371</u>	<u>\$ 244,274</u>	<u>\$ 8,421</u>

LINCOLN COUNTY, NORTH CAROLINA

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
Miscellaneous Fund:				
Assets:				
Cash and cash equivalents	\$ 149,240	\$ 220,498	\$ 218,460	\$ 151,278
Total assets	<u>\$ 149,240</u>	<u>\$ 220,498</u>	<u>\$ 218,460</u>	<u>\$ 151,278</u>
Liabilities:				
Intergovernmental payable	\$ 149,240	\$ 220,498	\$ 218,460	\$ 151,278
Total liabilities	<u>\$ 149,240</u>	<u>\$ 220,498</u>	<u>\$ 218,460</u>	<u>\$ 151,278</u>
Totals - All Agency Funds:				
Assets:				
Cash and investments	\$ 318,226	\$ 5,464,077	\$ 5,481,432	\$ 300,871
Total assets	<u>\$ 318,226</u>	<u>\$ 5,464,077</u>	<u>\$ 5,481,432</u>	<u>\$ 300,871</u>
Liabilities:				
Intergovernmental payable	\$ 318,226	\$ 5,464,077	\$ 5,481,432	\$ 300,871
Total liabilities	<u>\$ 318,226</u>	<u>\$ 5,464,077</u>	<u>\$ 5,481,432</u>	<u>\$ 300,871</u>

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2016

Fiscal Year	Uncollected Balance July 1, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2015-2016	\$ -	\$ 52,352,799	\$ 51,605,464	\$ 747,335
2014-2015	862,049	-	478,333	383,716
2013-2014	471,070	-	194,669	276,401
2012-2013	259,292	-	80,255	179,037
2011-2012	159,350	-	29,649	129,701
2010-2011	92,481	-	8,441	84,040
2009-2010	81,543	-	3,046	78,497
2008-2009	87,145	-	3,531	83,614
2007-2008	80,493	-	4,512	75,981
2006-2007	65,969	-	3,925	62,044
2005-2006	58,005	-	58,005	-
Total	\$ 2,217,397	\$ 52,352,799	\$ 52,469,830	2,100,366
Less: allowance for uncollectible ad valorem taxes receivable:				
General Fund				(751,525)
Ad Valorem Taxes Receivable, Net				
General Fund				<u>\$ 1,348,841</u>
Reconciliation of Collections and Credits with Revenues:				
Ad valorem taxes - General Fund				\$ 52,162,535
Reconciling items:				
Interest and penalties				(359,132)
Abatements related to prior years				12,565
2% discount allowed				634,604
Taxes written off				58,005
Collection of taxes previously written off				(2,279)
Interest and penalties from VTS				(36,599)
Miscellaneous adjustments				<u>131</u>
Total collections and credits				<u>\$ 52,469,830</u>

LINCOLN COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2016

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
County Wide:					
Property taxed at current year's rate	\$ 8,540,722,750	\$ 0.611	\$ 52,183,816	\$ 47,554,299	\$ 4,629,517
Late list penalties	-		62,715	62,715	-
Total original levy	<u>8,540,722,750</u>		<u>52,246,531</u>	<u>47,617,014</u>	<u>4,629,517</u>
Discoveries:					
Current year taxes	<u>30,529,787</u>		<u>186,537</u>	<u>183,507</u>	<u>3,030</u>
Abatements and Discounts	<u>(13,137,316)</u>		<u>(80,269)</u>	<u>(80,014)</u>	<u>(255)</u>
Total property valuation	<u>\$ 8,558,115,221</u>				
Net Levy			52,352,799	47,720,507	4,632,292
Uncollected taxes at June 30, 2016			<u>747,335</u>	<u>747,057</u>	<u>278</u>
Current Year's Taxes Collected			<u>\$ 51,605,464</u>	<u>\$ 46,973,450</u>	<u>\$ 4,632,014</u>
Current Levy Collection Percentage			<u>98.57%</u>	<u>98.43%</u>	<u>99.99%</u>

LINCOLN COUNTY, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2016****Secondary Market Disclosures:****Assessed Valuation:**

Assessment Ratio (1)	<u>100%</u>
Real property	\$ 6,933,495,348
Personal property	595,668,262
Public service companies	392,333,841
Registered vehicles	<u>636,617,770</u>
Total assessed valuation	<u>\$ 8,558,115,221</u>
Tax rate per \$100 (2)	<u>\$ 0.611</u>
Levy (includes discoveries, releases, and abatements) (3)	<u>\$ 52,352,799</u>
In addition to the County-wide rate, the County levies taxes on behalf of several fire districts	<u>\$ 6,946,635</u>

(1) Percentage if appraised value has been established by statute

(2) Valuation of railroads, telephone companies, and other utilities as determined by the North Carolina Property Tax Commission

(3) The levy includes interest and penalties.

LINCOLN COUNTY, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY
EAST LINCOLN WATER AND SEWER DISTRICT LEVY
FOR THE YEAR ENDED JUNE 30, 2016****Secondary Market Disclosures:****Assessed Valuation:**

Assessment Ratio (1)	<u>100%</u>
Real property	\$ 2,403,675,132
Personal property	107,358,225
Public service companies	9,987,021
Registered vehicles	<u>162,185,751</u>
Total assessed valuation	<u>\$ 2,683,206,129</u>
Tax Rate per \$100 (2)	<u>\$ 0.0325</u>
Levy (includes discoveries, releases, and abatements) (3)	<u>\$ 872,042</u>

(1) Percentage if appraised value has been established by statute

(2) Valuation of railroads, telephone companies, and other utilities
as determined by the North Carolina Property Tax Commission

(3) The levy includes late list penalties.

LINCOLN COUNTY, NORTH CAROLINA**EMERGENCY TELEPHONE SYSTEM FUND UNSPENT BALANCE
PSAP RECONCILIATION
JUNE 30, 2016**

Amounts reported on the Emergency Telephone System Fund budget to actual
(Schedule C-6) are different from the PSAP Revenue-Expenditure Report because:

Ending fund balance, reported on budget to actual (Schedule C-6)	\$ 548,658
Less transfer in from General Fund	(38,000)
Ineligible 911 expenditures reported in Emergency Telephone System Fund	<u>3,403</u>
Ending balance, PSAP Revenue-Expenditure Report	<u>\$ 514,061</u>

STATISTICAL SECTION

This part of the Lincoln County comprehensive annual financial report presents detail information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the County's overall financial health.

Contents	Page
Financial Trends – These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time, tables 1 – 5.	121-126
Revenue Capacity – These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property taxes, tables 6 – 8.	127-129
Debt Capacity – These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future, tables 9 - 12.	130-133
Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place to help make comparisons over time and with other governments, tables 13 - 14.	134-135
Operating Information – These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs, tables 15 - 17.	136-141

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The County implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

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Schedule 1
Lincoln County
Net Position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$19,429,598	\$23,939,226	\$ 20,388,761	\$25,451,479	\$50,294,495	\$52,215,432	\$54,900,561	\$54,146,520	\$52,409,026	\$ 55,659,430
Restricted						13,918,975	14,286,857	9,177,119	7,513,118	8,895,232
Unrestricted	(75,109,725)	(76,836,707)	(72,813,944)	(84,710,471)	(87,582,889)	(104,678,297)	(102,610,445)	(91,146,787)	(82,089,234)	(72,836,306)
Total governmental activities net position	<u>(55,680,127)</u>	<u>(52,897,481)</u>	<u>(52,425,183)</u>	<u>(59,258,992)</u>	<u>(37,288,394)</u>	<u>(38,543,890)</u>	<u>(33,423,027)</u>	<u>(27,823,148)</u>	<u>(22,167,090)</u>	<u>(8,281,644)</u>
Business-type activities										
Net investment in capital assets	49,158,040	54,035,788	59,892,883	59,902,755	61,285,375	57,936,188	50,496,688	53,989,857	56,348,162	61,317,027
Unrestricted	11,470,000	11,997,461	7,016,581	6,288,801	3,629,961	8,595,720	6,854,093	4,384,501	5,263,073	5,986,673
Total business-type activities	<u>60,628,040</u>	<u>66,033,249</u>	<u>66,909,464</u>	<u>66,191,556</u>	<u>64,915,336</u>	<u>66,531,908</u>	<u>57,350,781</u>	<u>58,374,358</u>	<u>61,611,235</u>	<u>67,303,700</u>
Primary government										
Net investment in capital assets	68,587,638	77,975,014	80,281,644	85,354,234	111,579,870	110,151,620	105,397,249	108,136,377	108,757,188	116,976,457
Restricted						13,918,975	14,286,857	9,177,119	7,513,118	8,895,232
Unrestricted	(63,639,725)	(64,839,246)	(65,797,363)	(78,421,670)	(83,952,928)	(96,082,577)	(95,756,352)	(86,762,286)	(76,826,161)	(66,849,633)
Total primary government net position	<u>\$ 4,947,913</u>	<u>\$13,135,768</u>	<u>\$ 14,484,281</u>	<u>\$ 6,932,564</u>	<u>\$27,626,942</u>	<u>\$27,988,018</u>	<u>\$ 23,927,754</u>	<u>\$ 30,551,210</u>	<u>\$39,444,145</u>	<u>\$ 59,022,056</u>

Schedule 2
Lincoln County
Changes in Net Position,
Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 8,792,178	\$ 7,838,749	\$ 14,596,135	\$ 15,587,341	\$ 10,434,240	\$ 15,226,309	\$ 14,220,069	\$ 15,128,230	\$ 17,453,401	\$ 19,892,679
Public safety	20,408,731	23,430,338	23,753,716	24,480,904	24,782,004	24,982,363	25,701,983	26,685,171	26,537,779	27,812,079
Economic and physical development	1,456,144	1,892,385	3,326,492	2,135,200	2,120,590	2,201,122	1,808,417	3,610,352	2,353,021	1,569,081
Human services	20,527,745	21,226,794	19,029,439	18,392,778	19,559,449	18,298,851	18,773,508	18,738,888	17,324,069	17,080,572
Culture and recreation	1,607,435	1,691,147	1,882,197	2,004,323	2,218,417	2,209,728	2,380,555	2,360,608	2,610,692	1,498,480
Transportation	-	-	-	-	-	-	-	-	-	321,507
Education	34,525,949	20,859,917	23,989,368	30,238,363	23,306,217	20,731,065	20,801,271	19,863,983	21,484,615	18,193,559
Interest on long term debt	5,045,424	4,907,325	5,258,614	5,408,907	6,604,596	8,423,957	4,251,585	3,941,948	3,189,629	3,035,798
Total governmental activities	92,363,606	81,846,655	91,835,961	98,247,816	89,025,513	92,073,395	87,937,388	90,329,180	90,953,206	89,403,755
Business-type activities:										
Solid waste	3,546,096	5,345,843	5,880,066	4,594,260	5,038,688	2,087,537	4,309,839	4,234,410	4,925,026	4,406,194
Water and sewer	3,651,448	6,526,756	7,437,335	6,864,685	7,194,130	7,999,309	7,409,355	8,378,593	7,987,776	8,563,573
East Lincoln County water and sewer	2,242,434	263,982	240,057	215,190	199,921	162,434	136,426	94,001	109,284	85,894
Total business activities	9,439,978	12,136,581	13,557,458	11,674,135	12,432,739	10,249,280	11,855,620	12,707,004	13,022,086	13,055,661
Total primary government expenses	101,803,584	93,983,236	105,393,419	109,921,951	101,458,252	102,322,675	99,793,008	103,036,184	103,975,292	102,459,416
Program Revenues										
Governmental activities										
Charges for services:										
General government	1,048,260	1,114,334	1,645,146	1,478,645	1,471,098	1,590,384	1,571,735	1,758,889	1,899,052	1,970,356
Public safety	4,068,481	4,536,817	4,566,789	4,294,060	5,133,736	4,424,537	4,665,583	4,750,346	4,644,806	5,635,205
Human services	4,818,526	3,881,436	3,888,397	4,175,651	3,679,433	3,118,534	2,753,487	2,486,344	2,075,201	1,405,400
Culture and recreation	124,266	2,100	2,950	2,517	1,047	21,337	20,134	20,461	91,436	81,187
Operating grants and contributions:										
General government	730,421	1,033,216	933,098	884,019	1,022,821	965,069	1,031,533	1,545,655	726,230	3,059,063
Public safety	602,610	364,292	393,051	736,783	711,154	755,636	677,364	507,169	688,347	923,587
Economic and physical development	4,000	4,000	410,726	4,850	15,120	280,283	112,909	9,255	30,360	30,229
Human services	7,786,889	8,252,407	9,093,058	9,084,230	10,646,933	10,034,395	9,960,365	10,393,912	11,495,059	11,739,707
Culture and recreation	1,481,317	1,219,535	1,334,250	1,821,162	942,883	820,381	116,456	112,836	132,620	118,195
Education	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions:										
General government	-	132,720	993,870	1,444,381	20,583,014	508,081	1,288,253	1,143,064	1,314,334	626,090
Public safety	162,635	-	-	-	-	-	55,295	-	-	-
Human services	-	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	809,283	1,036,450	829,500	783,400
Total governmental activities program revenues	20,827,405	20,540,857	23,261,335	23,926,298	44,207,239	22,498,637	23,062,397	23,764,381	23,926,945	26,372,419

Schedule 2
Lincoln County
Changes in Net Position,
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Solid Waste	2,818,251	2,926,931	2,994,637	2,987,950	3,208,740	3,720,626	3,547,567	3,708,037	3,757,118	4,143,385
Charges for service - Water and Sewer	7,061,869	9,150,036	7,564,083	6,951,482	7,288,758	7,524,847	7,493,520	7,673,169	9,343,337	10,694,992
Charges for service - East Lincoln Sewer District	3,397,520	-	-	-	-	-	-	-	-	-
Capital grants and contributions - Solid Waste	520,895	-	-	-	-	-	-	-	-	-
Capital grants and contributions - Water	1,114,045	3,449,828	1,973,895	505,880	139,913	78,841	346,610	834,730	-	2,962,527
Capital grants and contributions - Sewer District	1,142,295	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	13,236,624	15,526,795	12,532,615	10,445,312	10,637,411	11,324,314	11,387,697	12,215,936	13,100,455	17,800,904
Total primary government program revenues	34,064,029	36,067,652	35,793,950	34,371,610	54,844,650	33,822,951	34,450,094	35,980,317	37,027,400	44,173,323
Net (Expense)/Revenue										
Governmental activities	(71,536,201)	(61,305,798)	(68,574,625)	(74,321,518)	(44,818,274)	(69,574,757)	(64,874,989)	(66,564,799)	(67,026,261)	(63,031,336)
Business-type activities	6,614,897	3,390,214	(1,024,843)	(1,228,823)	(1,795,328)	1,075,034	(467,923)	(1,319,307)	78,369	4,745,243
Total primary government net (expense)/revenue	(64,921,304)	(57,915,584)	(69,599,468)	(75,550,341)	(46,613,602)	(68,499,723)	(65,342,912)	(67,884,106)	(66,947,892)	(58,286,093)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	40,282,791	43,830,954	53,625,181	54,718,453	54,568,588	54,905,801	56,124,728	57,879,585	57,588,885	59,381,739
Local option sales tax	15,791,771	16,360,401	13,803,138	10,913,165	10,369,667	11,785,721	12,224,284	13,071,926	14,423,993	15,459,998
Utility franchise tax	274,422	318,899	321,802	273,740	231,349	238,690	233,252	228,408	229,091	220,188
Real estate transfer tax	1,146,496	1,005,843	514,599	531,876	387,864	534,686	697,046	737,628	858,192	974,733
Other taxes and licenses	476,624	494,670	746,779	646,101	639,076	365,652	431,955	430,687	476,454	401,490
Unrestricted intergovernmental	462,986	472,872	456,991	294,812	500,722	479,922	289,491	317,328	330,007	306,511
Investment earnings	2,624,428	1,604,805	662,836	109,631	91,606	87,795	75,727	162,391	90,279	172,123
Transfers	-	-	-	-	-	-	-	(563,160)	-	-
Gain (loss) on disposal of capital assets	(1,837,216)	-	(1,084,403)	-	-	(79,006)	(80,631)	-	-	-
Total governmental activities:	59,222,302	64,088,444	69,046,923	67,487,709	66,788,872	68,319,261	69,995,852	72,264,793	73,996,901	76,916,782
Business-type activities:										
Property taxes	1,701,604	1,302,839	557,775	472,991	487,936	495,073	878,437	931,496	912,435	875,860
Investment earnings	769,650	712,156	258,880	37,924	31,172	46,465	55,390	19,989	48,656	71,362
Transfers	-	-	1,084,403	-	-	-	-	563,160	-	-
Gain (loss) on disposal of capital asset	-	-	-	-	-	-	(9,647,031)	-	-	-
Total business-type activities	2,471,254	2,014,995	1,901,058	510,915	519,108	541,538	(8,713,204)	1,514,645	961,091	947,222
Total primary government	61,693,556	66,103,439	70,947,981	67,998,624	67,307,980	68,860,799	61,282,648	73,779,438	74,957,992	77,864,004
Change in Net Position										
Governmental activities	(12,313,899)	2,782,646	472,298	(6,833,809)	21,970,598	(1,255,496)	5,120,863	5,020,748	6,970,640	13,885,446
Prior period adjustment	-	-	-	-	-	-	-	-	882,835	-
Business-type activities	9,086,151	5,405,209	876,215	(717,908)	(1,276,220)	1,616,572	(9,181,127)	(9,181,127)	1,039,460	5,692,465
Total primary government	\$ (3,227,748)	\$ 8,187,855	\$ 1,348,513	\$ (7,551,717)	\$ 20,694,378	\$ 361,076	\$ (4,060,264)	\$ (4,160,379)	\$ 8,892,935	\$ 19,577,911

Schedule 3
Lincoln County
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year					
	2007	2008	2009	2010	2011	2012
General Fund						
Reserved for:						
State statute	\$ 7,325,570	\$ 6,184,221	\$ 4,642,450	\$ 4,923,594	\$ 412,743	\$ 588,275
Unreserved						
Undesignated	11,136,446	10,239,759	15,686,057	15,256,358	4,425,101	4,642,158
Total General Fund	\$ 18,462,016	\$ 16,423,980	\$ 20,328,507	\$ 20,179,952	\$ 412,743	\$ 588,275
General Fund						
Nondisposable						
Prepays						
Restricted						
Stabilization for State statute						
Restricted, all other						
Committed						
Assigned						
Unassigned						
Total General Fund	\$ 19,107,300	\$ 19,225,055	\$ 19,796,381	\$ 23,806,489	\$ 27,162,136	\$ 33,256,233
All Other Governmental Funds						
Reserved for:						
State statute	\$ 614,753	\$ 625,717	\$ 545,926	\$ 499,044	\$ 499,044	\$ 499,044
Unreserved, reported in:						
Capital projects funds	11,406,471	4,431,429	13,070,660	10,666,888	495,726	690,235
Special revenue funds	3,529,121	4,449,812	6,458,680	6,384,275	603,986	338,169
Total all other governmental funds	\$ 15,550,345	\$ 9,506,958	\$ 20,075,266	\$ 17,550,207	\$ 4,596,326	\$ 3,464,574
Capital Project Funds						
Restricted						
Stabilization for State statute						
Restricted, all other						
Committed						
Unassigned						
Total Capital Project Funds	\$ 540,662	\$ 15,898	\$ 3,032,244	\$ 233,514	\$ 298,605	\$ 28,313
Special Revenue Funds						
Restricted						
Stabilization for State Statute						
Restricted, all other						
Unassigned						
Total Special Revenue Funds	\$ 11,368,364	\$ 8,183,748	\$ 5,428,970	\$ 3,951,663	\$ 731,109	\$ 677,567
Total	\$ 3,289,821	\$ 2,089,164	\$ 226,731	\$ 2,920,321	\$ 147,725	\$ 1,225,605
Capital Project Funds						
Restricted						
Stabilization for State statute						
Restricted, all other						
Committed						
Unassigned						
Total Capital Project Funds	\$ 540,662	\$ 15,898	\$ 3,032,244	\$ 233,514	\$ 298,605	\$ 28,313
Special Revenue Funds						
Restricted						
Stabilization for State Statute						
Restricted, all other						
Unassigned						
Total Special Revenue Funds	\$ 11,368,364	\$ 8,183,748	\$ 5,428,970	\$ 3,951,663	\$ 731,109	\$ 677,567
Total	\$ 3,289,821	\$ 2,089,164	\$ 226,731	\$ 2,920,321	\$ 147,725	\$ 1,225,605
Capital Project Funds						
Restricted						
Stabilization for State statute						
Restricted, all other						
Committed						
Unassigned						
Total Capital Project Funds	\$ 540,662	\$ 15,898	\$ 3,032,244	\$ 233,514	\$ 298,605	\$ 28,313
Special Revenue Funds						
Restricted						
Stabilization for State Statute						
Restricted, all other						
Unassigned						
Total Special Revenue Funds	\$ 11,368,364	\$ 8,183,748	\$ 5,428,970	\$ 3,951,663	\$ 731,109	\$ 677,567
Total	\$ 3,289,821	\$ 2,089,164	\$ 226,731	\$ 2,920,321	\$ 147,725	\$ 1,225,605
Capital Project Funds						
Restricted						
Stabilization for State statute						
Restricted, all other						
Committed						
Unassigned						
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Total	\$ 3,289,821	\$ 2,089,164	\$ 226,731	\$ 2,920,321	\$ 147,725	\$ 1,225,605
Capital Project Funds						
Restricted						
Stabilization for State statute						

Schedule 4
Lincoln County
Changes in fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues										
Ad valorem taxes	40,273,413	43,831,868	53,306,067	54,655,457	54,810,341	49,019,309	55,825,088	58,162,842	57,541,002	59,103,531
Local option sales taxes	15,791,771	16,360,401	13,803,138	10,913,165	10,369,667	11,785,721	12,224,284	13,071,926	14,423,993	15,459,998
Other taxes and licenses	1,897,542	1,819,412	1,583,180	1,451,648	1,258,289	859,857	1,362,253	1,396,723	1,563,737	1,596,411
Unrestricted intergovernmental revenues	462,986	472,872	456,991	294,812	500,722	479,922	289,491	317,328	330,007	306,511
Restricted intergovernmental revenues	10,005,953	10,003,506	12,071,547	13,135,650	12,693,675	11,113,384	12,950,384	13,123,144	13,745,936	14,052,982
Permits and fees	2,262,340	2,250,774	1,460,117	1,280,703	1,143,681	1,336,428	1,553,264	1,808,245	1,934,378	2,368,484
Sales, service and rents	7,797,193	7,176,094	7,911,950	8,016,111	7,971,588	7,264,115	6,881,299	6,244,150	6,143,014	5,938,525
Investment earnings	2,624,428	1,604,805	658,773	107,649	88,420	973,684	1,138,844	157,173	79,964	3,164,036
Miscellaneous	903,261	1,007,343	1,102,712	880,474	1,139,064	70,272	64,404	1,625,197	1,470,514	154,122
Total Revenues	82,018,887	84,529,075	92,354,475	90,735,669	89,975,447	82,902,692	92,289,311	95,906,728	97,232,545	102,144,600
Expenditures										
General government	7,115,181	6,973,330	6,680,816	6,805,984	7,288,803	7,596,084	7,758,943	7,783,862	8,562,450	10,319,572
PublicSafety	19,948,102	22,973,155	24,414,534	25,211,834	25,839,073	19,566,218	26,760,653	27,363,121	28,039,030	30,568,246
Economic and physical development	1,456,413	1,891,301	2,560,826	2,141,124	2,130,806	2,216,098	1,824,298	1,620,028	1,822,269	1,513,856
Human services	20,233,571	21,030,957	19,932,951	19,486,941	20,796,790	20,259,280	20,368,292	20,025,104	19,223,105	19,162,102
Transportation	-	-	-	-	-	-	-	-	-	321,507
Culture and recreation	1,487,686	1,567,316	1,828,106	1,991,265	2,076,511	2,057,344	2,190,042	2,263,800	2,464,064	2,622,894
Education	15,671,351	17,109,628	17,742,846	18,421,240	18,421,240	17,742,846	18,043,320	18,386,184	18,517,937	18,908,697
Capital outlay	21,698,635	8,523,119	12,481,380	15,117,985	8,452,355	-	7,436,995	7,594,533	8,477,934	2,540,899
Debt Service:										
Principal	6,727,757	7,743,368	7,872,139	8,770,711	8,970,463	9,116,549	9,037,158	10,202,473	9,054,196	9,053,807
Interest	5,045,425	4,907,326	5,258,614	5,408,907	6,604,596	4,935,755	4,251,585	3,841,493	3,651,770	3,213,983
Total Expenditures	99,384,121	92,719,500	98,772,212	103,355,991	100,580,637	83,490,174	97,671,286	99,080,598	99,812,755	98,225,563
Excess of revenues over (under) expenditures	(17,365,234)	(8,190,425)	(6,417,737)	(12,620,322)	(10,605,190)	(587,482)	(5,381,975)	(3,173,870)	(2,580,210)	3,919,037
Other Financing Sources (Uses)										
Transfers in	21,816,295	22,881,375	13,131,113	9,451,904	10,679,484	4,835,242	3,617,444	3,244,510	3,398,124	1,608,769
Transfers out	(21,816,295)	(22,881,375)	(13,235,823)	(9,451,904)	(10,679,484)	(4,490,310)	(3,617,444)	(3,244,510)	(3,398,124)	(1,608,769)
Bonds & installment financing issued	-	109,002	20,990,000	28,027,000	27,005,000	30,255,000	-	15,440,691	-	5,244,000
Bond premium	-	-	5,282	204,331	1,330,062	2,868,507	-	-	-	-
Advance refunding payments to trustee	-	-	-	(18,284,623)	(17,300,000)	(32,763,202)	-	(7,740,891)	-	(5,141,066)
Total other financing sources (uses)	-	109,002	20,890,572	9,946,708	11,035,062	705,237	-	7,699,800	-	102,934
Net change in fund balances	(17,365,234)	(8,081,423)	14,472,835	(2,673,614)	429,872	117,755	(5,381,975)	4,525,930	(2,580,210)	4,021,971
Debt service as a percentage of noncapital expenditures	12.12%	14.46%	13.99%	14.12%	15.84%	20.03%	16.72%	17.55%	13.54%	13.21%

Schedule 5

Lincoln County

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Real Property			Less (1)	Personal Property		Public Service Companies (2)	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Industrial Property		Tax Exempt Real Property	Registered Vehicles					
2007	4,164,215,627	468,304,685	212,965,670	231,632,628	612,030,406	521,418,972	367,689,163	6,114,991,895	0.610	6,789,154,985	90.07%
2008	4,400,993,725	486,377,033	238,927,010	233,414,057	664,054,035	596,207,091	356,817,245	6,509,962,082	0.610	7,743,501,941	84.07%
2009 (5)	6,112,750,043	759,355,287	333,748,227	341,501,704	646,033,399	628,739,407	351,143,578	8,490,268,237	0.570	8,559,601,005	99.19%
2010	6,292,916,491	778,326,312	336,731,226	362,572,322	596,946,534	637,110,209	355,024,551	8,634,483,001	0.570	8,852,248,309	97.54%
2011	6,321,866,239	801,334,600	350,263,463	379,000,238	578,958,863	625,157,771	346,389,974	8,644,970,672	0.570	8,078,656,828	107.01%
2012 (5)	6,042,292,471	769,901,024	340,175,570	402,679,047	608,812,906	548,502,912	335,237,971	8,242,243,807	0.598	8,353,343,273	98.67%
2013	6,069,664,351	789,290,541	336,637,941	409,512,321	627,250,127	572,370,853	348,054,638	8,333,756,130	0.598	7,982,525,029	104.40%
2014	6,360,853,481	795,884,052	338,903,200	416,961,179	613,724,810	565,094,475	354,997,816	8,612,496,655	0.598	8,371,057,943	102.88%
2015	6,308,804,410	796,831,718	350,862,508	420,023,945	593,681,026	562,239,937	365,935,449	8,558,331,103	0.598	8,305,272,937	103.05%
2016 (5)	6,091,573,583	804,391,566	420,815,464	383,285,265	636,617,770	595,668,262	392,333,841	8,558,115,221	0.611	9,009,297,457	94.99%

Source: Annual County Report of Valuation and Property Tax Levies

Notes:

- (1) Included as tax exempt includes property excluded as "Senior Citizens and Disabled Persons Exclusion" G.S. 105-277.1, Property listed at "present-use value" G.S. 105-277.4, and property listed as historic property G.S. 105-278. Present use value property is agricultural, horticultural and forestland for which the owner has applied for the property to be taxed at its present use. The difference in taxes on the present use basis and the taxes that would have been payable are a lien on the property and are deferred. The taxes become due if the property ceases to qualify for present use value. The preceding three fiscal years taxes are then required to be paid.
- (2) Public service companies valuations are provided to the County by the North Carolina Department of Revenue. These amounts include both real and personal property.
- (3) Per \$100 of value.
- (4) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the State Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year. The ratio for the most recent year is not yet available.
- (5) Years revaluation of property increased tax values, Lincoln County is reassessed every 4 years.

Schedule 6
Lincoln County
Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years

	Year Taxes Are Payable										
	2006	2007	2008	2009(1)	2010	2011	2012	2013	2014	2015	2016
Lincoln County	0.6100	0.6100	0.6100	0.5700	0.5700	0.5700	.59800	.59800	.59800	.59800	.61100
<u>Municipality Rates:</u>											
Lincolnton (2)	0.5600	0.5600	0.5600	0.5600	0.5600	0.5600	0.5600	0.5600	.5600	.5600	.5600
<u>Special District</u>											
East Lincoln Water and Sewer District (3)	0.1100	0.1100	0.0750	0.0200	.0175	.0175	.0290	0.0355	.0359	.0342	.0325
<u>Fire Districts</u> (4)											
Alexis	0.0650	0.0850	0.1450	0.1142	0.1050	0.1100	0.1100	0.1100	0.1100	0.1100	.1165
Boger City	0.0500	0.0500	0.0700	0.0700	0.0700	0.0750	0.0925	0.0925	0.0925	0.0925	.0999
Crouse	0.0500	0.0600	0.0600	0.0600	0.0600	0.0600	0.0609	0.0609	0.0609	0.0609	.0640
Denver	0.0500	0.0790	0.1150	0.0981	0.09675	0.09675	0.1099	0.1099	0.1099	0.1099	.1125
East Lincoln	0.0600	0.0650	0.0650	0.0606	0.0606	0.0606	0.0680	0.0785	0.0785	0.0850	.0850
Howards Creek	0.0500	0.0500	0.0500	0.0700	0.1000	0.1000	0.1050	0.105	0.1150	0.1150	.1203
North Brook	0.0500	0.0500	0.0600	0.0600	0.0600	0.0600	0.0600	0.035	0.0800	0.0400	.0400
North 321	0.0350	0.0350	0.0350	0.0350	0.0350	0.035	0.0350	0.06	0.03500	0.0800	.1000
Pumpkin Center	0.0500	0.0650	0.1000	0.0951	0.0951	0.0951	0.0951	0.0951	0.0938	0.0900	.0970
South Fork	0.0500	0.0500	0.0500	0.0776	0.0910	0.091	0.0910	0.091	0.1236	0.1236	.1250
Union	0.0500	0.0650	0.0650	0.0750	0.0750	0.075	0.0750	0.09	0.0900	0.0900	.0900

Note: (1) Real property was revalued on January 1, 2004 and 2008 these revaluations are reflected in the following fiscal year.
(2) Lincoln County is an overlapping district of the City of Lincolnton
(3) Lincoln County is an overlapping district of the East Lincoln Water and Sewer District
(4) Fire districts are overlapping districts of the County, the East Lincoln Water and Sewer District, but not of the City of Lincolnton

Schedule 7
Lincoln County
Principal Property Tax Payers,
Current Year and Nine Years Ago

	Fiscal Year 2016			Fiscal Year 2007		
	Taxpayer	Type of Business	Assessed Valuation	Rank	Assessed Valuation	Percentage of Total Assessed Valuation
	Duke Energy Corp.	Utility	\$ 285,873,643	1	\$ 281,327,603	4.60%
	The Timken Company	Bearing manufacturer	73,579,587	2	106,881,713	1.75%
	Cataler North America Corp.	Auto parts manufacturer	69,550,911	3	30,598,327	0.50%
	Julis Blum	Furniture Hardware manf.	50,777,630	4	66,156,552	1.08%
	TKC LIV LLC	Real Estate/Retail	43,643,586	5	14,072,683	0.23%
	Rutherford Electric Membership	Utility	32,914,578	6	27,899,101	0.46%
	Wal Mart Real Estate Business	Real Estate / Mfg	32,509,357	7		
	Medline Industries	Medical Supply Manufacturing	21,482,374	8		
	1000 East Powell Drive LLC	Real Estate / Mfg	20,428,808	9		
	Bell South Tel Co	Utility	20,151,660	10	28,516,282	0.47%
	RSI Home Products Inc.	Manufacturing			16,798,449	0.27%
	T&T Investments	Real Estate			13,513,689	0.22%
	Robert Bosch Tool Corp	Manufacturing			10,854,513	0.18%
	Totals		\$ 650,912,134		\$ 596,618,912	9.76%

Source: Lincoln County Tax Department

Schedule 8
Lincoln County
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Uncollected
				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy	
2007	37,196,591	154,642	37,351,233	36,499,544	98.13%	789,645	37,289,189	99.83%	62,044
2008	39,495,597	260,891	39,756,488	38,884,020	98.45%	796,487	39,680,507	99.81%	75,981
2009	48,397,102	144,571	48,541,673	47,330,210	97.80%	1,127,849	48,458,059	99.83%	83,614
2010	48,978,334	323,666	49,302,000	48,202,295	98.42%	1,021,208	49,223,503	99.84%	78,497
2011	49,168,763	152,177	49,320,940	48,295,770	98.22%	941,130	49,236,900	99.83%	84,040
2012	49,318,299	19,177	49,337,476	48,213,572	97.76%	994,203	49,207,775	99.74%	129,701
2013	49,575,234	563,425	50,138,659	48,908,152	98.65%	1,051,470	49,959,622	99.64%	179,037
2014	51,400,496	151,116	51,551,612	50,570,651	98.39%	704,560	50,570,651	98.10%	276,401
2015	50,455,214	105,063	50,560,277	49,283,713	97.68%	892,848	49,283,713	97.48%	383,716
2016	52,246,531	106,268	52,352,799	51,605,464	98.77%	-	51,605,464	98.57%	747,335
Source: Lincoln County Tax Department									\$ 2,100,366

Schedule 9
Lincoln County

Fiscal Year	Governmental Activities			Business-type Activities					Percentage of Personal Income (1)
	General Obligation Bonds	Installment Loans	Capital Leases	General Obligation Bonds	State Clean Water		Total Primary Government		
2007	85,687,229	29,547,914	-	8,617,771	2,500,000	3,770,679	130,123,593	1,780	6.36%
2008	80,473,856	27,126,921	-	6,891,144	2,250,000	3,459,975	120,201,896	1,616	5.42%
2009	94,466,234	26,252,404	-	5,563,786	2,000,000	3,549,219	131,831,623	1,768	5.36%
2010	98,845,751	24,919,175	-	4,414,249	1,750,000	20,152,669	150,081,844	1,982	5.91%
2011	102,135,000	22,364,464	-	3,295,000	1,500,000	20,290,166	149,584,630	1,867	5.53%
2012	96,000,000	21,462,915	-	2,675,000	1,250,000	21,804,848	143,192,763	1,812	4.95%
2013	89,020,000	19,405,757	-	2,135,000	1,000,000	20,370,950	131,931,707	1,659	4.49%
2014	84,425,797	24,753,975	-	1,605,000	750,000	19,351,064	130,885,836	1,641	4.19%
2015	75,085,000	22,664,779	-	1,085,000	500,000	18,356,716	117,691,495	1,452	4.05%
2016	70,043,087	20,874,972	-	575,000	250,000	16,897,825	108,640,884	*	*

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Calendar 2015 personal income not available to calculate fiscal year 2016.

* Information not yet available.

131

* Information not yet available.

Schedule 11
Lincoln County
Legal Debt Margin Information,
Last Ten Fiscal Years
(dollars in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assessed Value of Property	\$ 6,114,992	\$ 6,509,962	\$ 8,490,268	\$ 8,634,483	\$ 8,644,971	\$ 8,242,244	\$ 8,333,756	\$ 8,612,497	\$ 8,558,331	\$ 8,558,115
Debt Limit, 8% of Assessed Value (Statutory Limitation)	489,199	520,797	679,221	690,759	691,598	659,380	666,700	689,000	684,666	684,649
Amount of Debt Applicable to Limit										
Gross debt	130,124	120,202	131,832	150,082	149,585	143,193	131,932	130,886	117,691	108,641
Debt outstanding for water and sewer purposes	14,888	12,601	11,113	26,317	25,085	25,730	23,506	21,706	19,942	17,723
Total net debt applicable to limit	115,235	107,601	120,719	123,765	124,499	117,463	108,426	109,180	97,750	90,918
Legal Debt Margin	\$ 373,964	\$ 413,196	\$ 558,503	\$ 566,994	\$ 567,098	\$ 541,917	\$ 558,275	\$ 579,820	\$ 586,917	\$ 593,731
Total net debt applicable to the limit as a percentage of debt limit	23.56%	20.66%	17.77%	17.92%	18.00%	17.81%	16.26%	15.85%	14.28%	13.28%

Note: NC Statute GS 159-55 limits the County's outstanding debt to 8% of the appraised value of property subject to taxation. The following deductions are made from gross debt to arrive at net debt applicable to the limit: money held for payment of principal; debt incurred for water, sewer, gas, or electric power purposes; uncollected special assessments, funding and refunding bonds not yet issued; and revenue bonds. The legal debt margin is the difference between the debt limit and the county's net debt outstanding applicable to the limit, and represents the county's legal borrowing authority.

Schedule 12
Lincoln County
Direct and Overlapping Governmental Activities Debt
As of June, 2016

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Cities:			
City of Lincoln (1)	\$ 1,309,722	100.00%	\$ -
Direct - Lincoln County			86,941,936
Total direct and overlapping debt			<u>\$ 86,941,936</u>

(1) Source: City of Lincoln Finance Department

Schedule 13
Lincoln County
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population(1)	Personal Income (2) (thousands of dollars)	Per Capita Personal Income (2)	Public School Enrollment(3)	Unemployment Rate(4)	Number of Building Inspections Performed(5)
2007	73,107	2,044,532	30,303	12,056	5.00%	31,356
2008	74,405	2,215,799	32,418	12,193	4.80%	34,693
2009	74,552	2,459,872	32,912	11,792	7.50%	24,536
2010	75,718	2,537,929	33,375	11,984	13.60%	13,921
2011	80,134	2,589,120	33,029	11,790	12.70%	13,121
2012	79,026	2,901,233	36,580	11,509	10.50%	13,149
2013	79,512	2,936,860	36,973	11,627	8.80%	13,219
2014	79,740	3,123,495	39,171	11,683	6.70%	15,465
2015	80,202	4,164,330	35,879	11,563	5.90%	19,868
2016	81,397	*	*	11,410	4.70%	24,373

* Information not yet available.

Notes:

- (1) N.C. State Data Center. Estimates are as of beginning of fiscal year.
- (2) Bureau of Economic Analysis, U. S. Department of Commerce. Figures are for the prior calendar year
- (3) Lincoln County School Administrative Unit.
- (4) N. C. Employment Security Commission, Annual Average for prior calendar year.
- (5) Lincoln County Building and Land Development Department. Inspections are for entire County figures are for prior calendar year.

Current Year and Nine Years Ago

3.89%	0.35%
1.35%	0.37%
0.88%	0.68%
1.31%	0.28%
1.40%	1.34%
1.79%	
1.15%	
0.53%	

35,607

Telephone survey Finance Department

Schedule 15
Lincoln County
Full-time Equivalent County Government Employees by Function,
Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees as of June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Governing body	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Administration and Finance	11.0	12.0	13.0	13.2	13.2	13.2	13.2	13.2	13.2	15.5
Management Information Systems	6.0	6.0	7.0	7.0	7.0	7.0	8.0	8.0	8.0	8.0
Elections	3.0	3.0	3.5	3.8	3.8	3.8	3.8	4.0	4.0	4.0
Tax	20.0	24.5	26.0	27.8	24.8	24.0	25.0	25.0	25.0	25.5
Register of Deeds	9.5	9.5	8.5	8.4	8.0	8.0	8.0	7.0	7.0	6.5
Public Buildings	17.5	17.5	14.5	14.5	13.4	13.4	13.4	13.4	13.4	16.0
Public safety										
Sheriff	100.0	117.0	128.0	128.0	126.1	128.0	128.0	128.0	128.0	144.5
Communications	22.0	21.5	24.0	21.4	22.5	22.5	22.5	19.8	19.8	22.5
Jail	41.0	41.0	42.5	43.4	43.4	43.4	43.4	44.6	44.6	45.0
Emergency Management	6.0	6.0	4.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Ambulance Services	(1) 64.0	65.0	81.0	82.0	76.3	76.3	76.3	78.4	78.4	94.3
Fire Marshal	(2) -	-	-	2.0	2.0	2.0	2.0	2.0	2.0	3.0
Building and Land Development	23.0	24.0	20.0	18.0	18.0	18.0	18.0	20.0	20.0	21.0
Animal Control	7.0	7.0	10.0	11.0	10.8	11.0	11.0	11.2	11.2	13.5
Economic and physical development										
Cooperative Extension	1.5	1.5	1.5	1.6	1.6	1.6	1.6	1.6	1.6	2.0
Soil and Water Conservation	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Human services										
Health	72.0	75.0	85.0	81.5	78.4	78.4	78.4	73.4	73.4	66.3
Social Services	111.0	111.0	122.0	121.7	121.7	121.7	121.7	125.7	130.7	129.0
Veterans Service	1.5	1.5	1.5	1.0	1.0	1.0	2.0	2.0	2.0	2.0
Juvenile Crime Prevention	-	-	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Office on Aging	(4) 6.0	5.5	6.5	6.5	6.5	6.5	5.5	4.0	4.0	5.8
Transportation	10.5	11.5	14.0	17.5	22.4	22.4	22.4	16.6	16.6	23.3
Cultural and recreation										
Recreation	11.0	15.0	26.5	30.6	29.7	29.7	29.7	25.4	25.4	24.0
Library	14.0	17.5	17.5	17.3	16.3	16.4	16.4	18.4	18.4	18.3

Schedule 15
Lincoln County
Full-time Equivalent County Government Employees by Function,
Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees as of June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Historical Coordinator	1.0	1.0	-	-	-	-	-	-	-	-
Water/Sewer (Business activity)										
Water & Sewer Fund	(5) 34.0	42.0	43.0	43.0	42.6	42.6	42.6	39.8	39.8	37.3
East Lincoln Sewer District	(5) 8.0	-	-	-	-	-	-	-	-	-
Landfill	39.0	41.0	48.0	48.6	43.6	43.6	43.6	40.2	40.2	46.3
Total	<u>644.5</u>	<u>681.5</u>	<u>752.5</u>	<u>757.2</u>	<u>740.4</u>	<u>741.9</u>	<u>744.0</u>	<u>729.2</u>	<u>734.2</u>	<u>781.1</u>

Source: County Personnel Office

Note: This schedule represents number of persons employed as of June 30 of each year. Vacant positions are not included in the above numbers. Full time personnel work 2,080 hours per year (less vacation and sick leave). For purposes of this schedule the number of part time employees has been divided by 2.5 to arrive at the full time equivalents.

- (1) County began operation of Ambulance Services in FY 2000, previously the County had contracted with Lincoln Medical Center for services.
- (2) Fire Marshal was consolidated into Emergency Management in FY 2005.
- (4) Transportation moved from Senior Services in FY 2007.
- (5) East Lincoln County Sewer District was combined into the Water & Sewer Fund in FY 2008

Schedule 16
Lincoln County
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Management Information Systems										
Work orders	3,889	3,804	3,798	4,870	5,571	5,604	5,679	4,110	3,325	3,926
Elections										
Registered voters	44,471	47,306	49,218	49,899	49,959	53,240	51,728	52,544	52,861	55,744
Votes cast in general elections	877	36,066	1,421	n/a	23,427	36,892	1,943	6,905	24,032	24,372
(votes odd years city even county wide)										
Tax										
Number of land records created	959	936	1,144	126	140	250	n/a	73	485	651
Number of ownership transfers - real estate/mfg. homes	7,114	6,679	6,118	2,411	4,293	3,995	n/a	3,671	4,350	4,792
Number of tax bills created - real/personal	67,167	66,168	69,202	68,330	68,499	68,400	n/a	70,635	71,596	73,854
Number of tax bills created - registered vehicles	85,666	89,394	89,224	87,540	85,796	84,814	n/a	n/a	84,928	78,076
Register of Deeds										
Total documents recorded	20,645	19,179	15,066	13,427	12,042	n/a	14,589	12,566	12,092	13,647
Deeds recorded	4,489	3,905	2,706	2,666	2,382	n/a	2,747	3,029	3,028	3,405
Marriage licenses issued	484	488	471	505	514	n/a	497	537	567	583
Births occurring	481	485	523	424	346	n/a	413	438	461	464
Deaths occurring	472	518	486	474	452	n/a	494	500	495	555
Certified copies issued	5,935	5,344	5,300	4,991	4,759	n/a	4,929	4,918	4,902	5,499
Public safety										
Arrests	3,618	3,265	3,213	2,928	2,975	3,979	4,205	4,607	3,848	3,025
Civil papers served	11,753	13,036	13,255	13,715	12,311	12,586	12,591	11,755	13,174	11,394
Jail bookings	3,750	3,942	3,622	3,516	3,584	3,773	4,198	4,138	4,065	4,548
Average daily jail population	112	110	125	123	134	133	136	134	135	138
Communications total calls	87,361	106,576	110,305	93,074	89,575	94,480	76,336	106,520	111,509	113,207
Building permits issued	2,560	1,795	1,884	2,238	3,035	3,019	2,616	2,849	2,960	7,514
Building inspections conducted	34,693	24,536	13,921	13,121	13,131	13,149	13,219	15,465	19,868	24,373
Emergency medical calls answered	12,020	14,331	14,394	15,367	16,002	16,763	18,679	17,517	14,957	14,521
Emergency patients transported	7,194	7,249	7,868	7,994	8,143	8,213	8,718	8,241	10,036	10,239
Number of firemen and officers	450	476	500	500	500	450	564	450	453	411
Number of fire calls answered	2,486	2,955	3,000	3,000	3,000	6,348	7,300	8,203	9,746	8,401
Number of fire marshal inspections	400	1,250	1,300	1,300	1,300	1,750	2,000	1,750	1,776	1,135
Animals entering shelter	3,240	3,969	2,611	4,779	4,235	4,163	3,883	3,309	3,285	3,262
Animals euthanized	2,445	2,577	1,555	2,601	2,485	2,271	2,107	1,114	735	484
Economic and physical development										
Cooperative Extension client contacts	31,950	33,984	50,055	49,206	69,149	63,688	73,990	50,790	77,013	23,500
Soil and Water Conservation										
Clients assisted	2,700	2,673	3,183	3,634	3,658	3,750	3,713	3,752	3,752	3,707
Funds landowners received from fed & state programs	226,815	284,656	443,203	233,644	176,714	346,154	496,530	247,227	667,686	441,710

Schedule 16
Lincoln County
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Human services										
Health Department patient visits										
Adult Health	4,108	4,972	4,922	4,091	3,790	2,684	2,568	3,108	3,055	1,949
Child Health	1,189	1,219	1,514	1,160	1,115	1,083	1,075	1,103	1,061	425
Family Planning	4,586	4,932	5,892	6,842	4,836	4,723	3,935	4,357	4,413	4,107
Immunizations/Flu	4,719	2,961	3,362	5,076	2,285	1,144	1,014	1,352	1,481	1,187
Maternal Health	2,012	1,296	1,831	1,851	1,125	374	750	940	1,519	1,517
Primary Care	7,192	7,251	7,231	7,225	6,052	5,899	4,172	3,355	3,191	2,855
Sexually transmitted diseases	1,619	2,178	2,588	3,054	2,748	2,562	1,924	2,296	2,745	2,695
Tuberculosis	236	626	602	652	324	477	494	294	661	845
Case Management (child service & maternity care) (discontinued 3/11)	2,946	1,972	2,398	2,005	1,748	-	-	-	-	-
Lab services (in-house)	12,750	12,375	12,452	9,898	10,895	9,536	8,153	8,237	7,650	5,490
(referred)	4,679	5,063	4,797	4,116	4,356	4,030	3,863	4,121	4,454	3,951
WIC (women infants and children)	22,749	23,269	24,715	24,180	24,345	24,490	24,864	23,381	20,910	20,765
Home Health (unduplicated patients)	396	379	525	406	365	504	567	518	478	-
Environmental Health										
Food & Lodging permits	100	62	70	71	68	77	39	26	40	27
Food, Lodging & Institutional Inspections		782	796	834	859	1,257	802	842	863	860
Sewage system permits	834	841	377	302	273	349	317	433	471	605
Sewage system finals	491	375	271	208	164	213	168	235	247	263
Water samples	165	250	344	294	258	308	284	401	397	447
New well permits (began 7/1/07)		189	145	96	102	137	68	107	76	179
Wells Inspected (water for sampling)	45	123	177	120	107	85	98	107	148	147
Swimming pools	30	31	37	25	31	31	27	32	33	39
Lead investigations	1	1	2	-	-	-	-	-	1	-
Complaint investigations		62	118	121	56	175	75	94	70	57
Social Services cases (may contain duplicates)										
Child & adult protective services	133	126	108	108	116	109	97	92	98	93
Children in foster care	109	97	76	53	56	62	78	82	80	86
Work first cases	161	150	160	133	128	121	119	119	120	108
NC health choice cases	617	626	666	756	826	817	866	866	866	776
Medicaid cases	7,104	7,437	8,027	8,952	8,966	9,098	9,163	9,364	12,075	11,678
Food stamp cases	2,732	2,487	3,657	4,372	5,244	5,654	4,922	5,365	5,505	5,163
Child support cases	2,733	2,809	2,823	2,863	2,765	2,920	2,919	2,874	2,834	2,767
Transportation clients served	524	632	667	2,444	2,900	3,810	2,966	2,591	2,120	2,112
Transportation trips provided	-	-	19,254	19,253	20,184	23,442	24,969	17,540	15,445	15,606
Culture and recreation										
Recreation (shelter & facility reservations)					816	896	1,157	1,296	n/a	n/a
Library volumes in collection	126,319	133,498	134,854	137,971	148,408	142,853	144,907	143,880	173,251	157,541
Library circulation	325,699	329,072	323,544	326,429	308,342	280,413	285,669	283,041	245,675	252,018
Water/Sewer (Business activity)										
Number of water customers	9,169	9,583	9,585	9,584	9,730	9,901	10,165	10,680	9,743	10,420
Average daily water production	2,640,000	2,402,250	2,296,000	2,910,000	2,800,000	2,620,000	2,790,000	2,619,000	2,800,000	2,971,000
Number of sewer customers	3,220	3,538	3,660	3,699	3,812	3,843	4,027	3,851	4,472	5,022
Average daily sewage treatment	617,750	610,333	700,000	729,000	780,000	880,000	825,000	799,250	900,000	1,045,000

Schedule 16
Lincoln County
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Landfill										
Tons of waste sanitary landfill	45,091	44,680	45,508	48,496	46,692	43,093	38,766	39,008	39,008	35,969
Tons of waste demolition landfill	10,787	7,809	11,264	12,796	16,131	18,282	12,342	9,283	9,283	7,308
Tons of recyclables	1,678	1,870	1,848	2,175	2,187	2,048	2,423	2,537	2,537	1,870
Tons of white goods	1,872	1,184	968	1,023	800	1,125	1,411	1,616	1,616	2,334
Tons of tires	1,678	1,371	1,185	1,281	1,209	1,280	1,064	1,069	1,069	1,064

* Reported on calendar year basis

Source: Various County Departments

Schedule 17
Lincoln County
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government											
Buildings	22	22	22	22	22	24	24	25	25	25	26
Public safety											
Law enforcement stations	3	3	3	3	3	3	3	3	3	3	3
Patrol units	53	67	71	77	77	77	77	77	79	83	83
Jail capacity	168	168	168	168	168	168	168	168	168	168	168
Emergency medical stations	3	3	3	5	6	7	7	7	9	6	6
Emergency medical apparatus	17	18	20	22	23	23	24	24	24	24	24
Fire department stations	11	11	13	15	15	15	16	17	18	19	19
Economic and physical development											
Human services											
Number of transportation vehicles	12	12	13	12	15	18	19	19	21	21	21
Cultural and recreation											
Number of libraries	3	3	3	3	3	3	3	3	3	3	3
Number of county parks											
Developed	2	2	2	4	4	4	5	5	6	6	6
Undeveloped	2	2	2	1	1	1	1	1	0	0	0
Park acreage:											
Developed	37	37	37	115	115	115	149	149	265	265	265
Undeveloped	54	54	54	116	116	116	116	116	0	0	0
Number of community centers	2	2	2	2	2	2	2	2	2	2	2
Number of gyms/centers	2	2	2	2	2	2	2	2	2	2	2
Water/Sewer (Business activity)											
Number of water plants	1	1	1	1	1	1	1	1	1	1	1
Miles of water mains	270	279	285	300	315	336	313	313	322	325	
Number of wastewater plants	1	1	1	1	2	2	2	1	1	1	1
Miles of sanitary sewer	82	86	90	100	155	155	171	171	171	176	176
Landfill											
Number of sanitary landfills	1	1	1	1	1	1	1	1	1	1	1
Number of demolition landfills	1	1	1	1	1	1	1	1	1	1	1
Number of convenience sites	7	7	7	7	7	7	7	7	7	7	7

Source: Various County Departments

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

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

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

Independent Auditor's Report

To the Board of Commissioners
Lincoln County
Lincolnton, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Lincoln County's basic financial statements, and have issued our report thereon dated January 26, 2017. Our report includes a reference to other auditors who audited the financial statements of the Lincoln County ABC Board, as described in our report on Lincoln County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Lincoln County ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lincoln County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lincoln County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a

timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001, 2016-002, and 2016-003 to be material weaknesses.

A *significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2016-004 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001.

Lincoln County's Responses to Findings

Lincoln County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Lincoln County's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
January 26, 2017

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

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

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Uniform Guidance And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Lincoln County
Lincolnton, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Lincoln County, North Carolina's, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Lincoln County's major federal programs for the year ended June 30, 2016. Lincoln County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lincoln County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, OMB Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lincoln County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lincoln County's compliance.

Opinion on Each Major Federal Program

In our opinion, Lincoln County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Lincoln County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lincoln County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2016-005 and 2016-006 that we consider to be significant deficiencies.

Lincoln County's Responses to Findings

Lincoln County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Lincoln County's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
January 26, 2017

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

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Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB Uniform Guidance And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Lincoln County
Lincolnton, North Carolina

Report on Compliance for Each Major State Program

We have audited Lincoln County, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Lincoln County's major State programs for the year ended June 30, 2016. Lincoln County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lincoln County's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Lincoln County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of Lincoln County's compliance.

Opinion on Each Major State Program

In our opinion, Lincoln County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Lincoln County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lincoln County's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2016-005 and 2016-006 that we consider to be significant deficiencies.

Lincoln County's Responses to Findings

Lincoln County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Lincoln County's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
January 26, 2017

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LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? Yes
- Significant deficiency (s) identified? Yes

Non-compliance material to financial statements noted? Yes

Federal Awards

Internal control over major federal programs:

- Material weakness (es) identified? No
- Significant deficiency (s) identified? Yes

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

1. Summary of Auditor's Results (continued)

Identification of major Federal programs:

<u>Federal Program/Cluster Name</u>	<u>CFDA#</u>
Medicaid Cluster	93.778, 93.775, 93.777
Child Care and Development Fund Cluster	93.575, 93.596

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$2,120,899</u>
--	--------------------

Auditee qualified as low-risk auditee?	No
--	----

State Awards

Internal control over major State programs:

- | | |
|---|-----|
| • Material weakness (es) identified? | No |
| • Significant deficiency (es) identified? | Yes |

Type of auditor's report issued on compliance for major State programs:	Unmodified
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Any findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?	Yes
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Identification of major State programs:

Program Name

Medicaid Cluster
Subsidized Child Care Program Cluster

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

2. Financial Statement Findings

Finding 2016-001 Expenditures Exceeded Appropriations

Material Weakness

Criteria: General Statutes require that all money received and expended by a local government should be included in the budget ordinance. The statutes require that funds be appropriated before incurring the obligation for funds and that amounts be pre-audited prior to disbursements being made.

Condition: In the current year, there were violations of the N.C. General Statute 159-8(a). Expenditures exceeded appropriations and, therefore, a failure in the pre-audit requirement. The budget amendment and pre-audit process was not effective.

Effect: Budget amendments were not submitted to and approved by the Board during the current year causing the County to be over-expended in the General Fund, Special Grants Fund, Water and Sewer Fund, and the East Lincoln Water and Sewer Fund.

Cause: Inadequate pre-audit process and budget monitoring by management. The County expended more than appropriated because pre-audit and budget amendments were not utilized to account for departmental expenditures, special revenue fund expenditures, operating expenditures in the water and sewer funds, and for debt service in the Water and Sewer Fund in excess of budgeted amounts.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2015-001.

Context: While performing audit procedures, we noted the condition described above.

Recommendation: Management and the Board should ensure that amounts are pre-audited prior to obligation and disbursement of funds and proper review of budget reports is performed to ensure compliance in future years.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with the condition, context, and recommendations. Management and the Board will adopt the budget in the future based on function, not department, and more closely monitor expenditures.

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

2. Financial Statement Findings (continued)

Finding 2016-002 Deficit Fund Equity

Material Weakness

Criteria: Management should have a control system in place to reduce the likelihood that funds operate in a deficit.

Condition: Several funds continued to operate in a deficit. A detailed note of the deficit fund balances, or net positions, is found in the notes to the financial statements of Lincoln County's audit report.

Cause: The County adopted a balanced budget; however, revenues were insufficient to cover the cost of operations and project expenditures.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2015-002.

Effect: The County has several funds with deficit fund balances or net position.

Context: During our review of the drafted financial statements, we noted the condition described above.

Recommendation: The County should reevaluate the cost of providing services and adjust charges to ensure that revenues and transfers cover all related costs.

Views of Responsible Officials and Planned Corrective Actions: Management will evaluate charges related to the East Lincoln County Water and Sewer District Fund, General Capital Projects Fund, and the Workers' Compensation Fund and will take measures to ensure charges cover costs. Future transfers will be used to offset the deficits in these funds. The East Lincoln County Water and Sewer District Fund will have all debt paid off in FY 17, thus the deficit will go away.

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

2. Financial Statement Findings (continued)

Finding 2016-003 Material Adjusting Journal Entries

Material Weakness

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicated that the County's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

Cause: Inadequate monitoring by management.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2015-003.

Effect: Financial reports used for budget monitoring throughout the year do not properly reflect the account balances.

Context: While performing audit procedures, we noted the condition described above.

Recommendation: Management should examine the adjustments required as a result of our audit and the Finance Officer should assure they are reconciled and posted prior to the audit.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with the finding and will review reports in the future.

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

2. Financial Statement Findings (continued)

Finding 2016-004 Controls over Information Submitted to Actuary

Significant Deficiency

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: While testing controls over the submission of LEO information to the actuary, one exception was noted related to hire date information where the information per personnel records did not agree with the list of personnel information submitted to the actuary. Lincoln County does not have a control in place for a secondary review of comparing information submitted to the actuary for LEO to personnel records.

Cause: There is a lack of internal controls over the process of submission of LEO information to the actuary.

Effect: Errors in financial reporting could occur.

Context: While performing audit procedures, we noted the condition described above.

Recommendation: Lincoln County should have an additional control in place for a secondary review of comparing information submitted to the actuary for LEO to personnel records.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with the finding and will review information submitted to the actuary in the future.

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

3. Federal Award Findings and Questioned Costs

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA # 93.778

Grant Number: DMA 2016

Finding: 2016-005

Significant Deficiency

Criteria: Management should have an adequate system of internal control procedures in place to ensure budgets and deductibles are properly calculated for applicants during eligibility review process and such documentation is retained in the applicants' case file.

Condition: One applicant had a budget and deductible improperly calculated in their case file during the fiscal year. Upon further review and recalculation, the participant was still eligible for benefits.

Context: Of the 4,972 casefiles, we examined 60 and determined that the budget and deductible had not been properly calculated for one participant. Upon further review and recalculation, the participant was still eligible for benefits.

Effect: Casefiles could contain incorrect budget and deductible calculations thus making a participant eligible, when they should not be, or causing a participant to be denied when they should be eligible.

Cause: Caseworker failed to calculate the budget and deductible properly based on supporting documentation.

Questioned Costs: The finding represents an internal control issue; therefore, no questioned costs are applicable.

Recommendation: Caseworkers should review their eligibility determinations and review their checklist of items required before approving benefits.

Views of Responsible Officials and Planned Corrective Actions: Refer to the Corrective Action Plan.

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

3. Federal Award Findings and Questioned Costs (continued)

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA # 93.778

Grant Number: DMA 2016

Finding: 2016-006

Significant Deficiency

Criteria: Management should have an adequate system of internal control procedures in place to ensure that closed casefiles are terminated properly.

Condition: One applicant's case file had been terminated, but the case remained open due to the caseworker not properly terminating the case. However, no additional benefits that were ineligible were paid out after the proper termination date.

Context: Of the 4,972 casefiles, we examined 60 and determined that the termination of a case file had not been properly completed for one participant. No ineligible payments were made and the case was fully closed two months later.

Effect: Participants could receive benefits that they are not eligible for if case files are not terminated properly.

Cause: Caseworker failed to terminate the case file properly.

Questioned Costs: The finding represents an internal control issue; therefore, no questioned costs are applicable.

Recommendation: Caseworkers should check that cases are properly terminated.

Views of Responsible Officials and Planned Corrective Actions: Refer to the Corrective Action Plan.

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

4. State Award Findings and Questioned Costs

N.C. Department of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

Finding: 2016-005 – Management should have an adequate system of internal control procedures in place to ensure budgets and deductibles are properly calculated for applicants during eligibility review process and such documentation is retained in the applicants' case file. See more details at Finding 2016-005 in Section III – Federal Award Findings and Questioned Costs.

N.C. Department of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

Finding: 2016-006 – Management should have an adequate system of internal control procedures in place to ensure that closed casefiles are terminated properly. See more details at Finding 2016-006 in Section III – Federal Award Findings and Questioned Costs.

LINCOLN COUNTY, NORTH CAROLINA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2016

2. Financial Statement Findings

Finding: 2016-001

Name of Contact Person: Deanna Rios, Finance Director

Corrective Action/Management's Response: Management concurs with the condition, context, and recommendations. Management and the Board will ensure that pre-audit of expenditures is completed prior to disbursement of funds to ensure compliance in future years.

Proposed Completion Date: Management will implement the above procedure immediately.

Finding: 2016-002

Name of Contact Person: Deanna Rios, Finance Director

Corrective Action/Management's Response: Management will evaluate charges related to the East Lincoln County Water and Sewer District Fund, General Capital Projects Fund, and the Workers' Compensation Fund and will take measures to ensure charges cover costs. Future transfers will be used to offset the deficits in these funds.

Proposed Completion Date: Management will implement the above procedure immediately.

Finding: 2016-003

Name of Contact Person: Deanna Rios, Finance Director

Corrective Action/Management's Response: Management concurs with the finding and will review reports in the future.

Proposed Completion Date: Management will implement the above procedure immediately.

Finding: 2016-004

Name of Contact Person: Deanna Rios, Finance Director

Corrective Action/Management's Response: Management concurs with the finding, and will review information submitted to the actuary in the future.

Proposed Completion Date: Management will implement the above procedure immediately.

LINCOLN COUNTY, NORTH CAROLINA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2016

3. Federal Award Findings and Questioned Costs

Finding: 2016-005

Name of Contact Person: Susan McCracken, DSS Director

Corrective Action/Management's Response: All Economic Services Programs have now been incorporated into our internal Quality Improvement process to ensure second party reviews are being completed for the following programs: Adult Medicaid and Family and Children Medicaid. These records will be reviewed on a monthly basis. All aspects of eligibility and case processing will be assessed including, accuracy, budgets and timeliness. Quality and Training staff will also review denials, withdrawals, and inquiries to ensure proper evaluation is occurring and citizens are not being discouraged to apply for any program. Medicaid budget training will be conducted to ensure caseworkers systematically check their calculations and their entries into NCFAST. Medicaid medical need deductible training will occur to ensure caseworkers fully utilize all rules and procedures to ensure participants and applicants are evaluated properly for the maximum benefit allowable within policy. Training will occur across Economic Services to ensure our documentation is improved and will meet all standards to ensure all case activity is thoroughly and accurately demonstrated through the case narrative and ongoing contact and maintenance documentation. All documentation will be retained within the case file in NCFAST.

Proposed Completion Date: Immediately and ongoing

Finding: 2016-006

Name of Contact Person: Susan McCracken, DSS Director

Corrective Action/Management's Response: All Medicaid staff will be trained in the proper maintenance of evidence within NCFAST to produce the correct decision on the case. Further, caseworkers will be trained not to reject system decisions, but to manage evidence effectively to accept correct decisions. Applicable Job Aids will be reviewed as a refresher for all Medicaid caseworkers. Although this finding pertains to Family and Children Medicaid, all caseworkers involved in the application disposition process will be included in this training. Quality and Training staff are aware of this finding and the conditions in which it occurred. During their training and interaction with income maintenance staff, they will be cognizant of the proper procedure. Although NCFAST system functionality has improved in certain areas, problems persist that affect the way in which cases can be processed. We consistently have 35-50 open Help Desk tickets. As tickets are resolved, new issues with the system are continuously being identified. Supervision, Quality and Training staff, and the Help Desk ticket specialist work closely together to ensure improved system functionality is being shared universally throughout Economic Services. We are in the process of developing a document that describes system issues and the approved steps to complete the case. Managing ongoing MAGI cases at this time was impossible. There were a very large number of MAGI re-certifications showing past due across the state. Because of that number and the re-activating issue, we could identify cases that were truly late. Income Maintenance Caseworkers are now well aware of this and the functionality in this area has improved.

Proposed Completion Date: Immediately and ongoing

LINCOLN COUNTY, NORTH CAROLINA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2016

4. State Award Findings and Questioned Costs

Finding: 2016-005

See Finding 2016-005 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

Finding: 2016-006

See Finding 2016-006 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

LINCOLN COUNTY, NORTH CAROLINA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

2015-001: Repeated as 2016-001, for the General Fund.

2015-002: Repeated as 2016-002

2015-003: Repeated as 2016-003

2015-004: Corrected

2015-005: Corrected

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LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures
1(a)	1(b)		1(c)(d),2	1(d)
Federal Awards:				
<u>U.S. Department of Agriculture</u>				
<u>Food and Nutrition Service</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Social Services:				
Administration:				
<u>Supplemental Nutrition Assistance Program (SNAP) Cluster</u>				
State Administrative Matching Grants for the				
Supplemental Nutrition Assistance Program- Admin	10.561	WC 302	\$ 494,610	\$ -
State Administrative Matching Grants for the				
Supplemental Nutrition Assistance Fraud Admin	10.561	WC 302	29,709	-
Total SNAP Cluster			<u>524,319</u>	<u>-</u>
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Public Health:				
Administration:				
Special Supplemental Nutrition Program for				
Women, Infants, & Children (WIC)	10.557	13A2-5403-GG	295,778	-
Direct Benefit Payments:				
Special Supplemental Nutrition Program for				
Women, Infants, & Children (WIC)	10.557	13A2-5403-GU	1,087,026	-
Total Division of Public Health			<u>1,382,804</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>1,907,123</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
<u>Office of Community Planning and Development</u>				
Passed-through N.C. Dept. of Commerce				
Community Development Block Grants/State's program and				
Non-Entitlement Grants in Hawaii	14.228	B-11-DC-37-0001	51,122	-
Community Development Block Grants/State's program and				
Non-Entitlement Grants in Hawaii	14.228	B-12-DC-37-0001	111,677	-
Total U.S. Department of Housing and Urban Development			<u>162,799</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
<u>Bureau of Justice Assistance</u>				
Direct Program:				
State Criminal Alien Assistance Program	16.606		6,171	-
Direct Program:				
Drug Enforcement Administration				
Equitable Sharing Program	16.922		6,640	-
Passed-through N.C. Dept. of Public Safety				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012DJBX0640	2,117	-
Total U.S. Department of Justice			<u>14,928</u>	<u>-</u>
<u>U.S. Department of Treasury</u>				
Direct Program:				
Treasury Forfeiture Fund Program	21.000		65,311	-
Total U.S. Department of Treasury			<u>65,311</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
<u>Federal Transit Administration</u>				
Passed-through the N.C. Dept. of Transportation				
Federal Transit Formula Grants				
Formula Grants for Rural Areas- Admin	20.509	36233.114.5.1	163,153	10,197
Formula Grants for Rural Areas- Capital	20.509	36233.114.5.3; 36233.131.3.3	87,088	11,402
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	51001.91.1.3	194,009	24,251
Total Transit Services Programs Cluster			<u>194,009</u>	<u>24,251</u>
Total U.S. Department of Transportation			<u>444,250</u>	<u>45,850</u>
<u>U.S. Institute of Museum and Library Services</u>				
Passed-through the N.C. Dept. of Cultural and Natural Resources				
Grants to States	45.310	NC-15-21	5,371	-
Total U.S. Institute of Museum and Library Services			<u>5,371</u>	<u>-</u>

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Grantor/Pass-through	Federal	State/ Pass-through	Fed. (Direct & Pass-through)	State
Grantor/Program Title	CFDA	Grantor's	Expenditures	Expenditures
1(a)	1(b)	Number	1(c)(d),2	1(d)
<u>U. S. Department of Homeland Security</u>				
<u>Federal Emergency Management Agency</u>				
Passed-through N.C. Dept. of Public Safety:				
Emergency Management Performance Grant	97.042	EMPG-2015-37109	17,031	-
Emergency Management Performance Grant - SEP	97.042	EMPG-2015-37109	35,000	-
Total U. S. Department of Homeland Security			52,031	-
<u>U.S. Department of Health & Human Services</u>				
<u>Administration for Community Living</u>				
<u>Division of Social Services</u>				
Passed-through the N.C. Dept. of Insurance				
State Health Insurance Assistance Program	93.324	905A 0018-02-00	3,463	-
Total N.C. Department of Insurance			3,463	-
<u>Division of Aging and Adult Services</u>				
Passed-through Centralina Council Governments				
<u>Aging Cluster:</u>				
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers - Access Services	93.044	AANCT3SS	83,553	14,745
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers - In Home & Support Services	93.044	AANCT3SS	277,644	92,548
Special Programs for the Aging - Title III, C Nutrition Services - Congregate Nutrition	93.045	AANCT3CM	72,922	12,869
Nutrition Services Incentive Program	93.053	AANCNSIP	8,917	-
Special Programs for the Aging - Title III, C Nutrition Services - Family Caregiver Support	93.045	AANCT3FC	24,702	1,647
Total Aging Cluster			467,738	121,809
Special Programs for the Aging - Title III, Part D Disease Prevention and Health Promotion Services	93.043	AANCT3PH	2,437	430
Total Division of Aging and Adult Services			470,175	122,239
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Social Services:				
<u>Foster Care and Adoption Cluster:</u>				
<u>Administration:</u>				
Adoption Assistance - Adoption Training	93.659	WC 302	7,409	-
Adoption Assistance - Optional Adoption Training	93.659	WC 302	7,510	-
Adoption Assistance - Adoption/Off Training	93.659	WC 302	49	-
Foster Care Title IV-E - Child Protective Services	93.658	WC 302	105,010	42,996
Foster Care Title IV-E - Admin Foster Care	93.658	WC 302	1,671	-
Foster Care Title IV-E - Foster Care TRN	93.658	WC 302	10,272	-
Foster Care Title IV-E - Foster Care/Off TRN	93.658	WC 302	276,352	-
Foster Care Title IV-E	93.658	WC 302	58,486	-
<u>Direct Benefit Payments:</u>				
Foster Care Title IV-E - Admin County Paid	93.658	WC 302	22,290	11,145
Foster Care Title IV-E - Family Foster Max	93.658	WC 302	180	-
Foster Care Title IV-E	93.658	WC 302	165,651	42,325
Foster Care Title IV-E - Foster Care In Excess	93.658	WC 302	4,233	1,093
Foster Care Title IV-E - Max Level III	93.658	WC 302	6,750	-
Adoption Assistance - Adoption Subsidy & Vendor	93.659	WC 302	302,137	77,278
Total Foster Care and Adoption Cluster (Note 3)			968,000	174,837
<u>Temporary Assistance for Needy Families Cluster:</u>				
<u>Administration:</u>				
Temporary Assistance for Needy Families (TANF)/ Work First	93.558	WC 302	126,817	-
Temporary Assistance for Needy Families (TANF)/ Work First Service	93.558	WC 302	713,512	-
<u>Direct Benefit Payments:</u>				
Temporary Assistance for Needy Families (TANF)/ Work First Payments & Penalties	93.558	WC 302	257,326	-
Temporary Assistance for Needy Families (TANF)	93.558	WC 302	14,400	-
Total Temporary Assistance for Needy Families Cluster			1,112,055	-
<u>Administration:</u>				
Chafee Foster Care Independence Program	93.674	WC 302	18,836	4,709
Social Services Block Grant - Other Services and Training	93.667	WC 302	154,656	15,162
Stephanie Tubbs Jones Child Welfare Services Program	93.645	WC 302	23,559	-
Low Income Home Energy Assistance	93.568	WC 302	44,789	-

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures
1(a)	1(b)		1(c)(d),2	1(d)
Low Income Home Energy Assistance - Payments	93.568	WC 302	243,400	-
Low Income Home Energy Assistance - Crisis Intervention Program	93.568	WC 302	257,758	-
Child Support Enforcement	93.563	WC 302	472,874	-
Promoting Safe and Stable Families	93.556	WC 302	27,171	-
Direct Benefit Payments:				
Chafee Foster Care Independence Program	93.674	WC 302	28,488	-
Total Division of Social Services			3,351,586	194,708
<u>Administration for Children and Families</u>				
Division of Social Services:				
Administration:				
Social Services Block Grant - CPS TANF to SSBG	93.667	WC 302	103,509	-
Social Services Block Grant - In-Home Services	93.667	WC 302	6,440	-
Social Services Block Grant - In-Home Services over 60	93.667	WC 302	3,487	-
Social Services Block Grant	93.667	WC 302	38,421	1,015
Total Administration for Children and Families			151,857	1,015
<u>Child Care Development Fund Cluster</u>				
Division of Social Services:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Administration	93.596	WC 302	93,343	-
Division of Child Development:				
Child Care and Development Block Grant - Discretionary	93.575	536147; 536151	748,229	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Mandatory	93.596	536145	196,678	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Match	93.596	536148	479,425	200,561
Total Child Care and Development Fund Cluster			1,517,675	200,561
Temporary Assistance for Needy Families (TANF)	93.558	536150	180,562	-
Foster Care Title IV-E	93.658	536153	12,005	6,157
State Appropriations			-	136,674
TANF-MOE			-	161,911
Subsidized Child Care Program Cluster (Note 3)			1,710,242	505,303
<u>Center for Medicare and Medicaid Services</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Medicaid Cluster:				
Division of Medical Assistance:				
Administration:				
Medical Assistance Program:				
Adult Care Home (Case Management) and (Specialist)	93.778	WC 302	31,372	7,137
State County Special Assistance	93.778	WC 302	53,775	-
MAC	93.778	WC 302	110,289	-
Medical Assistance Admin	93.778	WC 302	1,462,409	-
Medical Transportation Admin	93.778	WC 302	92,954	-
Medical Transportation Service	93.778	WC 302	14,870	7,598
DMA Equipment	93.778	WC 302	48,989	-
Direct Benefit Payments:				
Medical Assistance Program	93.778	DMA 2016	58,745,140	31,361,735
Total Medicaid Cluster			60,559,798	31,376,470
North Carolina Health Choice: Children's Health Insurance Program				
Administration	93.767	WC 302	37,932	1,639
Direct Benefit Payments	93.767	DMA 2016	1,571,168	80,324
Total Division of Medical Assistance			62,168,898	31,458,433
<u>Administration of Children and Families</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Social Services				
Temporary Assistance for Needy Families	93.558	13A1-5151-T2	8,411	-
Total Administration of Families and Children			8,411	-
<u>Health Resources and Service Administration</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Public Health				
Maternal and Child Health Services Block Grant to the States	93.994	1271-5318-AP, 1271-5745-AP	49,368	37,031
Total Health Resources and Service Administration			49,368	37,031

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures
1(a)	1(b)		1(c)(d),2	1(d)
<u>Office of Population Affairs</u>				
Passed-through the N.C. Dept. of Health and Human Services				
Family Planning Services	93.217	13A1-592A-FP	23,985	-
Total Office of Population Affairs			23,985	-
<u>Center for Disease Control and Prevention</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Public Health:				
Public Health Emergency Preparedness	93.069	1264-2679-EW, 1264-2680-EW	43,114	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	1264-2680-M8	12,778	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1460-272A-NF, 1460-272B-NF	43	-
Immunization Cooperative Agreements	93.268	1331-631C-EJ	14,198	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	126C-5503-PF	30,991	-
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	1320-310C-EK	3,209	-
HIV Prevention Activities Health Department Based	93.940	1311-981D-HV	2,000	-
Preventive Health Services Sexually Transmitted Diseases Control Grants	93.977	1311-462B-NB, 1311-462C-NB	510	-
Total Division of Public Health			106,843	-
Total U.S. Department of Health and Human Services			68,044,828	32,318,729
Total Federal Awards			70,696,641	32,364,579
State Awards:				
<u>N.C. Department of Agriculture and Consumer Services</u>				
Division of Soil & Water				
N.C. Agriculture Cost Share Funds				30,229
Total N.C. Department of Agriculture and Consumer Services				30,229
<u>N.C. Department of Cultural and Natural Resources</u>				
Division of State Library:				
State Aid to Public Libraries				118,195
LSTA NC-15-21 EZ LL Grant				57,990
Total N.C. Department of Cultural Resources				176,185
<u>N.C. Department of Commerce</u>				
Commerce Fellows Grant				23,074
Total N.C. Department of Commerce				23,074
<u>N.C. Department of Environmental Quality</u>				
Division of Parks and Recreation				
PARTF Grant Rock Springs				352,432
Total N.C. Department of Environmental Quality				352,432
<u>N.C. Department of Health and Human Services</u>				
Division of Social Services				
Passed through Centralina Council of Governments				
State Child Welfare/CPS/CS LD				114,782
DCD Smart Start				63,349
CWS Adopt Subsidy & Vendor Payments- Direct Benefit Payments				321,913
F/C At Risk Maximization- Direct Benefit Payments				15,218
SC/SA Domiciliary Care Payment- Direct Benefit Payments				389,263
SFHF Maximization- Direct Benefit Payments				54,869
State Foster Home- Direct Benefit Payments				44,571
Fan/Heat Program				330
Total N.C. Division of Social Services				1,004,295
Division of Public Health				
Food and Lodging Fees				19,112
General Aid to Counties				100,520
General Communicable Disease Control				12,488
Breast and Cervical Cancer Program				5,100
Child Health				1,731
Women's Health Service Fund				3,929
HMHC-Family Planning				513

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures
1(a)	1(b)		1(c)(d),2	1(d)
Maternal Health (HMHC)				6,946
HIV/STD SSBG Aid				500
Sexually Transmitted Diseases				1,695
School Nurse Funding Initiative				150,000
TB Medical Service				787
Tuberculosis				1,825
Division of Aging and Adult Services				
Administration:				
Senior Center General				3,800
Total Division of Public Health				308,946
Total N. C. Department of Health and Human Services				1,313,241
<u>N.C. Department of Public Instruction</u>				
Public School Building Capital Fund				783,400
Total N.C. Department of Public Instruction				783,400
<u>N.C. Department of Public Safety</u>				
Division of Juvenile Justice				
Juvenile Crime Prevention Programs				
Administration				7,309
JCPC Refund				4,306
CIS Strengthening Families				27,749
Mediation				17,550
CIS Restitution				35,918
CIS After School Program				38,566
CIS Transition				20,493
Family Centered Treatment				22,847
Total Division of Juvenile Justice				174,738
Total N.C. Department of Public Safety				174,738
<u>N.C. Department of Transportation</u>				
Rural Operating Assistance Program (ROAP) Cluster				
ROAP- Employment		36236.11.5.1		20,606
ROAP- EDTAP		36220.10.6.1		69,702
ROAP Rural General Public Transportation		36228.22.6.1		86,574
Total ROAP Cluster				176,882
Total N.C. Department of Transportation				176,882
Total State awards				3,030,181
Total Federal and State awards			\$ 70,696,641	\$ 35,394,760

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of Lincoln County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of Lincoln County, it is not intended to and does not present the financial position, changes in net position or cash flows of Lincoln County.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Lincoln County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Cluster of Programs

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Foster Care and Adoption Cluster and Subsidized Child Care Cluster.

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