

**LINCOLN COUNTY
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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**LINCOLN COUNTY
NORTH CAROLINA**

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**Prepared By
Finance Department**

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LINCOLN COUNTY, NORTH CAROLINA

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LINCOLN COUNTY

NORTH CAROLINA

BOARD OF COMMISSIONERS

ALEX E. PATTON, CHAIRMAN

GEORGE G. ARENA, VICE-CHAIRMAN

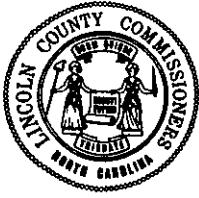
JAMES A. KLEIN

CARROL MITCHEM

CARL E. ROBINSON, JR.

GEORGE A. WOOD, COUNTY MANAGER

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COUNTY OF LINCOLN, NORTH CAROLINA

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

FINANCE DEPARTMENT

(704) 736-8865
FAX (704) 735-0273

November 20, 2012

Chairman Alex Patton,
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, 2012, 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, 2012, 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 unqualified opinion that Lincoln County's financial statements for the fiscal year ended June 30, 2012, 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 2011 population of approximately 10,517 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, 2011, according to the State Demographer, was 79,026.

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.

The 2009-2010 fiscal year was very difficult for employment. As a net exporter of labor (52% of County residents work outside of the County), major job losses in the surrounding areas of Charlotte, Hickory and Gastonia have compounded job losses in the County. Slow but steady job growth has occurred in the years since, as new announcements are adding back jobs that were lost.

For the 2012 fiscal year, there were several job creation announcements. Robert Bosch Tool made an investment of over \$3,500,000 and added ten jobs. Rato North America added 40 jobs in the area, and Sabo USA created another 12 jobs at its facility in Lincoln County. Since June, there have been several other announcements of investments and job creation, so the picture in Lincoln County is looking more positive.

In 2011, the following companies announced new investments and job growth: Aptar with a \$53 million investment and 150 jobs, Hydac Technology Corporation with a \$12 million investment and 90 new jobs, Blum with an \$18 million expansion, Lucky Country with a \$3 million expansion and Hof Textiles with a \$2.3 million expansion.

The Hydac facility is the first tenant in the new high-end business park in East Lincoln on new Highway 16, known as Airlie Business Park. It will initially total 235 acres and target motorsports, high-end

manufacturing and international companies. The first phase of development is almost complete and the second phase is in the planning stages. At build out, Airlie will have over 2,600,000 square feet of manufacturing space.

In Forney Creek (Office) Park, the first building of an east medical campus by Carolinas Medical Center – Lincoln opened and the Sally's YMCA opened a few years ago. Sites for Class A office building have also been graded and a new master plan and marketing program has been developed. In addition, the new \$90 million Carolinas Medical Center – Lincoln Hospital in Lincolnton opened in 2010. Commercial development also continues in East Lincoln. The County will complete some water line upgrades near the new Highway 16 and Highway 73 interchange over the next year, which will encourage even more development in the Eastern part of the County.

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 six 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 includes an option to purchase the building if the County chooses. 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. Improvements are almost complete on this building, including replacing the HVAC system and completely renovating the second floor area that houses the Register of Deeds office.

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 the previously-mentioned 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 October, 2008, 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. The next phase will be to arrange financing and begin renovations. 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. During the FY 2012 – 13 budget process, the Board decided to delay this project at least one year, until the economy improves.

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. To meet the additional debt requirements needed for these additional bonds, the tax rate for fiscal year 2008 – 2009 was increased 4.0 cents. Of this amount, 3.19 cents was dedicated to current and future school debt repayment. After fiscal year 2011 – 2012, the debt service on school debt decreases each year until fiscal year 2015 – 2016, where there is a slight increase for one year when the last of the bonds are issued.

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.

As a result of the dissolution of the Gaston-Lincoln Regional Library, on July 1, 2012, the Lincoln County Public Library was established as a county library system. As part of this transition, the library had to work through dissolution steps with Gaston County; establish a computer network connection with Lincoln County; set up a separate library catalog and print management systems; build a website; negotiate contracts with multiple service/database vendors; design new library cards; put together a Technical Services department; hire additional employees; implement courier services; adjust the library's annual budget and establish eligibility for State Aid to Public Libraries.

Plans are in the works to extend sewer service past the Lincolnton-Lincoln County Regional Airport. This project will extend sewer service from the airport to Highways 73 and 27 by force main. It will also allow the creation of an industrial park on the airport grounds. The County received a \$1.6 million Economic Development Association grant for this project. The project is currently in the design phase, and should go out for bid in early 2013.

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. Throughout FY 2011 – 2012, several projects were completed, including Highway 16 and 73 Small Area Plan and the Highway 16 and Triangle Small Area Plan. The Highway 16 Vision Plan that was previously adopted indicates that these small areas in Eastern Lincoln County are to be strategically planned for future growth. While it is true that both residential and commercial development has slowed over the past few years, the need for proper planning continues to be a pressing need. In order to adequately address current and future

development, it is advantageous for county government to take the necessary steps to ensure the health, safety, and welfare of its citizens.

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 \$17,742,846 expended from the General Fund. In addition, \$2,988,219 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*. GASB 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, 2011. This was the sixteenth 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.

Certificate of Model EMS System

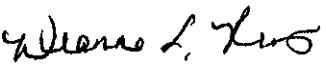
The North Carolina Emergency Medical Systems Advisory Council awarded a Certification on a Model System to the Lincoln County Emergency Medical Services Department during the fiscal year ended June 30, 2008. To meet the requirements, a county must submit an application to the N.C. Office of Emergency Medical Services for such designation showing that it not only meets the state's minimum standards, but also additional requirements. This designation is for a six-year period.

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,


George Wood
County Manager


Deanna Rios
Finance Director

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danison

President

Jeffrey R. Eman

Executive Director

LINCOLN COUNTY, NORTH CAROLINA

Principal Officials

June 30, 2012

Board of County Commissioners

Alex E. Patton, Chairman

George G. Arena, Vice-Chairman

James A. Klein

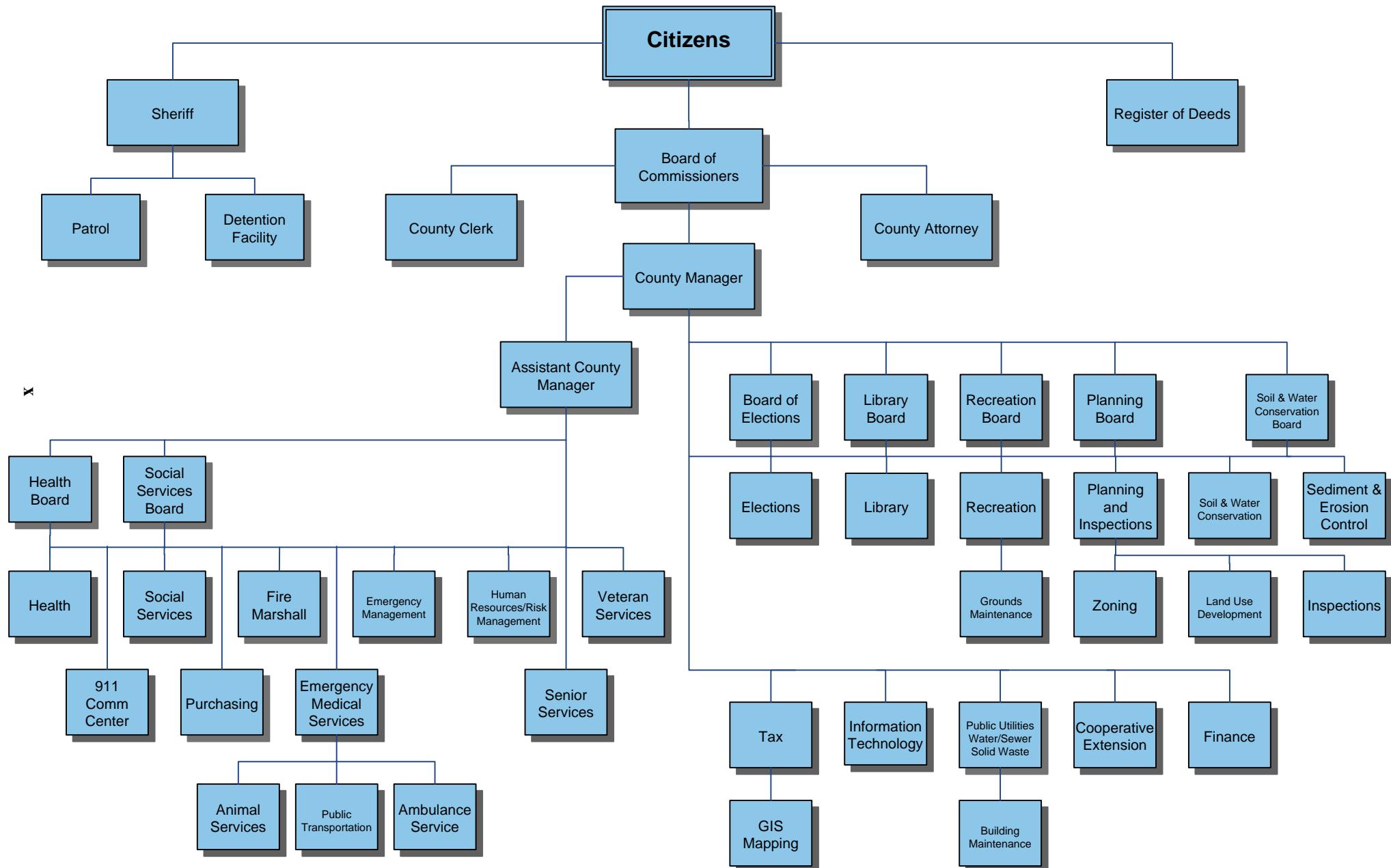
Carroll Mitchem

Carl E. Robinson, Jr.

County Officials

George Wood	County Manager
Martha Lide	Assistant County Manager
Wesley Deaton	County Attorney
Danny Hester	Register of Deeds
David Carpenter	Sheriff
Ron Rombs	Animal Services
Donnie Fields	Buildings and Grounds
Kevin Starr	Cooperative Extension
Bill Beam	Elections
Bill Summers	Emergency Management
Ron Rombs	Emergency Medical Services
Deanna Rios	Finance Director
Margaret Dollar	Health
Jennifer Sackett	Library
Dante' Patterson	Information Technology
Kelly Atkins	Planning and Inspections
Don Chamblee	Public Works
Erma Deen Hoyle	Recreation
Marti Hovis	Senior Services
Susan McCracken	Social Services
Rick McSwain	Soil Conservation
Madge Huffman	Tax Administrator
Ron Rombs	Transportation
Eric Robinson	Veterans Service

Lincoln County



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

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

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Lincoln County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lincoln County, North Carolina, as of and for the year then ended June 30, 2012, which collectively comprise Lincoln County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lincoln County, North Carolina's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Lincoln County ABC Board. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, 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 of material misstatement. The financial statements of the Lincoln County ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lincoln County, North Carolina, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2012, on our consideration of Lincoln County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Law Enforcement Officer's Special Separation Allowance and the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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, economic or historical context. We 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 assurance.

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of Lincoln County, North Carolina as a whole. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 15, 2012

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, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

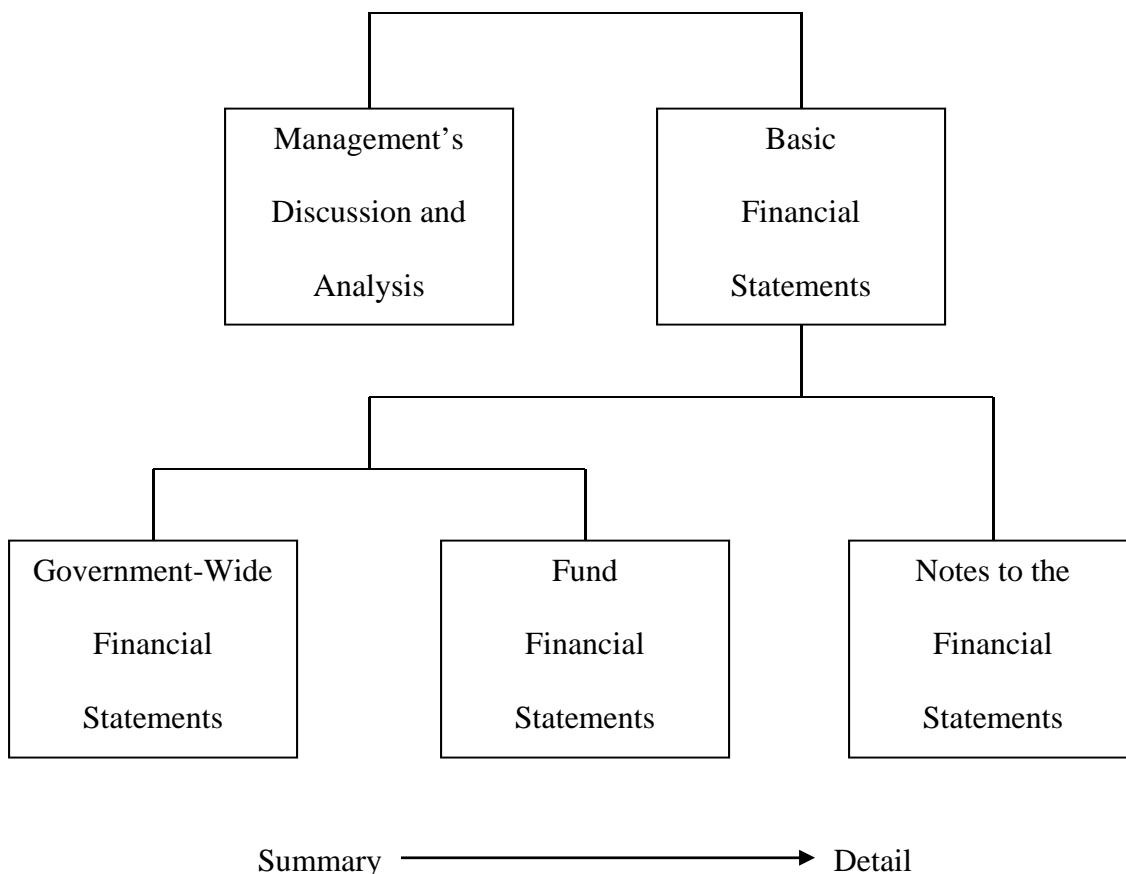
- The assets of Lincoln County exceeded its liabilities at the close of the fiscal year by \$27,988,018 (*net assets*).
- Current year decreases in debt related to school construction and completion of a new wastewater treatment plant were the primary factors contributing to the increase in the government's total net assets of \$361,076.
- As of the close of the current fiscal year, Lincoln County's governmental funds reported combined ending fund balances of \$32,942,541, a decrease of \$5,217,490 in comparison with the prior year amount. This decrease was primarily due to a decrease in public school bond funds from the prior year due the payment of debt obligations. This decrease was offset by an increase of general fund balance of \$117,755, a decrease of general capital projects fund balance of \$1,220,657, and a decrease in other funds balance of \$1,131,752. Approximately 44.74 percent of this total amount, or \$15,328,393, is restricted, or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,895,426, or 14.25% percent of total General Fund expenditures for the fiscal year.
- Lincoln County's total debt decreased by \$3,913,132, or 2.33%, during the current fiscal year. The key factor in this increase was the refunding of existing bonds and principal payments on existing debt.
- 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.
- Lincoln County has maintained bond ratings of Aa3 from Moody's Investors Service; AA-rating from Standard & Poor's; and AA rating from Fitch Ratings as a result of our last ratings in January 2011.

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 Basic Financial Statements**. The notes to the financial statements 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 assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets 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 unit. 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.

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 government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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 Assets 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 six 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.

Lincoln County's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 40,541,973	\$ 45,659,462	\$ 16,635,315	\$ 14,271,331	\$ 57,177,288	\$ 59,930,793
Capital assets	55,729,937	54,454,177	83,666,036	86,370,541	139,395,973	140,824,718
Total assets	<u>96,271,910</u>	<u>100,113,639</u>	<u>100,301,351</u>	<u>100,641,872</u>	<u>196,573,261</u>	<u>200,755,511</u>
Liabilities:						
Long-term liabilities outstanding	130,593,149	133,055,721	33,142,750	34,593,310	163,735,899	167,649,031
Other liabilities	4,222,651	4,346,312	626,693	1,133,226	4,849,344	5,479,538
Total liabilities	<u>134,815,800</u>	<u>137,402,033</u>	<u>33,769,443</u>	<u>35,726,536</u>	<u>168,585,243</u>	<u>173,128,569</u>
Net Assets:						
Invested in capital assets, net of related debt	52,215,432	50,294,495	57,936,188	61,285,375	110,151,620	111,579,870
Restricted	13,918,975	17,479,885	-	-	13,918,975	17,479,885
Unrestricted	(104,678,297)	(105,062,774)	8,595,720	3,629,961	(96,082,577)	(101,432,813)
Total net assets	<u>\$ (38,543,890)</u>	<u>\$ (37,288,394)</u>	<u>\$ 66,531,908</u>	<u>\$ 64,915,336</u>	<u>\$ 27,988,018</u>	<u>\$ 27,626,942</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Lincoln County exceeded liabilities by \$27,988,018 as of June 30, 2012. The County's net assets increased by \$361,076 for the fiscal year ended June 30, 2012. One of the largest portions \$110,151,620 reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. Lincoln County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Lincoln County's 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 assets:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 97.72%, higher than the 2010 statewide average of 97.17%.
- Long-term liabilities decreased with a corresponding decrease 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 Assets

Figure 3

	Activities		Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 9,154,792	\$ 10,285,314	\$ 11,245,473	\$ 10,497,498	\$ 20,400,265	\$ 20,782,812
Operating grants and contributions	12,015,383	13,338,911	-	-	12,015,383	13,338,911
Capital grants and contributions	1,328,462	22,259,424	78,841	139,913	1,407,303	22,399,337
General revenues:						
Property taxes	54,905,801	54,568,588	495,073	487,936	55,400,874	55,056,524
Other taxes	12,924,749	11,627,956	-	-	12,924,749	11,627,956
Other	<u>567,717</u>	<u>592,328</u>	<u>46,465</u>	<u>31,172</u>	<u>614,182</u>	<u>623,500</u>
Total revenues	<u>90,896,904</u>	<u>112,672,521</u>	<u>11,865,852</u>	<u>11,156,519</u>	<u>102,762,756</u>	<u>123,829,040</u>
Expenses:						
General government	15,226,309	12,110,650	-	-	15,226,309	12,110,650
Public safety	24,982,362	24,782,004	-	-	24,982,362	24,782,004
Economic and physical development	2,201,122	2,120,590	-	-	2,201,122	2,120,590
Human services	18,298,851	19,559,449	-	-	18,298,851	19,559,449
Cultural and recreation	2,209,728	2,218,417	-	-	2,209,728	2,218,417
Education	20,731,065	23,306,217	-	-	20,731,065	23,306,217
Interest on long-term debt	8,423,957	6,604,596	-	-	8,423,957	6,604,596
Loss on disposal of capital assets	79,006	-	-	-	79,006	-
Solid waste	-	-	2,087,537	5,038,688	2,087,537	5,038,688
Water and sewer	-	-	<u>8,161,743</u>	<u>7,394,051</u>	<u>8,161,743</u>	<u>7,394,051</u>
Total expenses	<u>92,152,400</u>	<u>90,701,923</u>	<u>10,249,280</u>	<u>12,432,739</u>	<u>102,401,680</u>	<u>103,134,662</u>
Increase (decrease) in net assets	(1,255,496)	21,970,598	1,616,572	(1,276,220)	361,076	20,694,378
Net Assets:						
Beginning of year - July 1	<u>(37,288,394)</u>	<u>(59,258,992)</u>	<u>64,915,336</u>	<u>66,191,556</u>	<u>27,626,942</u>	<u>6,932,564</u>
End of year - June 30	<u>\$ (38,543,890)</u>	<u>\$ (37,288,394)</u>	<u>\$ 66,531,908</u>	<u>\$ 64,915,336</u>	<u>\$ 27,988,018</u>	<u>\$ 27,626,942</u>

Governmental Activities. Governmental activities decreased the County's net assets by \$1,255,496. The key elements of this decrease in 2012 were decreased revenues from operating and capital grants. There were decreases in expenditures in human services and education. The large decrease in education was the expenditure of less school bond funds for the construction of school facilities, which are not capitalized as assets of the County.

Business-Type Activities. Business-type activities increased Lincoln County's net assets by \$1,616,572. This increase in net assets offset some of the decrease by the "Governmental activities" previously mentioned. Together there was a total net asset increase of \$361,076. The business-type activities increase was primarily related to a decrease in expenses associated with the Solid Waste Fund.

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 \$13,994,622, while total fund balance reached \$19,225,055. 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 15.91 percent of total General Fund expenditures, while total fund balance represents 21.85 percent of that same amount. This slight percentage increase is the result of increased revenues primarily in the general government.

At June 30, 2012, the governmental funds of Lincoln County reported a combined fund balance of \$32,942,541, a 13.67 percent decrease from last year. Decreases in school capital funds, general capital projects fund and other governmental funds was offset by a slight 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 \$2,818,316. The largest part of this increase, \$1,500,000, was to increase revenues and expenses in our transportation program, 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 assets of the Solid Waste Fund at the end of the fiscal year amounted to (\$997,887), the Water and Sewer Fund equaled \$9,559,862 and those for the East Lincoln County Water and Sewer District equaled (\$3,891,255). The total growth in net assets for the three funds, was \$1,641,967, (\$358,927) and \$333,532, respectively. The decrease in the Water and Sewer Fund is due to repairs and depreciation of equipment and buildings. 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, 2012, totals \$139,395,973 (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 vehicles for Law Enforcement and various other departments
- Construction of new water distribution lines
- Expansion of Wastewater Treatment facility
- Construction of sewer collection lines
- Purchase of new mobile and portable radios
- Improvements to buildings
- Industrial park improvements

Lincoln County's Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 5,645,888	\$ 5,517,235	\$ 1,173,567	\$ 1,173,567	\$ 6,819,455	\$ 6,690,802
Buildings and structures	34,061,766	35,143,662	39,135,488	19,352,512	73,197,254	54,496,174
Other improvements	5,226,737	5,277,642	2,105,814	2,808,999	7,332,551	8,086,641
Machinery and equipment	3,259,593	2,739,764	2,738,946	3,113,678	5,998,539	5,853,442
Infrastructure	-	-	37,708,460	37,429,176	37,708,460	37,429,176
Vehicles and other equipment	2,777,252	2,764,531	-	-	2,777,252	2,764,531
Construction in progress	4,758,701	3,011,343	803,761	22,492,609	5,562,462	25,503,952
Total	<u>\$ 55,729,937</u>	<u>\$ 54,454,177</u>	<u>\$ 83,666,036</u>	<u>\$ 86,370,541</u>	<u>\$ 139,395,973</u>	<u>\$ 140,824,718</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, 2012, Lincoln County had total bonded debt outstanding of \$98,675,000, 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	
	2012		2011		2012	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 96,000,000	\$ 102,135,000	\$ 2,675,000	\$ 3,295,000	\$ 98,675,000	\$ 105,430,000

Lincoln County's total bonded debt decreased by \$6,755,000 or 6.41 percent 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, AA- rating from Standard and Poor's Corporation, and 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 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Lincoln County is approximately \$540,000,000. The County had \$13,500,000 in school bonds authorized but un-issued at June 30, 2012.

During FY12 Lincoln County issued \$30,255,000 of refunding bonds which partially refunded 2002A, 2004 and 2005 bonds for a net present value savings of \$2,497,397.

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.

- Although the County unemployment rate for 2011-12 averaged approximately 10.3%, higher than the state average of 9.6%, the County remains lower than some of the surrounding counties which have lost more jobs than Lincoln County.
- 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.
- Eight industrial announcements during 2011-12 fiscal year totaled \$14.9 million of capital investments and 333 jobs.

- 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 59.8 cents which is less than the state average of 61.41 cents.
- Lincoln County had the first LEED Certified (Silver) distribution center in North Carolina built during 2009.
- Retail sales increased by 13.7% during fiscal year 2012 due to the general improvement in the economy compared to a 4.4% within the same period in fiscal year 2011, based on sales tax collections.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities. The County adopted a General Fund budget in the amount of \$86,337,441 for the fiscal year ending June 30, 2013, a decrease of \$2,959,641, or 3.31%, from the fiscal year 2012 budget. The majority of the budget decreases were in School Current Expenses. The property tax levy remained the same at \$.598 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, although tap and capacity fees have decreased due to the decline 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 which will allow for future growth in the eastern portion of the County. Rates for landfill tipping fees have remained the same, and availability fees have also remained steady at \$81 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, N.C. 28092.

LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
				Lincoln County ABC Board
Assets:				
Cash and cash equivalents	\$ 23,764,260	\$ 16,093,813	\$ 39,858,073	\$ 338,554
Taxes receivable (net)	1,431,854	119,957	1,551,811	-
Accounts receivable (net)	2,007,618	201,772	2,209,390	-
Due from other governments	2,968,864	98,778	3,067,642	-
Internal balances	(1,090)	1,090	-	-
Inventories	-	-	-	156,770
Prepaid items	686,025	4,460	690,485	-
Cash and cash equivalents, restricted	9,684,442	115,445	9,799,887	-
Capital assets, non-depreciable	10,404,589	1,977,328	12,381,917	200,607
Capital assets, depreciable, net	45,325,348	81,688,708	127,014,056	369,257
Total assets	96,271,910	100,301,351	196,573,261	1,065,188
Liabilities:				
Accounts payable and other accrued liabilities	4,018,647	511,248	4,529,895	179,488
Unearned revenue	204,004	-	204,004	-
Customer deposits	-	115,445	115,445	-
Due in less than one year	9,182,158	2,238,698	11,420,856	-
Due in more than one year	121,410,991	30,904,052	152,315,043	-
Total liabilities	134,815,800	33,769,443	168,585,243	179,488
Net Assets:				
Invested in capital assets, net of related debt	52,215,432	57,936,188	110,151,620	569,864
Restricted for Stabilization by State statute	5,348,291	-	5,348,291	-
Restricted for Register of Deeds	48,767	-	48,767	-
Restricted for education	8,183,748	-	8,183,748	-
Restricted for public safety	338,169	-	338,169	-
Restricted for working capital	-	-	-	61,112
Unrestricted	(104,678,297)	8,595,720	(96,082,577)	254,724
Total net assets	\$ (38,543,890)	\$ 66,531,908	\$ 27,988,018	\$ 885,700

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

LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Revenues		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses		
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ 15,226,309	\$ 1,590,384	\$ 965,069
Public safety	24,982,362	4,424,537	755,636
Economic and physical development	2,201,122	-	260,283
Human services	18,298,851	3,118,534	10,034,395
Cultural and recreational	2,209,728	21,337	-
Education	20,731,065	-	-
Debt service:			
Interest and fees	8,423,957	-	-
Total governmental activities	<u>92,073,394</u>	<u>9,154,792</u>	<u>12,015,383</u>
			<u>1,328,462</u>
Business-Type Activities:			
Solid Waste	2,087,537	3,720,626	-
Water and Sewer	7,999,309	7,524,847	-
East Lincoln County Water and Sewer	162,434	-	-
Total business-type activities	<u>10,249,280</u>	<u>11,245,473</u>	<u>78,841</u>
Total primary government	<u>\$ 102,322,674</u>	<u>\$ 20,400,265</u>	<u>\$ 12,015,383</u>
			<u>\$ 1,407,303</u>
Component Unit:			
Lincoln County ABC Board	\$ 2,051,866	\$ 2,096,656	\$ -
Total component unit	<u>\$ 2,051,866</u>	<u>\$ 2,096,656</u>	<u>\$ -</u>
General Revenues:			
Ad valorem taxes			
Local option sales tax			
Utility franchise tax			
Real estate transfer tax			
Other taxes			
Unrestricted intergovernmental			
Investment earnings			
Gain (loss) on disposal of capital assets			
Total general revenues			
Change in net assets			
Net Assets:			
Beginning of year - July 1			
End of year - June 30			

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

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Lincoln County ABC Board
\$ (12,162,775)	\$ -	\$ (12,162,775)	
(19,802,189)	-	(19,802,189)	
(1,940,839)	-	(1,940,839)	
(5,145,922)	-	(5,145,922)	
(2,188,391)	-	(2,188,391)	
(19,910,684)	-	(19,910,684)	
(8,423,957)	-	(8,423,957)	
<u>(69,574,757)</u>	<u>-</u>	<u>(69,574,757)</u>	
-	1,633,089	1,633,089	
-	(395,621)	(395,621)	
<u>-</u>	<u>(162,434)</u>	<u>(162,434)</u>	
<u>-</u>	<u>1,075,034</u>	<u>1,075,034</u>	
<u>(69,574,757)</u>	<u>1,075,034</u>	<u>(68,499,723)</u>	
		\$ 44,790	
		<u>44,790</u>	
54,905,801	495,073	55,400,874	-
11,785,721	-	11,785,721	-
238,690	-	238,690	-
534,686	-	534,686	-
365,652	-	365,652	-
479,922	-	479,922	-
87,795	46,465	134,260	880
<u>(79,006)</u>	<u>-</u>	<u>(79,006)</u>	<u>-</u>
<u>68,319,261</u>	<u>541,538</u>	<u>68,860,799</u>	<u>880</u>
(1,255,496)	1,616,572	361,076	45,670
<u>(37,288,394)</u>	<u>64,915,336</u>	<u>27,626,942</u>	<u>840,030</u>
<u>\$ (38,543,890)</u>	<u>\$ 66,531,908</u>	<u>\$ 27,988,018</u>	<u>\$ 885,700</u>

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

LINCOLN COUNTY, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	General Capital Projects Fund	School Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 16,481,885	\$ 1,323,592	\$ -	\$ 3,120,481	\$ 20,925,958
Taxes receivable, net	1,189,355	-	-	242,499	1,431,854
Accounts receivable, net	2,007,618	-	-	-	2,007,618
Due from other governments	2,968,864	-	-	-	2,968,864
Due from other funds	60,449	12,389	-	501,456	574,294
Prepaid items	588,275	-	-	-	588,275
Cash and cash equivalents, restricted	679,551	821,143	8,183,748	-	9,684,442
Total assets	<u>\$ 23,975,997</u>	<u>\$ 2,157,124</u>	<u>\$ 8,183,748</u>	<u>\$ 3,864,436</u>	<u>\$ 38,181,305</u>

Liabilities and Fund Balances:**Liabilities:**

Accounts payable and other accrued liabilities	\$ 2,349,000	\$ 85,760	\$ -	\$ 130,274	\$ 2,565,034
Due to other funds	613,810	2,200	-	27,089	643,099
Deferred revenue	1,788,132	-	-	242,499	2,030,631
Total liabilities	<u>\$ 4,750,942</u>	<u>\$ 87,960</u>	<u>\$ -</u>	<u>\$ 399,862</u>	<u>\$ 5,238,764</u>

Fund Balances:

Non-spendable:

Prepays	588,275	-	-	-	588,275
Restricted:					
Stabilization for State statute	4,642,158	15,898	-	690,235	5,348,291
Restricted, all other	48,767	821,143	8,183,748	338,169	9,391,827
Committed	-	1,232,123	-	2,436,170	3,668,293
Assigned	2,050,429	-	-	-	2,050,429
Unassigned	11,895,426	-	-	-	11,895,426
Total fund balances	<u>\$ 19,225,055</u>	<u>\$ 2,069,164</u>	<u>\$ 8,183,748</u>	<u>\$ 3,464,574</u>	<u>\$ 32,942,541</u>

Total liabilities and fund balances \$ 23,975,997 \$ 2,157,124 \$ 8,183,748 \$ 3,864,436

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	55,729,937
Long-term liabilities, 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.	(130,593,149)
Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end.	1,826,627
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 Assets.	<u>1,550,154</u>
Net assets of governmental activities, per Exhibit A	<u>\$ (38,543,890)</u>

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

LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	General Capital Projects Fund	School Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Ad valorem taxes	\$ 49,019,309	\$ -	\$ -	\$ 5,944,747	\$ 54,964,056
Local option sales taxes	11,785,721	-	-	-	11,785,721
Other taxes and licenses	859,857	-	-	279,171	1,139,028
Unrestricted intergovernmental revenues	479,922	-	-	-	479,922
Restricted intergovernmental revenues	11,113,384	505,081	-	845,810	12,464,275
Permits and fees	1,336,428	-	-	-	1,336,428
Sales, service, and rents	7,264,115	-	-	-	7,264,115
Miscellaneous	973,684	3,000	-	9,568	986,252
Investment earnings	70,272	4,306	5,383	3,618	83,579
Total revenues	<u>82,902,692</u>	<u>512,387</u>	<u>5,383</u>	<u>7,082,914</u>	<u>90,503,376</u>
Expenditures:					
Current:					
General government	7,596,084	-	-	-	7,596,084
Public safety	19,566,218	-	-	6,362,383	25,928,601
Economic and physical development	2,216,098	-	-	-	2,216,098
Human services	20,259,280	-	-	-	20,259,280
Cultural and recreational	2,057,344	-	-	-	2,057,344
Education	17,742,846	-	-	-	17,742,846
Capital outlay	-	4,340,395	2,988,219	-	7,328,614
Debt service:					
Principal repayments	9,116,549	-	-	-	9,116,549
Interest	4,935,755	-	-	-	4,935,755
Total expenditures	<u>83,490,174</u>	<u>4,340,395</u>	<u>2,988,219</u>	<u>6,362,383</u>	<u>97,181,171</u>
Revenues over (under) expenditures	<u>(587,482)</u>	<u>(3,828,008)</u>	<u>(2,982,836)</u>	<u>720,531</u>	<u>(6,677,795)</u>
Other Financing Sources (Uses):					
Bond premium	2,868,507	-	-	-	2,868,507
Long-term debt issued	30,255,000	1,100,000	-	-	31,355,000
Advance payments to refunding trustee	(32,763,202)	-	-	-	(32,763,202)
Transfers out	(4,490,310)	-	-	(4,835,242)	(9,325,552)
Transfers in	4,835,242	1,507,351	-	2,982,959	9,325,552
Total other financing sources (uses)	<u>705,237</u>	<u>2,607,351</u>	<u>-</u>	<u>(1,852,283)</u>	<u>1,460,305</u>
Net change in fund balances	117,755	(1,220,657)	(2,982,836)	(1,131,752)	(5,217,490)
Fund Balances:					
Beginning of year - July 1	<u>19,107,300</u>	<u>3,289,821</u>	<u>11,166,584</u>	<u>4,596,326</u>	<u>38,160,031</u>
End of year - June 30	<u>\$ 19,225,055</u>	<u>\$ 2,069,164</u>	<u>\$ 8,183,748</u>	<u>\$ 3,464,574</u>	<u>\$ 32,942,541</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, 2012

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) \$ (5,217,490)

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. 4,479,725

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement. (3,018,277)

The sale of capital assets is reported as a revenue in the governmental funds statement without subtracting the net book value of the capital assets sold. (185,688)

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. (1,705,471)

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	(58,255)
Other fees for service	(140,874)

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. 9,116,549

The net revenue of certain activities of the Internal Service Fund is reported with governmental activities. 422,792

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. (4,948,507)

Change in net assets of governmental activities \$ (1,255,496)

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, 2012

	Budgeted Amounts			Variance with Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 48,426,869	\$ 48,543,869	\$ 49,019,309	\$ 475,440
Local option sales taxes	11,192,994	11,556,536	11,785,721	229,185
Other taxes and licenses	707,000	817,000	859,857	42,857
Unrestricted intergovernmental revenues	281,625	311,231	479,922	168,691
Restricted intergovernmental revenues	10,668,681	12,316,737	11,113,384	(1,203,353)
Permits and fees	1,145,170	1,197,170	1,336,428	139,258
Sales, service and rents	8,106,200	8,300,959	7,264,115	(1,036,844)
Miscellaneous	744,540	956,632	973,684	17,052
Investment earnings	80,000	80,000	70,272	(9,728)
Total revenues	<u>81,353,079</u>	<u>84,080,134</u>	<u>82,902,692</u>	<u>(1,177,442)</u>
Expenditures:				
Current:				
General government	7,558,307	8,140,370	7,596,084	544,286
Public safety	19,741,284	19,989,613	19,566,218	423,395
Economic and physical development	2,103,907	2,486,228	2,216,098	270,130
Human services	21,393,533	22,806,639	20,259,280	2,547,359
Cultural and recreational	2,334,453	2,526,950	2,057,344	469,606
Education	17,746,240	17,746,240	17,742,846	3,394
Debt service:				
Principal	8,989,199	8,989,199	9,116,549	(127,350)
Interest and fees	5,436,860	5,436,860	4,935,755	501,105
Total expenditures	<u>85,303,783</u>	<u>88,122,099</u>	<u>83,490,174</u>	<u>4,631,925</u>
Revenues over (under) expenditures	<u>(3,950,704)</u>	<u>(4,041,965)</u>	<u>(587,482)</u>	<u>3,454,483</u>
Other Financing Sources (Uses):				
Long-term debt issued	30,255,000	30,255,000	30,255,000	-
Advance payments to refunding trustee	(32,763,202)	(32,763,202)	(32,763,202)	-
Premium received from issuance of long-term debt	2,868,507	2,868,507	2,868,507	-
Transfers out	(4,113,604)	(4,183,355)	(4,490,310)	(306,955)
Transfers in	4,822,853	4,822,853	4,835,242	12,389
Fund balance appropriated	2,881,150	3,042,162	-	(3,042,162)
Total other financing sources (uses)	<u>3,950,704</u>	<u>4,041,965</u>	<u>705,237</u>	<u>(3,336,728)</u>
Net change in fund balance	\$ -	\$ -	\$ 117,755	\$ 117,755
Fund Balance:				
Beginning of year - July 1				<u>19,107,300</u>
End of year - June 30				<u>\$ 19,225,055</u>

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

LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	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	\$ 5,620,476	\$ 10,432,141	\$ 41,196	\$ 16,093,813	\$ 2,838,302
Taxes receivable, net	112,315	-	7,642	119,957	-
Accounts receivable, net	88,105	113,667	-	201,772	-
Due from other governments	44,881	53,897	-	98,778	-
Due from other funds	16,515	30,324	-	46,839	67,715
Prepaid items	-	4,460	-	4,460	97,750
Cash and cash equivalents, restricted	-	115,445	-	115,445	-
Total current assets	<u>5,882,292</u>	<u>10,749,934</u>	<u>48,838</u>	<u>16,681,064</u>	<u>3,003,767</u>
Capital assets:					
Non-depreciable capital assets	400,367	1,576,961	-	1,977,328	-
Depreciable capital assets, net	4,202,678	77,486,030	-	81,688,708	-
Total non-current assets	<u>4,603,045</u>	<u>79,062,991</u>	<u>-</u>	<u>83,666,036</u>	<u>-</u>
Total assets	<u>10,485,337</u>	<u>89,812,925</u>	<u>48,838</u>	<u>100,347,100</u>	<u>3,003,767</u>
Liabilities:					
Current liabilities:					
Accounts payable and other accrued liabilities	150,187	345,968	15,093	511,248	1,453,613
Due to other funds	33,896	11,853	-	45,749	-
Customer deposits	-	115,445	-	115,445	-
Current portion of compensated absences	6,200	8,600	-	14,800	-
Current portion of long-term debt	91,326	1,342,572	790,000	2,223,898	-
Total current liabilities	<u>281,609</u>	<u>1,824,438</u>	<u>805,093</u>	<u>2,911,140</u>	<u>1,453,613</u>
Non-current liabilities:					
Accrued landfill closure/post-closure care costs	6,055,950	-	-	6,055,950	-
Compensated absences	56,279	77,821	-	134,100	-
Other post-employment benefits	577,667	630,385	-	1,208,052	-
Long-term debt	54,648	20,316,302	3,135,000	23,505,950	-
Total non-current liabilities	<u>6,744,544</u>	<u>21,024,508</u>	<u>3,135,000</u>	<u>30,904,052</u>	<u>-</u>
Total liabilities	<u>7,026,153</u>	<u>22,848,946</u>	<u>3,940,093</u>	<u>33,815,192</u>	<u>1,453,613</u>
Net Assets:					
Invested in capital assets, net of related debt	4,457,071	57,404,117	-	61,861,188	-
Unrestricted	<u>(997,887)</u>	<u>9,559,862</u>	<u>(3,891,255)</u>	<u>4,670,720</u>	<u>1,550,154</u>
Total net assets	<u>\$ 3,459,184</u>	<u>\$ 66,963,979</u>	<u>\$ (3,891,255)</u>	<u>\$ 66,531,908</u>	<u>\$ 1,550,154</u>

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

LINCOLN COUNTY, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 755,232	\$ 7,420,732	\$ -	\$ 8,175,964	\$ -
Water and sewer taps	-	82,266	-	82,266	-
Other operating revenues	-	21,849	-	21,849	7,058,908
Total operating revenues	<u>755,232</u>	<u>7,524,847</u>	<u>-</u>	<u>8,280,079</u>	<u>7,058,908</u>
Operating Expenses:					
Water treatment and distribution	-	3,688,901	-	3,688,901	-
Sewage collection	-	1,163,467	-	1,163,467	-
Pumping station	-	8,847	-	8,847	-
Landfill operations	3,300,385	-	-	3,300,385	-
Water and Sewer District	-	-	590	590	-
Landfill closure and post-closure costs	(2,379,689)	-	-	(2,379,689)	-
Other services	-	-	-	-	6,640,332
Depreciation	1,205,462	2,430,371	-	3,635,833	-
Total operating expenses	<u>2,126,158</u>	<u>7,291,586</u>	<u>590</u>	<u>9,418,334</u>	<u>6,640,332</u>
Operating income (loss)	<u>(1,370,926)</u>	<u>233,261</u>	<u>(590)</u>	<u>(1,138,255)</u>	<u>418,576</u>
Non-Operating Revenues (Expenses):					
Ad valorem taxes	-	-	495,073	495,073	-
Availability fee	2,785,844	-	-	2,785,844	-
Investment earnings	8,878	36,694	893	46,465	4,216
Tire disposal tax	73,879	-	-	73,879	-
Franchise fees	43,750	-	-	43,750	-
Sales and use tax refund	44,881	53,897	-	98,778	-
Solid waste disposal tax	55,824	-	-	55,824	-
NC electronics management fund distribution	6,097	-	-	6,097	-
Interest and fees	(6,260)	(761,620)	(161,844)	(929,724)	-
Total non-operating revenues (expenses)	<u>3,012,893</u>	<u>(671,029)</u>	<u>334,122</u>	<u>2,675,986</u>	<u>4,216</u>
Income (loss) before transfers and contributions	1,641,967	(437,768)	333,532	1,537,731	422,792
Capital contribution	-	78,841	-	78,841	-
Change in net assets	1,641,967	(358,927)	333,532	1,616,572	422,792
Net Assets:					
Beginning of year - July 1	<u>1,817,217</u>	<u>67,322,906</u>	<u>(4,224,787)</u>	<u>64,915,336</u>	<u>1,127,362</u>
End of year - June 30	<u>\$ 3,459,184</u>	<u>\$ 66,963,979</u>	<u>\$ (3,891,255)</u>	<u>\$ 66,531,908</u>	<u>\$ 1,550,154</u>

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, 2012**

	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	\$ 722,771	\$ 7,542,967	\$ -	\$ 8,265,738	\$ -
Cash received from interfund services	-	-	-	-	7,058,908
Cash received from other operating revenues	3,010,275	76,119	494,953	3,581,347	-
Cash paid for goods and services	(1,822,175)	(2,732,819)	(4,106)	(4,559,100)	(6,577,327)
Cash paid on behalf of employees	(1,699,927)	(2,129,709)	-	(3,829,636)	-
Net cash provided (used) by operating activities	<u>210,944</u>	<u>2,756,558</u>	<u>490,847</u>	<u>3,458,349</u>	<u>481,581</u>
Non-Capital Financing Activities:					
Loans (to) from other funds	6,977	(8,654)	-	(1,677)	(13,451)
Net cash provided (used) by non-capital financing activities	<u>6,977</u>	<u>(8,654)</u>	<u>-</u>	<u>(1,677)</u>	<u>(13,451)</u>
Capital and Related Financing Activities:					
Acquisition and construction of capital assets	-	(931,701)	-	(931,701)	-
Debt issued	-	2,706,000	-	2,706,000	-
Debt principal paid	(88,432)	(1,167,886)	(805,000)	(2,061,318)	-
Capital contributions	-	78,841	-	78,841	-
Interest and fees paid	(6,260)	(761,620)	(161,844)	(929,724)	-
Net cash provided (used) by capital and related financing activities	<u>(94,692)</u>	<u>(76,366)</u>	<u>(966,844)</u>	<u>(1,137,902)</u>	<u>-</u>
Investing Activities:					
Interest on investments	8,878	36,694	893	46,465	4,216
Net cash provided (used) by investing activities	<u>8,878</u>	<u>36,694</u>	<u>893</u>	<u>46,465</u>	<u>4,216</u>
Net increase (decrease) in cash and cash equivalents/investments	132,107	2,708,232	(475,104)	2,365,235	472,346
Cash and Cash Equivalents/Investments:					
Beginning of year - July 1	5,488,369	7,839,354	516,300	13,844,023	2,365,956
End of year - June 30	<u>\$ 5,620,476</u>	<u>\$ 10,547,586</u>	<u>\$ 41,196</u>	<u>\$ 16,209,258</u>	<u>\$ 2,838,302</u>

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, 2012**

	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)	\$ (1,370,926)	\$ 233,261	\$ (590)	\$ (1,138,255)	\$ 418,576
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	1,205,462	2,430,371	-	3,635,833	-
Non-operating items	3,010,275	54,270	495,073	3,559,618	-
Change in Assets and Liabilities:					
(Increase) decrease in receivables	(27,405)	9,814	(120)	(17,711)	-
(Increase) decrease in due from other governments	(5,056)	30,155	-	25,099	-
(Increase) decrease prepaids	-	(4,460)	-	(4,460)	-
(Increase) decrease in other assets	-	-	-	-	(30,062)
Increase (decrease) in accounts payable	(356,927)	(147,200)	(3,516)	(507,643)	630,684
Increase (decrease) in deferred revenue	-	-	-	-	(537,617)
Increase (decrease) in customer deposits	-	1,110	-	1,110	-
Increase (decrease) in landfill closure/post-closure care cost	(2,379,689)	-	-	(2,379,689)	-
Increase (decrease) in other post-employment benefits	139,169	157,680	-	296,849	-
Increase (decrease) in compensated absences payable	(3,959)	(8,443)	-	(12,402)	-
Total adjustments	<u>1,581,870</u>	<u>2,523,297</u>	<u>491,437</u>	<u>4,596,604</u>	<u>63,005</u>
Net cash provided (used) by operating activities	<u>\$ 210,944</u>	<u>\$ 2,756,558</u>	<u>\$ 490,847</u>	<u>\$ 3,458,349</u>	<u>\$ 481,581</u>

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

LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Agency Funds
Assets:	
Cash and cash equivalents	\$ 425,021
Total assets	<u>\$ 425,021</u>
Liabilities:	
Intergovernmental payable	\$ 425,021
Total liabilities	<u>\$ 425,021</u>

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

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

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 units are reported in separate columns in the county's government-wide financial statements in order to emphasize that they are legally separate from the County. The blended component units, although they are legally separate entities, are in substance, part of the County's operations.

Component Unit

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 Unit

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., PO Box 680668, Charlotte, North Carolina 28216.

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 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.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

B. Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Assets 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).

School Capital Projects Fund. The School Capital Projects Fund is used to account for the construction and renovation of public schools in Lincoln County.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

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, and the Emergency Telephone Systems Fund.

Capital Projects Funds. Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The County has the following nonmajor Capital Project Fund – Capital Reserve Fund. This 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 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: Health Insurance Fund, and 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 six 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 HB 1779 Interest Fund, which accounts for collection of interest on delinquent motor vehicle taxes that is required to be remitted to the State; 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, 2012

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*. 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. Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual on the government-wide financial statements and so have been recognized as revenues of the current fiscal period.

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 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 are reported using the current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. Basis of accounting determines when revenues and expenditures, or expenses, and the related assets and liabilities are recognized in the accounts and reported in the financial statements, as well as relates to the timing of the measurements made, regardless of the measurement focus applied. The governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available") to pay liabilities of the current period. Expenditures are recognized in the accounting period in which a fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt which are recognized when due, and certain compensated absences and

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. 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 generally 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 are materially past due and are not considered to be an available resource to finance the operations of the current year. On January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Lincoln County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Grant revenues which are unearned at year-end, are recorded as unearned revenues. Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

D. Assets, Liabilities, and Net Assets or 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.

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), a Securities Exchange Commission (SEC) registered mutual fund.

The County's investments with a maturity of more than one year at time of issuance are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

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.

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, 2011. 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.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

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 are recorded at estimated fair market value, at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend the assets' lives, are not capitalized.

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.

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

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 Assets. Bond premium and discounts, as well as issuance costs, are recognized during the current period. The face amount of debt issues is reported as an other financing source. 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 net proceeds received, are reported as debt service expenditures.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

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.

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'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 assets/fund balances. Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, 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 prepays was \$588,275 at June 30, 2012.

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.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

Restricted for future capital projects – portion of fund balance restricted by revenue source to be used for future capital projects.

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

Restricted fund balance at June 30, 2012 is as follows:

Purpose	General	Capital	School	Other	Total
	General	Projects	Capital	Governmental	
	Fund	Fund	Fund	Funds	
Restricted, All Other:					
Register of Deeds	\$ 48,767	\$ -	\$ -	\$ -	\$ 48,767
Future capital projects	-	821,143	-	-	821,143
Public safety	-	-	-	338,169	338,169
Education	-	-	8,183,748	-	8,183,748
Total	\$ 48,767	\$ 821,143	\$ 8,183,748	\$ 338,169	\$ 9,391,827

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Lincoln County's governing body (highest level of decision making authority, Board of Commissioners). Any changes or removal of specific purpose restrictions requires majority action by the governing body.

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

Committed fund balance at June 30, 2012 is as follows:

Purpose	General	Other	Total
	Capital	Governmental	
	Projects Fund	Funds	
Future capital projects	\$ 1,232,123	\$ 2,436,170	\$ 3,668,293
Total	\$ 1,232,123	\$ 2,436,170	\$ 3,668,293

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, 2012

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, 2012 is as follows:

<u>Purpose</u>	<u>General Fund</u>
Subsequent year's expenditures	\$ 2,050,429
Total	<u>\$ 2,050,429</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.

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.

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	\$ 19,225,055
Less:	
Prepays	(588,275)
Stabilization by State statute	(4,642,158)
Fund balance available for appropriation	<u>\$ 13,994,622</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

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

	General Capital Projects Fund	Other Governmental Funds
Encumbrances	<u><u>\$ 3,509</u></u>	<u><u>\$ 188,779</u></u>

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. Also, certain amounts in the prior year’s data have been reclassified to be consistent with the current year’s presentation.

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.

Note 2. Stewardship, Compliance, and Accountability

A. 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 Fund, and Enterprise Fund. 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, which is consistent with the accounting system used to record transactions.

Expenditures may not legally exceed appropriations at the departmental level for the General Fund, Special Revenue Fund, and Enterprise Fund, 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.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

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.

Also, as required by State law, the County's Health Insurance Fund and Workers' Compensation Insurance Fund, intragovernmental 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.

B. Encumbrances

As required by North Carolina G.S. 159-26(d), the County maintains encumbrance accounts, which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

C. Deficit Fund Balance

At year end, the County reported deficit net assets in the following funds:

East Lincoln County Water and Sewer Fund	<u>\$3,891,255</u>
Workers' Compensation Internal Service Fund	<u>\$ 360,908</u>

Corrective Action Plan. The deficit in the East Lincoln County Water and Sewer Fund will be eliminated with future revenues, transfers, and payment of long-term debt. The fund is generating revenues which will be used to service debt. Operations were consolidated with the County Water and Sewer Fund effective July 1, 2007.

The deficit in the Internal Service Fund will be eliminated with adjustments to future charges.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

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, 2012, the carrying amount of the County's deposits with banks was \$22,877,313. Balances with banks equaled \$20,030,555. Of the bank balances, \$595,580 was covered by federal depository insurance, and \$19,434,975 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 \$2,567.

B. Investments

At June 30, 2012, the County's investments consisted of the following:

Investment Type	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years
NC Capital Management Trust - Cash Portfolio	\$ 25,727,618	N/A	N/A	N/A
NC Capital Management Trust - Term Portfolio	795,932	\$ 795,932	\$ -	\$ -
US Government Agencies	679,551	679,551	-	-
Total investments	<u>\$ 27,203,101</u>	<u>\$ 1,475,483</u>	<u>\$ -</u>	<u>\$ -</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

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 AAA by Standard and Poor's as of June 30, 2012. 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.

Concentration of credit risk. The County places no limit on the amount that the County may invest in any one issuer.

Note 4. Receivables

A. Detail

Receivables at the government-wide level at June 30, 2012 were as follows:

	Due from Other			
	Accounts	Taxes	Governments	Total
Governmental Activities:				
General	\$ 3,020,732	\$ 2,215,480	\$ 2,968,864	\$ 8,205,076
Other governmental	-	243,107	-	243,107
Total receivables	3,020,732	2,458,587	2,968,864	8,448,183
Allowance for doubtful accounts	(1,013,114)	(1,026,733)	-	(2,039,847)
 Total governmental activities	 \$ 2,007,618	 \$ 1,431,854	 \$ 2,968,864	 \$ 6,408,336
 Business-Type Activities:				
Solid Waste	\$ 123,175	\$ 165,604	\$ 44,881	\$ 333,660
Water and Sewer	163,550	35,034	53,897	252,481
Total receivables	286,725	200,638	98,778	586,141
Allowance for doubtful accounts	(84,953)	(80,681)	-	(165,634)
 Total business-type activities	 \$ 201,772	 \$ 119,957	 \$ 98,778	 \$ 420,507

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

Due from other governments consisted of the following:

Local option sales tax	\$ 2,018,701
Refundable sales tax	272,424
DSS receivable	776,251
Other governmental agencies	266
Total	<u>\$ 3,067,642</u>

B. Deferred Revenues/Unearned Revenues

As discussed in the summary of significant accounting policies (Note 1), ad valorem taxes receivable are not accrued as revenue because they are not considered both "measurable and available". NCGA Statement 1 states that property taxes that are measurable, but not available, should be initially recorded as deferred revenue.

Governments also defer revenue recognition in connection with resources that have been received, but not yet earned. Property taxes collected in advance of the fiscal year to which they apply are recorded as unearned revenue. Unearned revenues also include payments received in advance of utility billings.

The balances in deferred and unearned revenues at year-end are composed of the following elements:

	General Fund	Other Governmental Funds
Deferred Revenues:		
Taxes receivable	\$ 1,189,355	\$ 242,499
Other (General Fund)	<u>598,777</u>	<u>-</u>
Total deferred revenues	<u>\$ 1,788,132</u>	<u>\$ 242,499</u>
Unearned Revenues:		
Prepaid taxes not yet earned	\$ 204,004	\$ -
Total unearned revenues	<u>\$ 204,004</u>	<u>\$ -</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

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.

Year Levied	Tax	Interest	Total
2009	\$ 1,705,021	\$ 251,491	\$ 1,956,512
2010	1,738,794	99,981	1,838,775
2011	1,915,295	110,129	2,025,424
2012	1,985,856	-	1,985,856
Total	\$ 7,344,966	\$ 461,601	\$ 7,806,567

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

Note 5. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2012</u>
Governmental Activities				
Non-Depreciable Assets:				
Land	\$ 5,517,235	\$ 128,653	\$ -	\$ 5,645,888
Construction in progress	3,011,343	2,949,055	(1,201,697)	4,758,701
Depreciable Assets:				
Buildings	43,640,986	-	(35,700)	43,605,286
Other improvements	6,658,596	279,254	-	6,937,850
Equipment	8,101,327	1,278,085	(961,660)	8,417,752
Vehicles and other equipment	8,090,381	1,046,375	(780,975)	8,355,781
Total	<u>75,019,868</u>	<u>5,681,422</u>	<u>(2,980,032)</u>	<u>77,721,258</u>
Less Accumulated Depreciation:				
Buildings	(8,497,324)	(1,060,079)	13,883	(9,543,520)
Other improvements	(1,380,954)	(330,159)	-	(1,711,113)
Equipment	(5,361,563)	(637,056)	840,460	(5,158,159)
Vehicles and other equipment	(5,325,850)	(990,983)	738,304	(5,578,529)
Total accumulated depreciation	<u>(20,565,691)</u>	<u>\$ (3,018,277)</u>	<u>\$ 1,592,647</u>	<u>(21,991,321)</u>
Capital assets, net	<u><u>\$ 54,454,177</u></u>			<u><u>\$ 55,729,937</u></u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2012

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2012</u>
Proprietary Capital Assets:				
Solid Waste Fund:				
Non-Depreciable Assets:				
Land	\$ 400,367	\$ -	\$ -	\$ 400,367
Depreciable Assets:				
Buildings and structures	590,143	-	-	590,143
Improvements	12,019,023	-	-	12,019,023
Machinery, equipment, and vehicles	<u>6,417,039</u>	<u>-</u>	<u>-</u>	<u>6,417,039</u>
Total	<u>19,426,572</u>	<u>-</u>	<u>-</u>	<u>19,426,572</u>
Less Accumulated Depreciation:				
Buildings and structures	(196,037)	(11,933)	-	(207,970)
Improvements	(9,295,890)	(861,083)	-	(10,156,973)
Machinery, equipment, and vehicles	<u>(4,126,138)</u>	<u>(332,446)</u>	<u>-</u>	<u>(4,458,584)</u>
Total accumulated depreciation	<u>(13,618,065)</u>	<u>\$ (1,205,462)</u>	<u>\$ -</u>	<u>(14,823,527)</u>
Capital assets, net	<u>\$ 5,808,507</u>			<u>\$ 4,603,045</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2012</u>
Proprietary Capital Assets:				
Water and Sewer Fund:				
Non-Depreciable Assets:				
Land	\$ 773,200	\$ -	\$ -	\$ 773,200
Construction in progress	22,492,609	727,867	(22,416,715)	803,761
Depreciable Assets:				
Buildings and structures	26,860,191	20,747,723	-	47,607,914
Improvements	239,030	174,208	-	413,238
Water lines	36,042,485	1,152,517	-	37,195,002
Sewer lines	15,101,599	449,499	-	15,551,098
Machinery, equipment, and vehicles	<u>4,120,476</u>	<u>96,602</u>	<u>(24,562)</u>	<u>4,192,516</u>
Total	<u>105,629,590</u>	<u>23,348,416</u>	<u>(22,441,277)</u>	<u>106,536,729</u>
Less Accumulated Depreciation:				
Buildings and structures	(7,901,785)	(952,814)	-	(8,854,599)
Improvements	(153,164)	(16,310)	-	(169,474)
Water lines	(10,954,338)	(897,273)	-	(11,851,611)
Sewer lines	(2,760,570)	(425,459)	-	(3,186,029)
Machinery, equipment, and vehicles	<u>(3,297,699)</u>	<u>(138,515)</u>	<u>24,189</u>	<u>(3,412,025)</u>
Total accumulated depreciation	<u>(25,067,556)</u>	<u>\$ (2,430,371)</u>	<u>\$ 24,189</u>	<u>(27,473,738)</u>
Capital assets, net	<u><u>\$ 80,562,034</u></u>			<u><u>\$ 79,062,991</u></u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 1,003,740
Public safety	1,375,160
Economic and physical development	21,615
Transportation	117,879
Human services	218,041
Cultural and recreational	281,842
Total	<u>\$ 3,018,277</u>

Business-Type Activities:

Solid Waste	\$ 1,205,462
Water and Sewer	<u>2,430,371</u>
Total	<u><u>\$ 3,635,833</u></u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

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 were 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.

Construction Commitments

The County has active construction projects as of June 30, 2012. At year-end the outstanding commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Citizens Center/BOA Renovations	\$ 792,938	\$ -
Hospital Building	64,105	-
EM Beaties Ford Dock	30,715	11,870
Airlie Business Park	840,457	3,362,236
Airport Sewer	170,443	1,676,234
Airport Authority	23,623	247,482
Communications Phase II	213,886	545,464
Total	<u>\$ 2,136,167</u>	<u>\$ 5,843,286</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

Note 6. Liabilities

A. Payables

Payables at the government-wide level at June 30, 2012 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Total
Governmental Activities:				
General	\$ 1,296,662	\$ 1,052,338	\$ -	\$ 2,349,000
Other governmental	216,034	-	-	216,034
Internal Service Fund	1,453,613	-	-	1,453,613
Total governmental activities	<u>\$ 2,966,309</u>	<u>\$ 1,052,338</u>	<u>\$ -</u>	<u>\$ 4,018,647</u>
Business-Type Activities:				
Solid Waste	\$ 97,764	\$ 52,423	\$ -	\$ 150,187
Water and Sewer	168,500	64,472	112,996	345,968
East Lincoln Water and Sewer	-	-	15,093	15,093
Total business-type activities	<u>\$ 266,264</u>	<u>\$ 116,895</u>	<u>\$ 128,089</u>	<u>\$ 511,248</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

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, 2012 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% to 3%; interest payments due June 1 and December 1	\$ 12,255,000
\$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% to 4% due June 1 and December 1	17,695,000
\$17,000,000 2004 School Building bonds, due in annual installments of \$725,000 to \$2,100,000 through June 1, 2023; interest rates from 3.00% to 4.25%; interest payments due June 1 and December 1	1,450,000
\$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	6,010,000
\$28,000,000 2005 School Building bonds, due in annual installments of \$1,200,000 to \$3,250,000 through June 1, 2024; interest rates from 3.25% to 4.25%; interest payments due June 1 and December 1	3,600,000

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

General Obligation Indebtedness (continued)

Governmental Activities (continued):

Governmental Funds (continued):

\$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)	3,600,000
\$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)	1,200,000
\$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 2.0% to 3.85%; interest payments due June 1 and December 1	15,665,000
\$8,500,000 2010B School bonds, due in annual installments of \$300,000 to \$1,200,000 through June 1, 2029; interest rates from 2.0% to 4.0%; interest payments due June 1 and December 1	7,900,000
\$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 2.0% to 5.0%; interest payments due June 1 and December 1	17,350,000
\$9,600,000 2011B School bonds, due in annual installments of \$325,000 to \$900,000 through June 1, 2029; interest rates from 3.0% to 4.75%; interest payments due June 1 and December 1	9,275,000
Total serviced by governmental activities	<u>96,000,000</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

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	625,000
\$5,520,000 2004 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>2,050,000</u>
Total serviced by business-type activities	<u>2,675,000</u>
Total general obligation bonds	<u>\$ 98,675,000</u>

Bond Refunding. On January 30, 2012, the County issued Series 2012 General Obligation Refunding Bonds. As a result, the refunded bonds are considered to be defeased and the corresponding liability has been removed from the governmental activities column of the Statement of Net Assets. The par amount of the bonds equaled \$12,360,000, plus a net premium of \$965,215, for total bond proceeds of \$13,325,215. The par amount exceeded the net carrying amount of the old debt by \$285,000. The true interest cost of the refunding bonds is approximately 1.74%. The net present value of the savings realized by the County is approximately \$990,238. Installments are due annually through 2023, with interest payments due June 1 and December 1. The Series 2012 Refunding Bonds partially refunded the following debt:

\$1,600,000 School Building Bonds, Series 2002A

\$10,475,000 School Building Bonds, Series 2004

On February 28, 2012, the County issued Series 2012A General Obligation Refunding Bonds. As a result, the refunded bonds are considered to be defeased and the corresponding liability has been removed from the governmental activities column of the Statement of Net Assets. The par amount of the bonds equaled \$17,895,000, plus a net premium of \$1,903,293, for total bond proceeds of \$19,798,293. The par amount exceeded the net carrying amount of the old debt by \$695,000. The true interest cost of the refunding bonds is approximately 1.88%. The net present value of the savings realized by the County is approximately \$1,507,141. Installments are due annually through 2024, with interest payments due June 1 and December 1. The Series 2013 Refunding Bonds partially refunded the following debt:

\$28,000,000 School Building Bonds, Series 2005

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

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, 2012 are comprised of the following individual agreements:

Governmental Activities:

General Fund:

\$12,199,719 2003 Certificates of Participation (COPS), issued to refund installment purchase contracts for jail, social services, and library buildings, as well as \$2,700,000 additional funds for school construction; due in annual installments from \$164,552 to \$1,215,858 through May 15, 2018; interest rates from 2.00% to 4.50%; interest payments due November 15 and May 15	\$ 1,851,213
\$2,000,000 2005 Qualified Zone Academy installment purchase contract for school building improvements due September 15, 2021. The contract requires fifteen 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
\$19,645,000 2006 Certificates of Participation (COPS) issued to construct a new middle school; due in annual installments from \$980,000 to \$985,000 through June 1, 2027; interest rates from 4.00% to 5.00%; interest payments due December 1 and June 1	14,720,000
\$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	1,320,000
\$1,387,000 contract for law enforcement vehicles, EMS vehicles and radio equipment, due in semi-annual installments from \$225,370 to \$237,042 through June 2013	471,702
\$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%	<u>1,100,000</u>
Total governmental activities	<u>21,462,915</u>

LINCOLN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2012**

Business-Type Activities (continued):

Water and Sewer Fund:

\$1,145,281 2003 Certificates of Participation (COPS) issued to refund installment purchase contract for water plant sludge de-watering project; due in annual installments from \$15,448 to \$128,732 through May 15, 2018; interest rates from 2.00% to 4.50%; interest payments due November 15 and May 15	173,787
\$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	227,905
\$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	306,135
\$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	1,620,047
\$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	16,625,000
\$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%	2,706,000
Solid Waste Fund:	
\$430,000 contract for landfill equipment, due in monthly installments of \$7,891 through January 27, 2014; interest payments at 3.225%	<u>145,974</u>
Total business-type activities	<u>21,804,848</u>
Total installment purchase contracts	<u>\$ 43,267,763</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

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, 2012 is \$1,250,000.

State Clean Water Direct Bond Loan debt service requirements to maturity are as follows:

Year Ending				
June 30	Principal	Interest		Total
2013	\$ 250,000	\$ 42,875		\$ 292,875
2014	250,000	34,300		284,300
2015	250,000	25,725		275,725
2016	250,000	17,150		267,150
2017	250,000	8,575		258,575
Total	<u>\$ 1,250,000</u>	<u>\$ 128,625</u>		<u>\$ 1,378,625</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

Changes in Long-Term Debt. The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2012</u>	<u>Current Portion</u>
Governmental Activities:					
General obligation bonds	\$ 102,135,000	\$ 30,255,000	\$ 36,390,000	\$ 96,000,000	\$ 6,980,000
Premium on long-term debt	-	2,868,507	-	2,868,507	-
Installment purchases	22,364,464	1,100,000	2,001,549	21,462,915	2,057,158
Unfunded pension obligation	526,691	149,551	77,409	598,833	-
Other post-employment benefits	6,546,137	2,597,009	931,427	8,211,719	-
Compensated absences	<u>1,483,429</u>	<u>1,119,524</u>	<u>1,151,778</u>	<u>1,451,175</u>	<u>145,000</u>
Total	<u><u>\$ 133,055,721</u></u>	<u><u>\$ 38,089,591</u></u>	<u><u>\$ 40,552,163</u></u>	<u><u>\$ 130,593,149</u></u>	<u><u>\$ 9,182,158</u></u>
Business-Type Activities:					
General obligation bonds	\$ 3,295,000	\$ -	\$ 620,000	\$ 2,675,000	\$ 540,000
State Bond loan	1,500,000	-	250,000	1,250,000	250,000
Installment purchases	20,290,166	2,706,000	1,191,318	21,804,848	1,433,898
Compensated absences	161,302	39,094	51,496	148,900	14,800
Other post-employment benefits	911,203	342,161	45,312	1,208,052	-
Accrued landfill closure/ post-closure care costs	<u>8,435,639</u>	<u>-</u>	<u>2,379,689</u>	<u>6,055,950</u>	<u>-</u>
Total	<u><u>\$ 34,593,310</u></u>	<u><u>\$ 3,087,255</u></u>	<u><u>\$ 4,537,815</u></u>	<u><u>\$ 33,142,750</u></u>	<u><u>\$ 2,238,698</u></u>

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 a LIFO basis, assuming that employees are taking leave time as it is earned.

At June 30, 2012, Lincoln County had a legal debt margin of approximately \$540,000,000.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

Future Maturities for Long-Term Indebtedness. The following table summarizes the annual requirements to amortize all long-term debt outstanding (excluding compensated absences and law enforcement officers' unfunded retirement contribution):

	General				Installment				Total			
	Obligation Bonds		Notes Payable		Purchase Agreements							
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities:												
2013	\$ 6,980,000	\$ 3,421,517	\$ -	\$ -	\$ 2,057,158	\$ 823,134	\$ 9,037,158	\$ 4,244,651				
2014	6,970,000	3,179,342	-	-	1,578,913	747,706	8,548,913	3,927,048				
2015	6,965,000	2,924,867	-	-	1,581,582	684,256	8,546,582	3,609,123				
2016	6,925,000	2,678,917	-	-	1,451,765	619,911	8,376,765	3,298,828				
2017	6,925,000	2,456,167	-	-	1,335,305	555,870	8,260,305	3,012,037				
2018-2022	33,950,000	8,583,610	-	-	8,063,192	1,925,189	42,013,192	10,508,799				
2023-2027	24,110,000	3,121,517	-	-	5,312,500	678,000	29,422,500	3,799,517				
2028-2032	3,175,000	185,751	-	-	82,500	825	3,257,500	186,576				
Total	<u>\$ 96,000,000</u>	<u>\$ 26,551,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,462,915</u>	<u>\$ 6,034,891</u>	<u>\$ 117,462,915</u>	<u>\$ 32,586,579</u>				
Business-Type Activities:												
2013	\$ 540,000	\$ 95,358	\$ 250,000	\$ 42,875	\$ 1,433,898	\$ 549,908	\$ 2,223,898	\$ 688,141				
2014	530,000	76,683	250,000	34,300	1,402,755	512,566	2,182,755	623,549				
2015	520,000	58,332	250,000	25,725	1,354,672	477,235	2,124,672	561,292				
2016	510,000	41,420	250,000	17,150	1,348,967	442,239	2,108,967	500,809				
2017	400,000	23,938	250,000	8,575	1,345,158	407,561	1,995,158	440,074				
2018-2022	175,000	9,500	-	-	6,774,390	1,520,926	6,949,390	1,530,426				
2023-2027	-	-	-	-	4,645,008	770,273	4,645,008	770,273				
2028-2032	-	-	-	-	3,500,000	217,000	3,500,000	217,000				
Total	<u>\$ 2,675,000</u>	<u>\$ 305,231</u>	<u>\$ 1,250,000</u>	<u>\$ 128,625</u>	<u>\$ 21,804,848</u>	<u>\$ 4,897,708</u>	<u>\$ 25,729,848</u>	<u>\$ 5,331,564</u>				

Note 7. Pension plan obligations

A. Local Government Employees' Retirement System

Description. Lincoln County contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. North Carolina G.S. 128-3 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

Funding. Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement is 6.98 percent, and for law enforcement officers is 7.05 percent of annual covered payroll. The contribution requirements of members and of Lincoln County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$1,401,624, \$1,314,635, and \$1,200,354, respectively. The contributions made by both the County and employees equaled the required contributions for each year.

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 percent 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 City. At December 31, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	106
Total	<u>111</u>

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

Contribution Requirements and Contributions Made. The County is required by North Carolina G.S. 143-12 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. There were no contributions made by employees. The current year obligations of \$77,409 were paid by the General Fund for the Separation Allowance.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

The annual required contribution for the fiscal year ended June 30, 2012 was determined as part of the December 31, 2010, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00 percent investment rate of return and (b) projected salary increases ranging from 4.25 percent to 7.85 percent per year. The inflation component was 3.00 percent. The assumptions did not include post-retirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2010 was 20 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	\$ 154,636
Interest on net pension obligation	26,335
Adjustment to annual required contribution	<u>(31,420)</u>
Annual pension cost	149,551
Employer contributions made for fiscal year ending June 30, 2012	<u>77,409</u>
Increase (decrease) in net pension obligation	72,142
Net pension obligation:	
Beginning of year - July 1	<u>526,691</u>
End of year - June 30	<u>\$ 598,833</u>

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, 2010, 2011, and 2012 is as follows:

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 117,022	58.53%	\$ 451,610
6/30/2011	145,446	48.38%	526,691
6/30/2012	149,551	51.76%	598,833

Historical trend information is being developed in the required supplemental financial data sub-section, following the notes to the financial statements.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

Funded Status and Funding Progress. As of December 31, 2011, 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 \$1,248,101. The covered payroll (annual payroll of active employees covered by the plan) was \$4,003,013, and the ratio of the UAAL to the covered payroll was 31.18%.

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 five percent 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, 2012 were \$243,693, which consisted of \$201,057 from the County and \$42,636 from the law enforcement officers.

D. Registers of Deeds' Supplemental Pension Fund

Lincoln County contributes to the Registers of Deeds' Supplemental Pension Fund ("Fund"), a non-contributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The 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 Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2012, the County's required and actual contributions were \$6,820.

Note 8. Death benefit plan

The County provides 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 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 month's salary in a row during the 24 months prior to the employee's death. Effective July 1, 2004, the death benefit payments to beneficiaries must be between \$25,000 and \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2012, the County made contributions to the State for death benefits of \$1,799. The County's required contribution for employees not engaged in law enforcement and for law enforcement officers represented 0.10 percent and 0.14 percent of covered payroll, respectively. The contribution to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

Note 9. Other Post-employment benefits (OPEB)

Description. The County administers a single-employer defined benefit healthcare plan ("the health plan"), which provides post-retirement healthcare 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 (LGERS) and have at least 25 years of creditable service with the County. 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. The individual cost is currently \$53.92 per month.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

Currently, 89 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2012, the County made payments for post-retirement health benefit premiums of \$976,739, which consisted of \$957,926 of employer contributions and \$18,813 of retiree contributions. 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, 2010, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	74	15
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	519	104
Total	593	119

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 2012, the County chose to fund the plan benefits on a pay-as-you-go basis.

The current annual required contribution (ARC) rate is 12.28% of annual covered payroll. For the current year, the County contributed \$976,739, or 4.1% of annual covered payroll. The County self-funds health and dental coverage for all retirees and employees.

Summary of Significant Accounting Policies. The County has chosen to fund OPEB on a pay-as-you-go basis. 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.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

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	\$ 2,562,032	\$ 336,194	\$ 2,898,226
Interest on net OPEB obligation	262,474	35,820	298,294
Adjustments to annual required contribution	<u>(227,497)</u>	<u>(29,853)</u>	<u>(257,350)</u>
Annual OPEB cost (expense)	2,597,009	342,161	2,939,170
Contributions made	<u>(931,427)</u>	<u>(45,312)</u>	<u>(976,739)</u>
Increase (decrease) in net OPEB obligation	1,665,582	296,849	1,962,431
Net OPEB obligation:			
Beginning of year - July 1	6,546,137	911,203	7,457,340
End of year - June 30	<u>\$ 8,211,719</u>	<u>\$ 1,208,052</u>	<u>\$ 9,419,771</u>

The County's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 were as follows:

Year Ended June 30	OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
2010	\$ 2,842,132	12.5%	\$ 5,006,919
2011	2,925,716	16.2%	7,457,340
2012	2,939,170	33.2%	9,419,771

Funding Status and Funding Progress. As of December 31, 2010, 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 \$29,653,869. The covered payroll (annual payroll of active employees covered by the plan) was \$23,605,719, and the ratio of the UAAL to the covered payroll was 125.6 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan, and the annual required contributions of the employer are subject to

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

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, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, an annual pre-Medicare medical trend increase of 10.50 to 5.00 percent, and an annual post-Medicare medical trend increase of 8.50 to 5.00 percent. 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 percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010 was 30 years.

As of June 30, 2012, management had decided to continue funding the liability on a pay-as-you-go basis going into the next fiscal year.

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 thirty 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 \$6,055,950 reported as landfill closure and post-closure care liability at June 30, 2012 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 \$5,092,888 to date based on the use of 79.0 percent of Phase I through III's estimated capacity. The C&D portion reported a cumulative amount of \$963,062 to date based on the use of 64.0 percent of estimated capacity. The County will recognize the remaining estimated cost of closure and post-closure care of \$1,895,528 as the remaining estimated capacity is filled. Of this amount, \$1,353,806 is related to the remaining capacity in the sanitary landfill, and \$541,722 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 2012. 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.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

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 tors; theft of, damage to, and/or destruction of assets; errors and omissions; injuries to employees; and natural disasters, including floods. 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 insurance coverage equal to replacement cost values of owned property subject to a pool limit of \$250 million for any one occurrence, general liability coverage of \$2 million per occurrence, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$500,000 up to a \$2 million limit for general liability coverage, \$250 million each occurrence subject to the pool retention of aggregate annual losses in excess of \$750,000 per occurrence for property coverage, and single occurrence losses of \$750,000 for workers' compensation up to \$2.5 million (excess carrier – County Re-Insurance). Safety National, reinsurer, takes the risk for any amount over \$2.5 million per occurrence, unlimited cap. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the past three years.

The County does not purchase flood insurance through NFIP.

The County has obtained blanket crime coverage of \$250,000 covering all County employees. In addition, the County provides fidelity bonding for the Finance Director in the amount of \$50,000. Furthermore, the Tax Collector, Sheriff, Register of Deeds, and County Manager are bonded in amounts exceeding those required by State statutes.

Liabilities of the Health Benefits Funds 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 \$698,069 for claims incurred but not reported in the Health Benefits Fund and \$621,648 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:

	2012	2011
Unpaid claims, beginning	\$ 819,987	\$ 712,375
Incurred claims	4,924,190	5,090,858
Claim payments	<u>(4,424,460)</u>	<u>(4,983,246)</u>
Unpaid claims, ending	<u><u>\$ 1,319,717</u></u>	<u><u>\$ 819,987</u></u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

Note 12. Interfund Activity

The transfers to/from other funds at June 30, 2012 consist of the following:

From	To	Amount
Capital Reserve Fund	General Fund	\$ 4,822,853
Nonmajor Special Revenue Fund	General Fund	12,389
General Fund	Nonmajor Capital Project Fund	2,982,959
General Fund	General Capital Projects Fund	1,507,351
Total		<u>\$ 9,325,552</u>

The due to/from other funds at June 30, 2012 consist of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 11,853
General Fund	Solid Waste Fund	33,896
General Fund	Emergency Telephone	14,700
Capital Projects Fund	Emergency Telephone	12,389
Law Enforcement	Capital Projects Fund	2,200
Capital Reserve Fund	General Fund	491,889
Health Benefits Fund	General Fund	67,688
Water and Sewer Fund	General Fund	30,324
Soild Waste Fund	General Fund	16,515
Federal Law Enforcement	General Fund	7,367
Workers' Compensation	General Fund	27
Total		<u>\$ 688,848</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.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

Note 13. Claims and Judgments

At June 30, 2012, the County was involved in several lawsuits involving damages and potential claims. The exact amount of any claim cannot at this time be determined. 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.

Note 16. Joint Venture

The County, in conjunction with Gaston and Cleveland Counties, participates in the Gaston/Lincoln/Cleveland Mental Health, Developmental Disabilities, and Substance Abuse Authority (dba Pathways). Pathways is governed by a 16-member Board of Directors (5 from Gaston County, 5 from Lincoln County, and 6 from Cleveland County). The Board of Commissioners of each County appoints one of its own members to the Authority’s Board. Each of those Board members, in turn, appoints the additional members of the Pathways’ Board and these appointees, in consultation with the other Commissioners, appoint the balance of the members from his/her respective County. Pathways 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 three-County area. Pathways receives the majority of its financial support through Federal and State sources, as well as direct payments by clients and insurers for services rendered.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

The County has an ongoing financial responsibility to supplement these funds, and for the year ended June 30, 2012, provided \$359,589 in support of Pathways' services. Additionally, the County remitted \$14,389 to Pathways from the alcohol rehabilitation tax. The County does not have an equity interest in Pathways; therefore, no equity interest has been reflected in the financial statements at June 30, 2012. Complete financial statements for Pathways may be obtained from Pathways' administrative offices at 901 South New Hope Road, Gastonia, North Carolina 28054.

Note 17. Jointly Governed Organization

The County, in conjunction with seven other counties and fifty 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 \$18,392 to the Council during the fiscal year ended June 30, 2012.

The County's Board of Commissioners appoints two of the Gaston College trustees. The County provided funding of \$135,406 for operations for the year ended June 30, 2012.

The County's Board of Commissioners appoints one of the Lake Norman Commission Board of Directors. The County provided funding of \$22,990 for the year ended June 30, 2012.

The County's Board of Commissioners appoints one of the Mountain Island Lake Commission Board of Directors. The County provided funding of \$1,900 for the year ended June 30, 2012.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2012

Note 18. Benefit Payments Issued By the State

The amounts listed 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.

	Federal	State
Medical Assistance	\$ 51,548,486	\$ 30,145,543
Temporary Assistance to Needy Families	303,442	-
Child Care TANF	275,865	-
State/County Domiciliary Care	-	536,712
Special Supplemental Food Program for Women, Infants, and Children	1,162,535	19,172
IV-E Foster Care	73,431	-
IV-E Adoption Subsidy	300,112	81,225
CWS Adoption Subsidy	-	299,985
State Foster Home	-	118,025
 Totals	 <u>\$ 53,663,871</u>	 <u>\$ 31,200,662</u>

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LINCOLN COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial		Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
	Actuarial Value of Assets (A)	Accrued Liability (AAL) - Projected Unit Credit (B)				
12/31/2006	\$ -	\$ 715,478	\$ 715,478	0.00%	\$ 3,085,211	23.19%
12/31/2007	-	757,181	757,181	0.00%	3,484,225	21.73%
12/31/2008	-	869,632	869,632	0.00%	4,058,323	21.43%
12/31/2009	-	1,118,030	1,118,030	0.00%	4,130,756	27.07%
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%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)		Percentage of ARC Contributed	Net Pension Obligation End of Year
	Year Ended June 30	Annual Required Contribution (ARC)		
2007	\$ 79,636	79,636	91.25%	\$ 376,927
2008		90,610	90.64%	385,404
2009		95,604	85.26%	403,082
2010		113,191	60.51%	451,610
2011		147,043	47.85%	526,691
2012		154,636	50.06%	598,833

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	12/31/10
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% - 7.85%
*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, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	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%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contributed
2009	\$ 2,842,132	11.34%
2010	2,842,132	12.49%
2011	2,898,226	16.40%
2012	2,898,226	33.70%

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	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	10.50% - 5.00%
Post-Medicare trend rate	8.50% - 5.00%
Year of Ultimate trend rate	2018
*Includes inflation at	
3.00%	

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012		2011	
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes	\$ 48,543,869	\$ 49,019,309	\$ 475,440	\$ 49,071,049
Total	<u>48,543,869</u>	<u>49,019,309</u>	<u>475,440</u>	<u>49,071,049</u>
Local Option Sales Taxes:				
Article 39 one percent	4,990,598	4,942,649	(47,949)	4,460,445
Article 40 one-half of one percent	3,554,000	3,788,776	234,776	3,382,318
Article 42 one-half of one percent	2,701,350	2,723,887	22,537	2,483,274
Article 44 one-half of one percent	-	(32,847)	(32,847)	(23,104)
Medicaid hold harmless	310,588	363,256	52,668	66,734
Total	<u>11,556,536</u>	<u>11,785,721</u>	<u>229,185</u>	<u>10,369,667</u>
Other Taxes and Licenses:				
Real estate transfer tax	500,000	534,686	34,686	387,864
Local occupancy tax and car rental tax	77,000	86,481	9,481	66,391
Utility franchise tax	240,000	238,690	(1,310)	231,349
Total	<u>817,000</u>	<u>859,857</u>	<u>42,857</u>	<u>685,604</u>
Unrestricted Intergovernmental Revenues:				
Beer and wine tax	106,625	309,629	203,004	296,115
Tax refunds - sales and gasoline	204,606	170,293	(34,313)	204,607
Total	<u>311,231</u>	<u>479,922</u>	<u>168,691</u>	<u>500,722</u>
Restricted Intergovernmental Revenues:				
Federal and State grants	11,982,737	10,810,856	(1,171,881)	11,128,022
Court facilities fees	106,000	98,067	(7,933)	106,822
ABC revenue	228,000	204,461	(23,539)	221,948
Total	<u>12,316,737</u>	<u>11,113,384</u>	<u>(1,203,353)</u>	<u>11,456,792</u>
Permits and Fees:				
Inspection Department	618,850	677,221	58,371	612,252
Sheriff Department	190,000	240,931	50,931	155,895
Soil and water conservation	7,000	7,250	250	6,800
Emergency management	-	-	-	(95)
Fire marshall	4,200	3,840	(360)	3,865
Register of Deeds	377,120	407,186	30,066	364,964
Total	<u>1,197,170</u>	<u>1,336,428</u>	<u>139,258</u>	<u>1,143,681</u>

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012		2011	
	Final Budget	Actual	Variance Over/Under	Actual
Sales and Services:				
Rents, concessions, and fees	1,072,540	981,031	(91,509)	1,012,940
Ambulance fees	3,066,350	3,341,363	275,013	3,500,820
Animal control	76,500	80,421	3,921	76,209
Jail fees	90,000	48,865	(41,135)	73,569
Social Services	2,343,462	1,531,478	(811,984)	2,017,413
Health department	1,406,475	1,011,518	(394,957)	1,052,517
Collection fees - special tax districts and City of Lincolnton	227,232	252,239	25,007	222,770
Soil and water conservation	18,400	17,200	(1,200)	15,350
Total	8,300,959	7,264,115	(1,036,844)	7,971,588
Investment Earnings	80,000	70,272	(9,728)	62,928
Total	80,000	70,272	(9,728)	62,928
Miscellaneous:				
Sale of property	72,857	106,682	33,825	68,371
Contributions	5,500	13,990	8,490	12,457
Other	878,275	853,012	(25,263)	903,542
Total	956,632	973,684	17,052	984,370
Total revenues	84,080,134	82,902,692	(1,177,442)	82,246,401
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	99,114	99,420	(306)	98,604
Other operating expenditures	107,777	101,487	6,290	102,972
Total	206,891	200,907	5,984	201,576
Administration and Finance:				
Salaries and employee benefits	981,259	977,012	4,247	946,247
Other operating expenditures	136,502	121,001	15,501	159,660
Overhead allocated to other funds	(267,828)	(267,828)	-	(233,717)
Total	849,933	830,185	19,748	872,190
Data Processing:				
Salaries and employee benefits	404,441	403,525	916	398,127
Other operating expenditures	200,547	184,682	15,865	149,402
Total	604,988	588,207	16,781	547,529

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012		2011	
	Final Budget	Actual	Variance Over/Under	Actual
Elections:				
Salaries and employee benefits	319,957	275,127	44,830	285,831
Special compensation	13,068	10,463	2,605	10,765
Other operating expenditures	134,886	89,387	45,499	78,732
Total	467,911	374,977	92,934	375,328
Taxes:				
Salaries and employee benefits	620,729	612,966	7,763	612,939
Other operating expenditures	320,761	288,061	32,700	295,527
Tax mapping	385,414	364,512	20,902	326,086
Tax revaluation	474,132	449,676	24,456	539,232
Total	1,801,036	1,715,215	85,821	1,773,784
Legal:				
Other operating expenditures	155,125	166,355	(11,230)	123,095
Total	155,125	166,355	(11,230)	123,095
Register of Deeds:				
Salaries and employee benefits	444,348	443,520	828	449,630
Other operating expenditures	434,963	400,404	34,559	315,524
Total	879,311	843,924	35,387	765,154
Central Services:				
Salaries and employee benefits	981,009	931,427	49,582	441,767
Other operating expenditures	35,368	39,884	(4,516)	38,813
Total	1,016,377	971,311	45,066	480,580
Public Buildings:				
Salaries and employee benefits	525,646	541,973	(16,327)	513,077
Other operating expenditures	1,157,267	938,522	218,745	1,134,960
Total	1,682,913	1,480,495	202,418	1,648,037
Court Facilities:				
Other operating expenditures	45,039	22,368	22,671	18,654
Total	45,039	22,368	22,671	18,654
Special Grants:				
Mass transit	-	-	-	4,338
Forestry program	64,793	52,835	11,958	68,456
National Guard	2,850	2,850	-	-
Lake Norman Marine Commission	22,990	22,990	-	24,735
Lake Norman RPO	2,995	-	2,995	2,881

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012		2011	
	Final Budget	Actual	Variance Over/Under	Actual
Regional Council of Government	19,566	18,392	1,174	18,194
West/East Lincoln Rescue Squads	121,250	108,671	12,579	113,738
Miscellaneous grants	66,650	66,650	-	112,435
Airport Authority	59,290	59,290	-	62,749
Arts Council	8,075	8,075	-	8,500
Mainstreet Program	11,400	11,400	-	12,000
Cultural Development Center	32,462	32,462	-	35,350
Chamber of Commerce	16,625	16,625	-	17,500
Mountain Island Commission	1,900	1,900	-	2,000
Total	430,846	402,140	28,706	482,876
Total general government	8,140,370	7,596,084	544,286	7,288,803
Public Safety:				
Sheriff Department:				
Salaries and employee benefits	6,839,110	6,673,054	166,056	6,786,907
Other operating expenditures	1,232,543	1,167,971	64,572	1,213,397
Capital outlay	-	6,192	(6,192)	-
Total	8,071,653	7,847,217	224,436	8,000,304
Jail:				
Salaries and employee benefits	1,988,662	1,953,275	35,387	1,952,322
Other operating expenditures	847,703	887,774	(40,071)	895,380
Capital outlay	-	4,915	(4,915)	-
Total	2,836,365	2,845,964	(9,599)	2,847,702
Communications:				
Salaries and employee benefits	1,063,756	1,003,252	60,504	965,662
Other operating expenditures	222,768	170,928	51,840	210,112
Total	1,286,524	1,174,180	112,344	1,175,774
Emergency Management:				
Salaries and employee benefits	80,872	80,389	483	82,297
Other operating expenditures	180,825	132,278	48,547	89,249
Total	261,697	212,667	49,030	171,546
Emergency Management - Beatties Ford:				
Other operating expenditures	25,000	20,432	4,568	3,265
Total	25,000	20,432	4,568	3,265

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012		2011	
	Final Budget	Actual	Variance Over/Under	Actual
Emergency Management - Special Operations:				
Other operating expenditures	-	-	-	69,851
Total	-	-	-	69,851
Ambulance Services:				
Salaries and employee benefits	4,004,392	3,929,170	75,222	3,856,767
Other operating expenditures	1,109,008	1,109,644	(636)	1,073,778
Total	5,113,400	5,038,814	74,586	4,930,545
Fire:				
Fire Marshall				
Salaries and employee benefits	148,794	143,669	5,125	128,342
Other operating expenditures	29,901	29,606	295	38,461
Total	178,695	173,275	5,420	166,803
Assistance to Local Volunteer Fire Departments				
	152,200	150,528	1,672	112,317
Planning and Inspections:				
Salaries and employee benefits	1,112,539	1,112,901	(362)	1,104,383
Other operating expenditures	173,529	166,442	7,087	172,218
Capital outlay	4,100	-	4,100	-
Total	1,290,168	1,279,343	10,825	1,276,601
Medical Examiner:				
Contracted services	54,400	51,449	2,951	47,634
Total	54,400	51,449	2,951	47,634
Animal Control:				
Salaries and employee benefits	452,205	449,938	2,267	434,893
Other operating expenditures	267,306	322,411	(55,105)	271,499
Total	719,511	772,349	(52,838)	706,392
Total public safety	19,989,613	19,566,218	423,395	19,508,734
Economic and Physical Development:				
Cooperative Extension:				
Salaries and employee benefits	54,585	54,002	583	52,660
Other operating expenditures	29,863	24,840	5,023	31,804
Contracted services	198,000	188,360	9,640	185,860
Total	282,448	267,202	15,246	270,324

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012		2011	
	Final Budget	Actual	Variance Over/Under	Actual
Economic Development Commission/Projects:				
Other operating expenditures	1,586,231	1,476,360	109,871	1,597,260
Total	1,586,231	1,476,360	109,871	1,597,260
Soil and Water Conservation:				
Salaries and employee benefits	213,617	213,801	(184)	211,354
Other operating expenditures	34,290	28,838	5,452	23,211
Total	247,907	242,639	5,268	234,565
Community Development Block Grant:				
Contracted services - CDBG Grant	369,642	229,897	139,745	28,657
Total	369,642	229,897	139,745	28,657
Total economic and physical development	2,486,228	2,216,098	270,130	2,130,806
Human Services:				
Health:				
Administration:				
Salaries and employee benefits	804,794	769,225	35,569	779,169
Special compensation	1,540	420	1,120	880
Other operating expenditures	166,441	161,651	4,790	166,873
Total	972,775	931,296	41,479	946,922
Immunization:				
Salaries and employee benefits	57,583	57,774	(191)	56,273
Other operating expenditures	34,631	27,819	6,812	28,081
Total	92,214	85,593	6,621	84,354
Adult Health:				
Salaries and employee benefits	111,458	111,987	(529)	109,635
Other operating expenditures	4,746	3,674	1,072	3,697
Total	116,204	115,661	543	113,332
BCCP-Health:				
Salaries and employee benefits	150	-	150	-
Other operating expenditures	42,805	27,865	14,940	21,649
Total	42,955	27,865	15,090	21,649

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012		2011	
	Final Budget	Actual	Variance Over/Under	Actual
Communicable Disease:				
Salaries and employee benefits	59,778	59,811	(33)	59,053
Other operating expenditures	6,624	3,641	2,983	4,343
Total	66,402	63,452	2,950	63,396
Lab:				
Salaries and employee benefits	99,587	98,970	617	98,571
Other operating expenditures	124,093	73,751	50,342	78,767
Total	223,680	172,721	50,959	177,338
Teen Tobacco Use Prevention:				
Salaries and employee benefits	41,332	21,089	20,243	50,874
Other operating expenditures	41,936	38,881	3,055	13,992
Total	83,268	59,970	23,298	64,866
Healthy Carolinians II:				
Other operating expenditures	9,700	2,428	7,272	4,086
Total	9,700	2,428	7,272	4,086
Family Planning:				
Salaries and employee benefits	109,383	107,303	2,080	106,938
Other operating expenditures	67,759	43,857	23,902	48,034
Capital outlay	-	-	-	10,760
Total	177,142	151,160	25,982	165,732
Maternal Health:				
Salaries and employee benefits	110,639	88,856	21,783	103,927
Other operating expenditures	14,105	6,596	7,509	35,507
Capital outlay	-	-	-	3,227
Total	124,744	95,452	29,292	142,661
Child Health:				
Salaries and employee benefits	115,277	115,504	(227)	112,995
Other operating expenditures	8,116	2,386	5,730	12,578
Capital outlay	-	-	-	20
Total	123,393	117,890	5,503	125,593
Home Health Services:				
Salaries and employee benefits	688,285	670,153	18,132	719,741
Contracted services	188,860	172,776	16,084	174,647
Other operating expenditures	273,188	231,917	41,271	192,160
Total	1,150,333	1,074,846	75,487	1,086,548

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012		2011	
	Final Budget	Actual	Variance Over/Under	Actual
Weight Wise:				
Operating expenditures				(20)
Total				(20)
Maternal Care Coordination:				
Salaries and employee benefits	115,172	120,614	(5,442)	146,080
Other operating expenditures	9,542	3,030	6,512	4,456
Total	124,714	123,644	1,070	150,536
Child Service Coordination:				
Salaries and employee benefits	70,309	85,228	(14,919)	78,129
Other operating expenditures	12,585	6,357	6,228	2,340
Total	82,894	91,585	(8,691)	80,469
School Health:				
Salaries and employee benefits	428,632	415,735	12,897	405,265
Other operating expenditures	30,868	26,513	4,355	27,226
Total	459,500	442,248	17,252	432,491
Dental Health:				
Salaries and employee benefits	43,574	17,576	25,998	15,584
Total	43,574	17,576	25,998	15,584
Women, Infants, and Children:				
Salaries and employee benefits	239,340	238,836	504	244,774
Other operating expenditures	28,148	20,830	7,318	21,779
Total	267,488	259,666	7,822	266,553
Day Care Grant:				
Salaries and employee benefits	50,007	50,317	(310)	49,164
Other operating expenditures	5,612	3,288	2,324	6,247
Total	55,619	53,605	2,014	55,411
Nutrition:				
Salaries and employee benefits	97,198	95,163	2,035	88,570
Other operating expenditures	2,000	294	1,706	174
Total	99,198	95,457	3,741	88,744

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012		2011	
	Final Budget	Actual	Variance Over/Under	Actual
Environmental Health:				
Salaries and employee benefits	499,070	494,019	5,051	532,933
Other operating expenditures	57,881	56,911	970	60,962
Capital outlay	4,400	4,363	37	4,335
Total	561,351	555,293	6,058	598,230
Health Promotion:				
Salaries and employee benefits	50,013	34,185	15,828	49,721
Other operating expenditures	6,397	3,293	3,104	5,444
Total	56,410	37,478	18,932	55,165
Bioterrorism:				
Salaries and employee benefits	56,858	55,124	1,734	55,871
Other operating expenditures	16,936	8,085	8,851	44,929
Total	73,794	63,209	10,585	100,800
Contracted Services:				
Salaries and employee benefits	502,375	472,259	30,116	513,136
Other operating expenditures	31,724	21,368	10,356	24,917
Capital outlay	-	-	-	250
Total	534,099	493,627	40,472	538,303
Other Health Programs:				
WIC Mini Grant	-	-	-	2,476
Susan Komen	57,666	50,886	6,780	51,244
Total	57,666	50,886	6,780	53,720
Total health	5,599,117	5,182,608	416,509	5,432,463
Mental Health:				
Gaston-Lincoln Area Program	374,214	373,978	236	372,974
Total	374,214	373,978	236	372,974
Social Services:				
Administration:				
Salaries and employee benefits	801,698	784,146	17,552	784,728
Special compensation	1,200	900	300	720
Other operating expenditures	294,563	284,396	10,167	288,073
Capital outlay	854,780	575,287	279,493	451,026
Total	1,952,241	1,644,729	307,512	1,524,547

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012		2011	
	Final Budget	Actual	Variance Over/Under	Actual
Subsidized Employment Program:				
Other operating expenditures		-		78,402
Total		-		78,402
Job Boost Employment Program:				
Other operating expenditures	211,885	24,795	187,090	56,956
Total	211,885	24,795	187,090	56,956
Children's Services:				
Salaries and employee benefits	2,144,464	2,045,924	98,540	2,134,800
Foster care	648,840	604,154	44,686	578,682
Other operating expenditures	153,926	145,248	8,678	130,931
Total	2,947,230	2,795,326	151,904	2,844,413
Adolescent Parenting:				
Salaries and employee benefits	51,060	44,819	6,241	46,551
Other operating expenditures	4,063	3,367	696	4,521
Total	55,123	48,186	6,937	51,072
Adult Services:				
Salaries and employee benefits	658,961	654,552	4,409	631,208
Long-term care, SD	545,000	536,712	8,288	539,938
Other operating expenditures	19,836	16,905	2,931	16,818
Total	1,223,797	1,208,169	15,628	1,187,964
State In-Home Care:				
Special compensation	9,249	3,853	5,396	6,383
Total	9,249	3,853	5,396	6,383
Office on Aging - HCCBG:				
Special contracted services	221,888	227,846	(5,958)	204,261
Other operating expenditures	350	350	-	900
Total	222,238	228,196	(5,958)	205,161
Child Support Enforcement:				
Salaries and employee benefits	493,951	489,272	4,679	459,749
Other operating expenditures	22,130	16,513	5,617	14,120
Total	516,081	505,785	10,296	473,869
CAP - Children:				
Special contracted services	17,002	-	17,002	-
Total	17,002	-	17,002	-

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012		2011	
	Final Budget	Actual	Variance Over/Under	Actual
CAP - Disabled Adults:				
Special contracted services	1,763,833	1,172,577	591,256	1,444,991
Other operating expenditures	110,000	115,949	(5,949)	110,993
Total	1,873,833	1,288,526	585,307	1,555,984
TANF Program:				
Salaries and employee benefits	382,446	378,948	3,498	376,694
Client travel reimbursement	3,000	2,631	369	1,611
Other operating expenditures	49,574	18,515	31,059	15,248
Total	435,020	400,094	34,926	393,553
Title XIX Program - Family and Children:				
Salaries and employee benefits	452,574	451,187	1,387	438,090
TANF emergency assistance	5,130	4,466	664	6,879
Other operating expenditures	8,680	8,374	306	7,236
Total	466,384	464,027	2,357	452,205
Title XIX Program - Adult:				
Salaries and employee benefits	551,948	511,840	40,108	480,174
Client transportation	425,000	439,065	(14,065)	465,918
Medicaid, SD	5,000	3,971	1,029	3,517
Other operating expenditures	9,008	8,915	93	9,557
Total	990,956	963,791	27,165	959,166
Food Stamp Program - Issuance:				
Salaries and employee benefits	530,517	515,091	15,426	510,869
Other operating expenditures	680,913	531,793	149,120	342,295
Total	1,211,430	1,046,884	164,546	853,164
Food Stamp Program - Fraud:				
Special contracted services	45,095	45,150	(55)	44,362
Other operating expenditures	378	178	200	485
Total	45,473	45,328	145	44,847
Emergency Assistance:				
Other operating expenditures	-	-	-	50,048
Total	-	-	-	50,048
Total social services	12,177,942	10,667,689	1,510,253	10,737,734

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		2011	
	Final Budget	Actual	Variance Over/Under	Actual
Assistance Programs:				
Blind	3,855	3,579	276	5,453
Daycare Program	2,386,312	1,898,823	487,489	2,142,279
Communities in schools	52,250	52,250	-	55,000
Gaston skills	84,355	44,963	39,392	65,775
Total	2,526,772	1,999,615	527,157	2,268,507
Veterans Service Office:				
Special contracted services	81,517	82,286	(769)	81,096
Other operating expenditures	25,327	21,252	4,075	24,982
Total	106,844	103,538	3,306	106,078
JCP Administration:				
Other operating expenditures	14,095	11,508	2,587	12,698
Total	14,095	11,508	2,587	12,698
JCP - Gang (ARRA):				
Other operating expenditures	53,940	53,940	-	48,707
Total	53,940	53,940	-	48,707
JCP Pathways MH/SA:				
Other operating expenditures	7,500	7,500	-	7,500
JCP - Communities In Schools:				
Other operating expenditures	27,689	27,689	-	28,069
JCP - Savy Shepherd:				
Other operating expenditures	173,749	115,832	57,917	26,811
Total	173,749	115,832	57,917	26,811
JCP Mediation:				
Other operating expenditures	25,616	25,616	-	25,616
Total	25,616	25,616	-	25,616
JCP CIS - After School:				
Other operating expenditures	44,876	44,876	-	-
Total	44,876	44,876	-	-
JCP Phoenix Counseling:				
Other operating expenditures	4,000	-	4,000	-
Total	4,000	-	4,000	-

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012		2011	
	Final Budget	Actual	Variance Over/Under	Actual
JCP FamiliFirst:				
Other operating expenditures	25,500	25,497	3	-
Total	25,500	25,497	3	-
JCP Shepherd - Take Hold of Reins	-	-	-	14,537
Total	-	-	-	14,537
Shepherd - Trail Success Equine:				
Salaries and employee benefits	-	(687)	687	687
Other operating expenditures	30,789	30,789	-	62,088
Total	30,789	30,102	687	62,775
Gaston Family Health Services				
Other operating expenditures	30,000	30,000	-	30,000
Total	30,000	30,000	-	30,000
Senior Services:				
Salaries and employee benefits	215,472	218,793	(3,321)	254,024
Other operating expenditures	301,534	253,901	47,633	312,529
Total	517,006	472,694	44,312	566,553
Transportation TLC:				
Salaries and employee benefits	703,885	710,686	(6,801)	679,866
Other operating expenditures	363,105	375,912	(12,807)	375,902
Total	1,066,990	1,086,598	(19,608)	1,055,768
Total human services	22,806,639	20,259,280	2,547,359	20,796,790
Cultural and Recreational:				
Recreation:				
Salaries and employee benefits	621,947	596,207	25,740	572,408
Contracted services	13,700	8,479	5,221	9,726
Other operating expenditures	420,979	314,041	106,938	285,372
Total	1,056,626	918,727	137,899	867,506
Recreation - Building and Grounds:				
Salaries and employee benefits	211,386	153,112	58,274	170,071
Other operating expenditures	82,416	73,251	9,165	59,262
Total	293,802	226,363	67,439	229,333

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012		2011	
	Final Budget	Actual	Variance Over/Under	Actual
Library:				
Salaries and employee benefits	701,880	555,713	146,167	641,729
Other operating expenditures	385,062	314,944	70,118	295,033
Capital outlay	45,734	451	45,283	1,119
Total	1,132,676	871,108	261,568	937,881
Battle of Ramsour Mill:				
Operating expenses	9,125	8,730	395	6,541
Total	9,125	8,730	395	6,541
Historical Properties:				
Other operating expenditures	3,371	1,066	2,305	2,250
Total	3,371	1,066	2,305	2,250
Historical Association				
Total	31,350	31,350	-	33,000
Total cultural and recreational	2,526,950	2,057,344	469,606	2,076,511
Education:				
Public schools - current expense	16,036,429	16,036,429	-	17,172,729
Public schools - capital outlay	1,571,011	1,571,011	-	1,109,711
Community college - current expense	138,800	135,406	3,394	138,800
Total education	17,746,240	17,742,846	3,394	18,421,240
Debt Service:				
Principal retirement	8,989,199	9,116,549	(127,350)	8,970,463
Interest and fees	5,436,860	4,935,755	501,105	6,604,596
Total debt service	14,426,059	14,052,304	373,755	15,575,059
Total expenditures	88,122,099	83,490,174	4,631,925	85,797,943

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012		2011	
	Final Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	(4,041,965)	(587,482)	3,454,483	(3,551,542)
Other Financing Sources (Uses):				
Long-term debt issued	30,255,000	30,255,000	-	17,405,000
Advance payments to refunding trustee	(32,763,202)	(32,763,202)	-	(17,300,000)
Premium received from issuance of long-term debt	2,868,507	2,868,507	-	1,257,866
Transfers out	(4,183,355)	(4,490,310)	(306,955)	(4,781,730)
Transfers in	4,822,853	4,835,242	12,389	5,897,754
Fund balance appropriated	3,042,162	-	(3,042,162)	-
Total other financing sources (uses)	4,041,965	705,237	(3,336,728)	2,478,890
Net change in fund balance	\$ -	117,755	\$ 117,755	(1,072,652)
Fund Balance:				
Beginning of year - July 1		19,107,300		20,179,952
End of year - June 30		\$ 19,225,055		\$ 19,107,300

LINCOLN COUNTY, NORTH CAROLINA

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, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental				
Federal and State grants	\$ 5,240,469	\$ 2,390,005	\$ 505,081	\$ 2,895,086
Investment earnings	9,000	360,466	4,306	364,772
Contributions and donations	352,433	73,500	-	73,500
Miscellaneous	305,000	444,864	3,000	447,864
Total revenues	<u>5,906,902</u>	<u>3,268,835</u>	<u>512,387</u>	<u>3,781,222</u>
Expenditures:				
Capital outlay				
Land and buildings	7,888,951	3,927,460	1,791,991	5,719,451
Data processing	713,756	318,019	584,930	902,949
Water/Sewer lines	1,676,234	908,030	658,664	1,566,694
Other improvements	271,105	46,667	76,235	122,902
Contracted services	35,000	-	-	-
Other equipment	2,561,347	2,496,314	1,228,575	3,724,889
Total expenditures	<u>13,146,393</u>	<u>7,696,490</u>	<u>4,340,395</u>	<u>12,036,885</u>
Revenues over (under) expenditures	<u>(7,239,491)</u>	<u>(4,427,655)</u>	<u>(3,828,008)</u>	<u>(8,255,663)</u>
Other Financing Sources (Uses):				
Long-term debt issued	3,860,000	3,717,462	1,100,000	4,817,462
Premium received from issuance of long-term debt	-	5,282	-	5,282
Transfer to General Fund	(21,300)	(21,300)	-	(21,300)
Transfer from General Fund	1,494,962	4,016,032	1,507,351	5,523,383
Fund balance appropriated	1,905,829	-	-	-
Total other financing sources (uses)	<u>7,239,491</u>	<u>7,717,476</u>	<u>2,607,351</u>	<u>10,324,827</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,289,821</u>	<u>(1,220,657)</u>	<u>\$ 2,069,164</u>
Fund Balance:				
Beginning of year - July 1			<u>\$ 3,289,821</u>	
End of year - June 30			<u>\$ 2,069,164</u>	

LINCOLN COUNTY, NORTH CAROLINA

CAPITAL PROJECT FUND
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, 2012

	Actual			
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Investment earnings	\$ 211,875	\$ 387,839	\$ 5,383	\$ 393,222
Total revenues	<u>211,875</u>	<u>387,839</u>	<u>5,383</u>	<u>393,222</u>
Expenditures:				
Education	37,633,995	26,698,911	2,988,219	29,687,130
Total expenditures	<u>37,633,995</u>	<u>26,698,911</u>	<u>2,988,219</u>	<u>29,687,130</u>
Revenues over (under) expenditures	<u>(37,422,120)</u>	<u>(26,311,072)</u>	<u>(2,982,836)</u>	<u>(29,293,908)</u>
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	<u>625,000</u>	<u>625,000</u>	<u>-</u>	<u>625,000</u>
Total other financing sources (uses)	<u>37,422,120</u>	<u>37,477,656</u>	<u>-</u>	<u>37,477,656</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 11,166,584</u>	<u>(2,982,836)</u>	<u>\$ 8,183,748</u>
Fund Balance:				
Beginning of year - July 1			<u>11,166,584</u>	
End of year - June 30			<u>\$ 8,183,748</u>	

LINCOLN COUNTY, NORTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

	Special Revenue Funds		
	Fire Districts Fund	Law Enforcement Fund	Federal Law Enforcement Fund
Assets:			
Cash and cash equivalents	\$ 67,348	\$ 35,127	\$ 7,760
Taxes receivable, net	242,499	-	-
Due from other funds	-	2,200	7,367
Total assets	<u>\$ 309,847</u>	<u>\$ 37,327</u>	<u>\$ 15,127</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and other accrued liabilities	\$ 67,348	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenue	242,499	-	-
Total liabilities	<u>309,847</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted:			
Stabilization for State statute	-	2,200	7,367
Restricted, all other	-	35,127	7,760
Committed	-	-	-
Total fund balances	<u>-</u>	<u>37,327</u>	<u>15,127</u>
Total liabilities and fund balances	<u>\$ 309,847</u>	<u>\$ 37,327</u>	<u>\$ 15,127</u>

Schedule C-1

Capital Project Fund			
Emergency Telephone Systems Fund	Capital Reserve Fund	Total Nonmajor Governmental Funds	
\$ 574,076	\$ 2,436,170	\$ 3,120,481	
-	-	242,499	
-	491,889	501,456	
<u>\$ 574,076</u>	<u>\$ 2,928,059</u>	<u>\$ 3,864,436</u>	
\$ 62,926	\$ -	\$ 130,274	
27,089	-	27,089	
-	-	242,499	
<u>90,015</u>	<u> </u>	<u>399,862</u>	
188,779	491,889	690,235	
295,282	-	338,169	
-	<u>2,436,170</u>	<u>2,436,170</u>	
<u>484,061</u>	<u>2,928,059</u>	<u>3,464,574</u>	
<u>\$ 574,076</u>	<u>\$ 2,928,059</u>	<u>\$ 3,864,436</u>	

LINCOLN COUNTY, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds		
	Fire Districts Fund	Law Enforcement Fund	Federal Law Enforcement Fund
Revenues:			
Ad valorem taxes	\$ 5,944,747	\$ -	\$ -
Other taxes and licenses	-	-	-
Restricted intergovernmental revenue	-	25,429	-
Miscellaneous	-	2,200	7,368
Investment earnings	-	24	7
Total revenues	<u>5,944,747</u>	<u>27,653</u>	<u>7,375</u>
Expenditures:			
Current:			
Public safety	5,944,747	25,629	16,070
Total expenditures	<u>5,944,747</u>	<u>25,629</u>	<u>16,070</u>
Revenues over (under) expenditures	-	2,024	(8,695)
Other Financing Sources (Uses):			
Transfers out	-	-	-
Transfers in	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	2,024	(8,695)
Fund Balances:			
Beginning of year - July 1	-	35,303	23,822
End of year - June 30	\$ -	\$ 37,327	\$ 15,127

Schedule C-2

Capital Project Fund		
Emergency Telephone Systems Fund	Capital Reserve Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 5,944,747
279,171	-	279,171
-	820,381	845,810
-	-	9,568
373	3,214	3,618
<u>279,544</u>	<u>823,595</u>	<u>7,082,914</u>
375,937	-	6,362,383
<u>375,937</u>	<u>-</u>	<u>6,362,383</u>
(96,393)	823,595	720,531
(12,389)	(4,822,853)	(4,835,242)
<u>-</u>	<u>2,982,959</u>	<u>2,982,959</u>
<u>(12,389)</u>	<u>(1,839,894)</u>	<u>(1,852,283)</u>
(108,782)	(1,016,299)	(1,131,752)
<u>592,843</u>	<u>3,944,358</u>	<u>4,596,326</u>
<u>\$ 484,061</u>	<u>\$ 2,928,059</u>	<u>\$ 3,464,574</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011	
	Budget	Actual		Actual	Actual
Revenues:					
Ad valorem taxes	\$ 5,874,626	\$ 5,944,747	\$ 70,121	\$ 5,739,292	
Total revenues	<u>5,874,626</u>	<u>5,944,747</u>	<u>70,121</u>	<u>5,739,292</u>	
Expenditures:					
Alexis Fire District	336,505	343,050	(6,545)	348,099	
Boger City Fire District	620,308	626,268	(5,960)	526,870	
Crouse Fire District	104,114	107,501	(3,387)	104,375	
Denver Fire District	1,890,278	1,907,281	(17,003)	1,866,585	
East Lincoln Fire District	1,378,198	1,382,487	(4,289)	1,332,750	
Howard's Creek Fire District	250,654	256,373	(5,719)	240,219	
Hughes Pond Fire District	-	-	-	4	
North 321 Fire District	222,972	223,617	(645)	229,836	
North Brook Fire District	199,973	209,570	(9,597)	197,540	
Pumpkin Center Fire District	442,526	451,062	(8,536)	456,838	
South Fork Fire District	238,235	241,537	(3,302)	245,287	
Union Fire District	190,863	196,001	(5,138)	190,889	
Total expenditures	<u>5,874,626</u>	<u>5,944,747</u>	<u>(70,121)</u>	<u>5,739,292</u>	
Net change in fund balance	\$ <u> </u>	<u> </u>	\$ <u> </u>	<u> </u>	
Fund Balance:					
Beginning of year - July 1	<u> </u>	<u> </u>	<u> </u>	<u> </u>	
End of year - June 30	\$ <u> </u>	<u> </u>	\$ <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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011	
	Budget	Actual	Variance Over/Under		Actual
Revenues:					
Restricted intergovernmental	\$ 15,000	\$ 25,429	\$ 10,429	\$ 23,237	
Investment earnings	25	24	(1)	49	
Miscellaneous	-	2,200	2,200	-	
Total revenues	<u>15,025</u>	<u>27,653</u>	<u>12,628</u>	<u>23,286</u>	
Expenditures:					
Public safety	<u>15,025</u>	<u>25,629</u>	<u>(10,604)</u>	<u>20,788</u>	
Total expenditures	<u>15,025</u>	<u>25,629</u>	<u>(10,604)</u>	<u>20,788</u>	
Net change in fund balance	\$ -	2,024	\$ 2,024	2,498	
Fund Balance:					
Beginning of year - July 1		<u>35,303</u>		<u>32,805</u>	
End of year - June 30		<u>\$ 37,327</u>		<u>\$ 35,303</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011	
	Budget	Actual		Actual	Actual
Revenues:					
Investment earnings	\$ -	\$ 7	\$ 7	\$ 32	
Miscellaneous	1,000	7,368	6,368	-	
Total revenues	1,000	7,375	6,375	32	
Expenditures:					
Public safety	21,000	16,070	4,930	3,325	
Total expenditures	21,000	16,070	4,930	3,325	
Revenues over (under) expenditures	(20,000)	(8,695)	11,305	(3,293)	
Other Financing Sources (Uses):					
Appropriated fund balance	20,000	-	(20,000)	-	
Total other financing sources (uses)	20,000	-	(20,000)	-	
Net change in fund balance	\$ -	\$ (8,695)	\$ (8,695)	\$ (3,293)	
Fund Balance:					
Beginning of year - July 1		23,822		27,115	
End of year - June 30		\$ 15,127		\$ 23,822	

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011		
	Budget	Actual		Actual	Actual	
Revenues:						
Other Taxes and Licenses:						
911 system subscriber fees	\$ 300,892	\$ 279,171	\$ (21,721)	\$ 572,685		
Restricted Intergovernmental:						
Investment earnings	8,000	373	(7,627)	850		
Total revenues	<u>308,892</u>	<u>279,544</u>	<u>(29,348)</u>	<u>573,535</u>		
Expenditures:						
Public Safety:						
Total expenditures	<u>667,039</u>	<u>375,937</u>	<u>291,102</u>	<u>566,934</u>		
Revenues over (under) expenditures	<u>(358,147)</u>	<u>(96,393)</u>	<u>261,754</u>	<u>6,601</u>		
Other Financing Sources (Uses):						
Transfers in (out)	-	(12,389)	(12,389)	-		
Fund balance appropriated	<u>358,147</u>	<u>-</u>	<u>(358,147)</u>	<u>-</u>		
Total other financing sources (uses)	<u>358,147</u>	<u>(12,389)</u>	<u>(370,536)</u>	<u>-</u>		
Net change in fund balance	\$ <u>-</u>	<u>(108,782)</u>	<u>\$ (108,782)</u>	<u>6,601</u>		
Fund Balance:						
Beginning of year - July 1			<u>592,843</u>		<u>586,242</u>	
End of year - June 30			<u>\$ 484,061</u>		<u>\$ 592,843</u>	

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011		
	Budget	Actual		Actual		
Revenues:						
Restricted Intergovernmental:						
Lottery proceeds	\$ 820,381	\$ 820,381	\$ -	\$ 942,883		
Investment earnings	8,000	3,214	(4,786)	8,092		
Total revenues	<u>828,381</u>	<u>823,595</u>	<u>(4,786)</u>	<u>950,975</u>		
Revenues over (under) expenditures	<u>828,381</u>	<u>823,595</u>	<u>(4,786)</u>	<u>950,975</u>		
Other Financing Sources (Uses):						
Transfers out	(4,822,853)	(4,822,853)	-	(5,897,754)		
Transfers in	2,672,053	2,982,959	310,906	2,653,980		
Appropriated fund balance	1,322,419	-	(1,322,419)	-		
Total other financing sources (uses)	<u>(828,381)</u>	<u>(1,839,894)</u>	<u>(1,011,513)</u>	<u>(3,243,774)</u>		
Net change in fund balance	\$ -	(1,016,299)	\$ (1,016,299)	(2,292,799)		
Fund Balance:						
Beginning of year - July 1		3,944,358		6,237,157		
End of year - June 30		<u>\$ 2,928,059</u>		<u>\$ 3,944,358</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		2011	
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Solid waste charges/tipping fees	\$ 690,000	\$ 755,232	\$ 65,232	\$ 692,074
Other	109,800	-	(109,800)	18,704
Total operating revenues	<u>799,800</u>	<u>755,232</u>	<u>(44,568)</u>	<u>710,778</u>
Non-Operating Revenues:				
Availability fees	2,696,208	2,785,844	89,636	2,298,462
Tire disposal tax	95,000	73,879	(21,121)	112,358
Franchise fees	35,000	43,750	8,750	13,916
Sales and use tax refunds	40,000	44,881	4,881	37,945
Solid waste disposal tax	60,000	55,824	(4,176)	53,279
Federal and State grants	-	-	-	10,394
NC electronics management fund distribution	10,000	6,097	(3,903)	5,452
Miscellaneous	-	-	-	4,101
Investment earnings	9,000	8,878	(122)	8,511
Total non-operating revenues	<u>2,945,208</u>	<u>3,019,153</u>	<u>73,945</u>	<u>2,544,418</u>
Total revenues	<u>3,745,008</u>	<u>3,774,385</u>	<u>29,377</u>	<u>3,255,196</u>
Expenditures:				
Landfill Operations:				
Salaries and employee benefits	1,725,276	1,695,968	29,308	1,718,836
Other operating costs	1,388,684	1,245,846	142,838	1,333,946
Capital outlay	988,652	219,402	769,250	529,752
Debt Service:				
Principal	88,432	88,432	-	85,629
Interest	6,260	6,260	-	9,063
Total expenditures	<u>4,197,304</u>	<u>3,255,908</u>	<u>941,396</u>	<u>3,677,226</u>
Revenues over (under) expenditures	<u>(452,296)</u>	<u>518,477</u>	<u>970,773</u>	<u>(422,030)</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011	
	Budget	Actual			Actual
Other Financing Sources (Uses):					
Appropriated fund balance	452,296	-	(452,296)		-
Total other financing sources (uses)	452,296	-	(452,296)		-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	518,477	\$ 518,477		(422,030)
Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:					
Reconciling items:					
Debt principal		88,432			85,629
Capital outlay added to capital assets		-			498,512
Depreciation		(1,205,462)			(600,043)
(Increase) decrease in other post-employment benefits		(139,169)			(138,307)
(Increase) decrease in landfill closure and and post-closure costs		2,379,689			(1,245,198)
Total reconciling items		1,123,490			(1,399,407)
Change in net assets	\$ 1,641,967		\$ (1,821,437)		

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012		2011	
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Water and sewer charges/fees	\$ 7,309,000	\$ 7,420,732	\$ 111,732	\$ 7,182,184
Water and sewer taps	87,000	82,266	(4,734)	98,568
Other operating revenues	20,305	21,849	1,544	8,006
Total operating revenues	<u>7,416,305</u>	<u>7,524,847</u>	<u>108,542</u>	<u>7,288,758</u>
Non-Operating Revenues:				
Sales and use tax refunds	43,000	53,897	10,897	39,269
Investment income	14,000	30,401	16,401	19,076
Other capital contributions	-	-	-	132,213
Total non-operating revenues	<u>57,000</u>	<u>84,298</u>	<u>27,298</u>	<u>190,558</u>
Total revenues	<u>7,473,305</u>	<u>7,609,145</u>	<u>135,840</u>	<u>7,479,316</u>
Expenditures:				
Water System:				
Salaries and employee benefits	736,673	713,274	23,399	719,625
Other operating costs	<u>1,136,990</u>	<u>1,105,300</u>	<u>31,690</u>	<u>865,255</u>
Total water system	<u>1,873,663</u>	<u>1,818,574</u>	<u>55,089</u>	<u>1,584,880</u>
Sewer System:				
Salaries and employee benefits	611,498	612,202	(704)	621,655
Other operating costs	<u>594,131</u>	<u>501,889</u>	<u>92,242</u>	<u>404,945</u>
Total sewer system	<u>1,205,629</u>	<u>1,114,091</u>	<u>91,538</u>	<u>1,026,600</u>
Water Treatment Plant:				
Salaries and employee benefits	492,871	474,619	18,252	479,526
Other operating costs	<u>465,643</u>	<u>440,431</u>	<u>25,212</u>	<u>408,066</u>
Total water treatment plant	<u>958,514</u>	<u>915,050</u>	<u>43,464</u>	<u>887,592</u>
Indian Creek Pumping Station:				
Other operating costs	8,750	8,847	(97)	16,038
Total Indian Creek pumping station	<u>8,750</u>	<u>8,847</u>	<u>(97)</u>	<u>16,038</u>
Wastewater Treatment - Killian Creek:				
Salaries and employee benefits	315,188	157,777	157,411	193,849
Other operating costs	<u>507,633</u>	<u>378,953</u>	<u>128,680</u>	<u>242,584</u>
Total wastewater treatment - Killian Creek	<u>822,821</u>	<u>536,730</u>	<u>286,091</u>	<u>436,433</u>
Wastewater Treatment - Forney Creek:				
Salaries and employee benefits	167,200	163,394	3,806	106,492
Other operating costs	<u>142,015</u>	<u>122,406</u>	<u>19,609</u>	<u>317,153</u>
Total wastewater treatment - Forney Creek	<u>309,215</u>	<u>285,800</u>	<u>23,415</u>	<u>423,645</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012		2011	
	Budget	Actual	Variance Over/Under	Actual
Debt Service:				
Principal	1,406,620	1,167,886	238,734	827,620
Interest	1,002,569	834,243	168,326	130,650
Total debt service	2,409,189	2,002,129	407,060	958,270
Total expenditures	7,587,781	6,681,221	906,560	5,333,458
Revenues over (under) expenditures	(114,476)	927,924	1,042,400	2,145,858
Other Financing Sources (Uses):				
Fund balance appropriated	809,476	-	(809,476)	-
Long-term debt issued	-	2,706,000	2,706,000	-
Debt issuance costs	-	(7,500)	(7,500)	(350,000)
Transfers in (out)	(695,000)	(3,401,000)	(2,706,000)	(1,775,496)
Total other financing sources (uses)	114,476	(702,500)	(816,976)	(2,125,496)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u> </u>	225,424	\$ <u> </u>	20,362
Reconciliation of Modified Accrual Basis (Modified Accrual) to Full Accrual Basis:				
Reconciling items:				
Debt principal		1,167,886		827,620
Long-term debt issued		(2,706,000)		-
Water and Sewer Capital Fund activity		3,486,134		1,777,256
Water and Sewer Capital Fund expenses not capitalized		(24,443)		(100,968)
Capital contributions		-		7,700
Depreciation		(2,430,371)		(2,012,261)
(Increase) decrease in other post-employment benefits		(157,680)		(156,081)
Change in accrued interest		80,123		(108,251)
Total reconciling items		(584,351)		235,015
Change in net assets	\$ <u> </u>	(358,927)	\$ <u> </u>	255,377

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, 2012

			Actual		
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental revenues	\$ -	\$ -	\$ 78,841	\$ 78,841	
Investment earnings		- 467,528	6,293		473,821
Miscellaneous		- 173,044	-		173,044
Total revenues		- 640,572	85,134		725,706
Expenditures:					
Capital outlay		27,251,120	22,469,065	956,144	23,425,209
Total expenditures		27,251,120	22,469,065	956,144	23,425,209
Revenues over (under) expenditures		(27,251,120)	(21,828,493)	(871,010)	(22,699,503)
Other Financing Sources (Uses):					
Long-term debt issued		18,581,000	17,334,955	-	17,334,955
Transfers in (out)		8,670,120	6,882,053	3,401,000	10,283,053
Total other financing sources (uses)		27,251,120	24,217,008	3,401,000	27,618,008
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 2,388,515	\$ 2,529,990	\$ 4,918,505	

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		2011	
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Non-Operating Revenues:				
Ad valorem taxes	\$ 503,948	\$ 495,073	\$ (8,875)	\$ 487,936
Investment earnings	2,000	893	(1,107)	1,825
Total non-operating revenues	<u>505,948</u>	<u>495,966</u>	<u>(9,982)</u>	<u>489,761</u>
Total revenues	<u>505,948</u>	<u>495,966</u>	<u>(9,982)</u>	<u>489,761</u>
Expenditures:				
Other operating costs	1,200	590	610	12,387
Debt Service:				
Principal	805,000	805,000	-	815,000
Interest	164,770	161,844	2,926	187,534
Total expenditures	<u>970,970</u>	<u>967,434</u>	<u>3,536</u>	<u>1,014,921</u>
Revenues over (under) expenditures	<u>(465,022)</u>	<u>(471,468)</u>	<u>(6,446)</u>	<u>(525,160)</u>
Other Financing Sources (Uses):				
Fund balance appropriated	465,022	-	(465,022)	-
Total other financing sources (uses)	<u>465,022</u>	<u>-</u>	<u>(465,022)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>-</u>	<u>(471,468)</u>	\$ <u>(471,468)</u>	<u>(525,160)</u>
Reconciliation of Modified Accrual Basis (Modified Accrual) to Full Accrual Basis:				
Reconciling items:				
Debt principal		805,000		815,000
Change in net assets	\$ <u>333,532</u>		\$ <u>289,840</u>	

LINCOLN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012

	Health Insurance Fund	Workers' Compensation Fund	Total Internal Service Funds
Assets:			
Current assets:			
Cash and cash equivalents	\$ 2,582,890	\$ 255,412	\$ 2,838,302
Due from other funds	67,688	27	67,715
Prepaid items	87,750	10,000	97,750
Total current assets	<u>2,738,328</u>	<u>265,439</u>	<u>3,003,767</u>
 Total assets	 <u>2,738,328</u>	 <u>265,439</u>	 <u>3,003,767</u>
Liabilities:			
Current liabilities:			
Accounts payable and other accrued liabilities	827,266	626,347	1,453,613
Total current liabilities	<u>827,266</u>	<u>626,347</u>	<u>1,453,613</u>
 Total liabilities	 <u>827,266</u>	 <u>626,347</u>	 <u>1,453,613</u>
Net Assets:			
Unrestricted	<u>1,911,062</u>	<u>(360,908)</u>	<u>1,550,154</u>
 Total net assets	 <u>\$ 1,911,062</u>	 <u>\$ (360,908)</u>	 <u>\$ 1,550,154</u>

LINCOLN COUNTY, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS**
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Health Insurance Fund	Workers' Compensation Fund	Total Internal Service Funds
Operating Revenues:			
Contributions from employer	\$ 5,402,310	\$ -	\$ 5,402,310
Contributions from employees	1,073,319	-	1,073,319
Flex account	140,430	-	140,430
Workers' compensation premiums	-	442,849	442,849
Total operating revenues	<u>6,616,059</u>	<u>442,849</u>	<u>7,058,908</u>
Operating Expenses:			
Health, admin and consultant fees	868,427	64,747	933,174
Health and workers' compensation claims	4,685,463	883,695	5,569,158
Flex account	<u>138,000</u>	<u>-</u>	<u>138,000</u>
Total operating expenses	<u>5,691,890</u>	<u>948,442</u>	<u>6,640,332</u>
Operating income (loss)	<u>924,169</u>	<u>(505,593)</u>	<u>418,576</u>
Non-Operating Revenues (Expenses):			
Investment earnings	<u>3,882</u>	<u>334</u>	<u>4,216</u>
Total non-operating revenues (expenses)	<u>3,882</u>	<u>334</u>	<u>4,216</u>
Change in net assets	928,051	(505,259)	422,792
Net Assets:			
Beginning of year - July 1	<u>983,011</u>	<u>144,351</u>	<u>1,127,362</u>
End of year - June 30	<u>\$ 1,911,062</u>	<u>\$ (360,908)</u>	<u>\$ 1,550,154</u>

LINCOLN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Health Insurance Fund	Workers' Compensation Fund	Total Internal Service Funds
Operating Activities:			
Cash received from interfund services	\$ 6,616,059	\$ 442,849	\$ 7,058,908
Cash paid for goods and services	(6,133,801)	(443,526)	(6,577,327)
Net cash provided (used) by operating activities	<u>482,258</u>	<u>(677)</u>	<u>481,581</u>
Non-Capital Financing Activities:			
Loans (to) from other funds	(11,438)	(2,013)	(13,451)
Net cash provided (used) by non-capital financing activities	<u>(11,438)</u>	<u>(2,013)</u>	<u>(13,451)</u>
Investing Activities:			
Interest on investments	3,882	334	4,216
Net cash provided (used) by investing activities	<u>3,882</u>	<u>334</u>	<u>4,216</u>
Net increase (decrease) in cash and cash equivalents/investments	474,702	(2,356)	472,346
Cash and Cash Equivalents/Investments:			
Beginning of year - July 1	2,108,188	257,768	2,365,956
End of year - June 30	<u>\$ 2,582,890</u>	<u>\$ 255,412</u>	<u>\$ 2,838,302</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 924,169	\$ (505,593)	\$ 418,576
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Change in assets and liabilities:			
(Increase) decrease in prepaids	(20,062)	(10,000)	(30,062)
Increase (decrease) in accounts payable	115,768	514,916	630,684
Increase (decrease) in deferred revenue	(537,617)	-	(537,617)
Total adjustments	<u>(441,911)</u>	<u>504,916</u>	<u>63,005</u>
Net cash provided (used) by operating activities	<u>\$ 482,258</u>	<u>\$ (677)</u>	<u>\$ 481,581</u>

LINCOLN COUNTY, NORTH CAROLINA

INTERNAL SERVICE FUND

HEALTH INSURANCE FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

FINANCIAL PLAN AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011	
	Financial Plan	Actual		Actual	Actual
Operating Revenues:					
Contributions from employer	\$ 5,339,096	\$ 5,402,310	\$ 63,214	\$ 5,137,126	
Contributions from employees	1,170,567	1,073,319	(97,248)	1,168,360	
Flex account	160,000	140,430	(19,570)	155,147	
Total operating revenues	<u>6,669,663</u>	<u>6,616,059</u>	<u>(53,604)</u>	<u>6,460,633</u>	
Operating Expenditures:					
Health and consultant fees	850,000	868,427	(18,427)	856,714	
Health and workers' compensation claims	5,100,000	4,662,143	437,857	4,833,394	
Reserve	559,663	23,320	536,343	-	
Flex account	160,000	138,000	22,000	165,000	
Total operating expenditures	<u>6,669,663</u>	<u>5,691,890</u>	<u>977,773</u>	<u>5,855,108</u>	
Operating income (loss)	-	924,169	924,169	605,525	
Non-Operating Revenues:					
Investment earnings	-	3,882	3,882	2,899	
Change in net assets - budgetary basis	\$ -	\$ 928,051	\$ 928,051	\$ 608,424	

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

LINCOLN COUNTY, NORTH CAROLINA

INTERNAL SERVICE FUND

WORKERS' COMPENSATION FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

FINANCIAL PLAN AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		2011	
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Workers' compensation premiums	\$ 450,000	\$ 442,849	\$ (7,151)	\$ 451,693
Total operating revenues	<u>450,000</u>	<u>442,849</u>	<u>(7,151)</u>	<u>451,693</u>
Operating Expenditures:				
Admin and consultant fees	74,000	64,747	9,253	67,634
Workers' compensation claims	300,000	883,695	(583,695)	239,995
Reserve	<u>77,000</u>	<u>-</u>	<u>77,000</u>	<u>-</u>
Total operating expenditures	<u>451,000</u>	<u>948,442</u>	<u>(497,442)</u>	<u>307,629</u>
Operating income (loss)	(1,000)	(505,593)	(504,593)	144,064
Non-Operating Revenues:				
Investment earnings	<u>1,000</u>	<u>334</u>	<u>(666)</u>	<u>287</u>
Change in net assets - budgetary basis	<u>\$ -</u>	<u>\$ (505,259)</u>	<u>\$ (505,259)</u>	<u>\$ 144,351</u>

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

LINCOLN COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

	Social Services Fund	Tax Collector Fund	HB 1779 Interest Fund	Register of Deeds SB202 Fund	Inmate Trust Fund	Miscellaneous Fund	Totals
Assets:							
Cash and cash equivalents	\$ 66,331	\$ 63,201	\$ 3,028	\$ 5,090	\$ 16,466	\$ 270,905	\$ 425,021
Total assets	<u>\$ 66,331</u>	<u>\$ 63,201</u>	<u>\$ 3,028</u>	<u>\$ 5,090</u>	<u>\$ 16,466</u>	<u>\$ 270,905</u>	<u>\$ 425,021</u>
Liabilities:							
Intergovernmental payable	\$ 66,331	\$ 63,201	\$ 3,028	\$ 5,090	\$ 16,466	\$ 270,905	\$ 425,021
Total liabilities	<u>\$ 66,331</u>	<u>\$ 63,201</u>	<u>\$ 3,028</u>	<u>\$ 5,090</u>	<u>\$ 16,466</u>	<u>\$ 270,905</u>	<u>\$ 425,021</u>

LINCOLN COUNTY, NORTH CAROLINA

AGENCY FUNDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2012**

	Balance			Balance
	July 1, 2011	Additions	Deductions	June 30, 2012
Social Services:				
Assets:				
Cash and cash equivalents	\$ 43,588	\$ 197,850	\$ 175,107	\$ 66,331
Total assets	<u>\$ 43,588</u>	<u>\$ 197,850</u>	<u>\$ 175,107</u>	<u>\$ 66,331</u>
Liabilities:				
Intergovernmental payable	\$ 43,588	\$ 197,850	\$ 175,107	\$ 66,331
Total liabilities	<u>\$ 43,588</u>	<u>\$ 197,850</u>	<u>\$ 175,107</u>	<u>\$ 66,331</u>
Tax Collector Fund:				
Assets:				
Cash and cash equivalents	\$ 82,477	\$ 4,581,510	\$ 4,600,786	\$ 63,201
Total assets	<u>\$ 82,477</u>	<u>\$ 4,581,510</u>	<u>\$ 4,600,786</u>	<u>\$ 63,201</u>
Liabilities:				
Intergovernmental payable	\$ 82,477	\$ 4,581,510	\$ 4,600,786	\$ 63,201
Total liabilities	<u>\$ 82,477</u>	<u>\$ 4,581,510</u>	<u>\$ 4,600,786</u>	<u>\$ 63,201</u>
Register of Deeds SB202 Fund:				
Assets:				
Cash and cash equivalents	\$ 1,020	\$ 48,592	\$ 44,522	\$ 5,090
Total assets	<u>\$ 1,020</u>	<u>\$ 48,592</u>	<u>\$ 44,522</u>	<u>\$ 5,090</u>
Liabilities:				
Intergovernmental payable	\$ 1,020	\$ 48,592	\$ 44,522	\$ 5,090
Total liabilities	<u>\$ 1,020</u>	<u>\$ 48,592</u>	<u>\$ 44,522</u>	<u>\$ 5,090</u>
HB 1779 Interest Fund:				
Assets:				
Cash and cash equivalents	\$ 2,669	\$ 40,199	\$ 39,840	\$ 3,028
Total assets	<u>\$ 2,669</u>	<u>\$ 40,199</u>	<u>\$ 39,840</u>	<u>\$ 3,028</u>
Liabilities:				
Intergovernmental payable	\$ 2,669	\$ 40,199	\$ 39,840	\$ 3,028
Total liabilities	<u>\$ 2,669</u>	<u>\$ 40,199</u>	<u>\$ 39,840</u>	<u>\$ 3,028</u>

LINCOLN COUNTY, NORTH CAROLINA

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
Inmate Trust Fund:				
Assets:				
Cash and cash equivalents	\$ 20,321	\$ 199,643	\$ 203,498	\$ 16,466
Total assets	<u>\$ 20,321</u>	<u>\$ 199,643</u>	<u>\$ 203,498</u>	<u>\$ 16,466</u>
Liabilities:				
Intergovernmental payable	\$ 20,321	\$ 199,643	\$ 203,498	\$ 16,466
Total liabilities	<u>\$ 20,321</u>	<u>\$ 199,643</u>	<u>\$ 203,498</u>	<u>\$ 16,466</u>
Miscellaneous Fund:				
Assets:				
Cash and cash equivalents	\$ 234,859	\$ 425,766	\$ 389,720	\$ 270,905
Total assets	<u>\$ 234,859</u>	<u>\$ 425,766</u>	<u>\$ 389,720</u>	<u>\$ 270,905</u>
Liabilities:				
Intergovernmental payable	\$ 234,859	\$ 425,766	\$ 389,720	\$ 270,905
Total liabilities	<u>\$ 234,859</u>	<u>\$ 425,766</u>	<u>\$ 389,720</u>	<u>\$ 270,905</u>
Totals - All Agency Funds:				
Assets:				
Cash and investments	\$ 384,934	\$ 5,493,560	\$ 5,453,473	\$ 425,021
Total assets	<u>\$ 384,934</u>	<u>\$ 5,493,560</u>	<u>\$ 5,453,473</u>	<u>\$ 425,021</u>
Liabilities:				
Intergovernmental payable	\$ 384,934	\$ 5,493,560	\$ 5,453,473	\$ 425,021
Total liabilities	<u>\$ 384,934</u>	<u>\$ 5,493,560</u>	<u>\$ 5,453,473</u>	<u>\$ 425,021</u>

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2012

Fiscal Year	Uncollected		Collections and Credits	Uncollected	
	Balance July 1, 2011	Additions		Balance June 30, 2012	
2011-2012	\$ -	\$ 49,337,462	\$ 48,213,559	\$ 1,123,903	
2010-2011	1,025,170.00	-	709,865	315,305	
2009-2010	338,207	-	163,306	174,901	
2008-2009	225,052	-	96,989	128,063	
2007-2008	141,562	-	39,703	101,859	
2006-2007	103,290	-	17,299	85,991	
2005-2006	94,040	-	19,662	74,378	
2004-2005	72,467	-	10,288	62,179	
2003-2004	93,157	-	5,432	87,725	
2002-2003	65,718	-	4,542	61,176	
2001-2002	59,418	-	59,418	-	
Total	\$ 2,218,081	\$ 49,337,462	\$ 49,340,063		2,215,480
Less: Allowance for uncollectible ad valorem taxes receivable:					
General Fund					(1,026,125)
Ad Valorem Taxes Receivable, Net					
General Fund					\$ 1,189,355
Reconciliation of Collections and Credits with Revenues:					
Ad valorem taxes - General Fund					\$ 49,019,309
Reconciling items:					
Interest and penalties					(363,597)
Discoveries related to prior years					(30,605)
Abatements related to prior years					86,459
2% Discount allowed					575,252
Taxes written off					59,814
Miscellaneous adjustments					(6,569)
Total collections and credits					\$ 49,340,063

LINCOLN COUNTY, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2012**

					Total Levy		
	County-Wide		Property Excluding Registered Motor Vehicles	Registered Motor Vehicles			
	Property Valuation	Rate			Amount of Levy		
Original Levy:							
County Wide:							
Property taxed at current year's rate	\$ 8,235,760,368	\$ 0.598	\$ 49,249,847	\$ 45,666,801	\$ 3,583,046		
Late list penalties	-		52,397	52,397	-		
Total original levy	<u>8,235,760,368</u>		<u>49,302,244</u>	<u>45,719,198</u>	<u>3,583,046</u>		
Discoveries:							
Current year taxes	17,478,261		104,520	77,281	27,239		
Prior year taxes	<u>19,748,843</u>		<u>113,092</u>	<u>91,112</u>	<u>21,980</u>		
Total discoveries	<u>37,227,104</u>		<u>217,612</u>	<u>168,393</u>	<u>49,219</u>		
Abatements and Discounts	<u>(30,743,665)</u>		<u>(182,394)</u>	<u>(130,527)</u>	<u>(51,867)</u>		
Total property valuation	<u><u>\$ 8,242,243,807</u></u>						
Net Levy			49,337,462	45,757,064	3,580,398		
Uncollected taxes at June 30, 2012			<u>1,123,903</u>	<u>714,088</u>	<u>409,815</u>		
Current Year's Taxes Collected			<u>\$ 48,213,559</u>	<u>\$ 45,042,976</u>	<u>\$ 3,170,583</u>		
Current Levy Collection Percentage			<u>97.72%</u>	<u>98.44%</u>	<u>88.55%</u>		

LINCOLN COUNTY, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2012****Secondary Market Disclosures:****Assessed Valuation:**

Assessment Ratio (1)	<u>100.00%</u>
Real property	\$ 6,739,218,202
Personal property	558,974,728
Public service companies	335,237,971
Registered vehicles	608,812,906
Total assessed valuation	<u>\$ 8,242,243,807</u>
 Tax rate per \$100 (2)	 <u>\$ 0.598</u>
 Levy (includes discoveries, releases, and abatements)	 <u>\$ 49,337,462</u>
 In addition to the County-wide rate, the County levies taxes on behalf of several fire districts	 <u>\$ 6,018,994</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, 2012****Secondary Market Disclosures:****Assessed Valuation:**

Assessment Ratio (1)	<u>100%</u>
Real property	\$ 2,338,266,383
Personal property	98,060,332
Public service companies	4,330,134
Registered vehicles	<u>151,847,915</u>
Total Assessed Valuation	<u>\$ 2,592,504,764</u>
Tax Rate per \$100 (2)	<u>\$ 0.0199</u>
Levy (includes discoveries, releases, and abatements)	<u>\$ 515,642</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.

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 24,405,655	\$ 17,058,349	\$ 18,771,801	\$ 19,783,230	\$ 19,429,598	\$ 23,939,226	\$ 20,388,761	\$ 25,451,479	\$ 50,294,495	\$ 52,215,432
Restricted										13,918,975
Unrestricted	(32,094,771)	(35,499,299)	(36,676,975)	(63,149,458)	(75,109,725)	(76,836,707)	(72,813,944)	(84,710,471)	(87,582,889)	(104,678,297)
Total governmental activities net assets	<u>(7,689,116)</u>	<u>(18,440,950)</u>	<u>(17,905,174)</u>	<u>(43,366,228)</u>	<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>
Business-type activities										
Invested in capital assets, net of related debt	28,193,447	33,701,064	36,885,842	41,920,528	49,158,040	54,035,788	59,892,883	59,902,755	61,285,375	57,936,188
Unrestricted	5,919,073	10,536,352	12,404,362	9,621,361	11,470,000	11,997,461	7,016,581	6,288,801	3,629,961	8,595,720
Total business-type activities	<u>34,112,520</u>	<u>44,237,416</u>	<u>49,290,204</u>	<u>51,541,889</u>	<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>
Primary government										
Invested in capital assets, net of related debt	52,599,102	50,759,413	55,657,643	61,703,758	68,587,638	77,975,014	80,281,644	85,354,234	111,579,870	110,151,620
Restricted										13,918,975
Unrestricted	(26,175,698)	(24,962,947)	(24,272,613)	(53,528,097)	(63,639,725)	(64,839,246)	(65,797,363)	(78,421,670)	(83,952,928)	(96,082,577)
Total primary government net assets	<u>\$ 26,423,404</u>	<u>\$ 25,796,466</u>	<u>\$ 31,385,030</u>	<u>\$ 8,175,661</u>	<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>

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 6,099,433	\$ 5,979,916	\$ 7,104,402	\$ 8,021,461	\$ 8,792,178	\$ 7,838,749	\$ 14,596,135	\$ 15,587,341	\$ 10,434,240	\$ 15,226,309
Public safety	14,144,467	14,518,385	16,173,103	17,514,812	20,408,731	23,430,338	23,753,716	24,480,904	24,782,004	24,982,363
Environmental protection	653,286	671,799	104,494	91,252	-	-	-	-	-	-
Economic and physical development	682,364	855,719	1,266,878	1,138,483	1,456,144	1,892,385	3,326,492	2,135,200	2,120,590	2,201,122
Human services	15,623,350	17,349,741	17,870,817	19,037,216	20,527,745	21,226,794	19,029,439	18,392,778	19,559,449	18,298,851
Culture and recreation	1,372,624	1,450,828	1,584,772	1,614,685	1,607,435	1,691,147	1,882,197	2,004,323	2,218,417	2,209,728
Education	32,732,273	18,665,458	22,437,377	49,001,212	34,525,949	20,859,917	23,989,368	30,238,363	23,306,217	20,731,065
Interest on long term debt	2,756,549	3,373,137	3,340,655	4,047,733	5,045,424	4,907,325	5,258,614	5,408,907	6,604,596	8,423,957
Total governmental activities	<u>74,064,346</u>	<u>62,864,983</u>	<u>69,882,498</u>	<u>100,466,854</u>	<u>92,363,606</u>	<u>81,846,655</u>	<u>91,835,961</u>	<u>98,247,816</u>	<u>89,025,513</u>	<u>92,073,395</u>
Business-type activities:										
Landfill	2,287,674	1,076,654	2,735,135	3,429,851	3,546,096	5,345,843	5,880,066	4,594,260	5,038,688	2,087,537
Water and Sewer	3,161,730	3,017,433	3,166,677	3,547,451	3,651,448	6,526,756	7,437,335	6,864,685	7,194,130	7,999,309
East Lincoln County water and sewer	2,300,153	2,688,491	2,142,314	2,214,001	2,242,434	263,982	240,057	215,190	199,921	162,434
Total business activities	<u>7,749,557</u>	<u>6,782,578</u>	<u>8,044,126</u>	<u>9,191,303</u>	<u>9,439,978</u>	<u>12,136,581</u>	<u>13,557,458</u>	<u>11,674,135</u>	<u>12,432,739</u>	<u>10,249,280</u>
Total primary government expenses	<u>81,813,903</u>	<u>69,647,561</u>	<u>77,926,624</u>	<u>109,658,157</u>	<u>101,803,584</u>	<u>93,983,236</u>	<u>105,393,419</u>	<u>109,921,951</u>	<u>101,458,252</u>	<u>102,322,675</u>
Program Revenues										
Governmental activities										
Charges for services:										
General government	1,566,541	2,732,965	895,388	926,068	1,048,260	1,114,334	1,645,146	1,478,645	1,471,098	1,590,384
Public safety	1,470,655	2,099,257	3,493,321	3,782,402	4,068,481	4,536,817	4,566,789	4,294,060	5,133,736	4,424,537
Economic and physical development	-	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-
Human services	2,661,208	3,310,684	4,065,761	3,971,525	4,818,526	3,881,436	3,888,397	4,175,651	3,679,433	3,118,534
Culture and recreation	773,461	24	127,405	140,744	124,266	2,100	2,950	2,517	1,047	21,337
Operating grants and contributions:										
General government	419,365	153,133	325,191	877,850	730,421	1,033,216	933,098	884,019	1,022,821	965,069
Public safety	248,766	17,385	131,689	508,995	602,610	364,292	393,051	736,783	711,154	755,636
Economic and physical development	-	-	-	137,198	4,000	4,000	410,726	4,850	15,120	260,283
Environmental protection	10,000	-	-	-	-	-	-	-	-	-
Human services	6,149,978	6,977,362	7,871,944	7,253,373	7,786,889	8,252,407	9,093,058	9,084,230	10,646,933	10,034,395
Education	562	-	691,737	886,900	1,481,317	1,219,535	1,334,250	1,821,162	942,883	820,381

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Capital grants and contributions:										
General government	-	23,494	100,838	23,212	-	132,720	993,870	1,444,381	20,583,014	508,081
Public safety	145,243	133,950	-	-	-	-	-	-	-	-
Economic and physical development	-	504,554	-	-	-	-	-	-	-	-
Human services	24,100	-	-	-	162,635	-	-	-	-	-
Total governmental activities program revenues	<u>13,469,879</u>	<u>15,952,808</u>	<u>17,703,274</u>	<u>18,508,267</u>	<u>20,827,405</u>	<u>20,540,857</u>	<u>23,261,335</u>	<u>23,926,298</u>	<u>44,207,239</u>	<u>22,498,637</u>
Business-type activities:										
Landfill	606,605	2,736,183	2,793,556	2,711,745	2,818,251	2,926,931	2,994,637	2,987,950	3,208,740	3,720,626
Charge for service - Water and Sewer	5,348,120	4,674,117	5,036,157	5,765,962	7,061,869	9,150,036	7,564,083	6,951,482	7,288,758	7,524,847
Charge for service - East Lincoln Sewer District	2,065,900	1,592,919	2,087,237	2,330,721	3,397,520	-	-	-	-	-
Capital grants and contributions - Landfill	-	15,758	-	-	520,895	-	-	-	-	-
Capital grants and contributions - Water	-	4,145,790	553,730	686,465	1,114,045	3,449,828	1,973,895	505,880	139,913	78,841
Capital grants and contributions - Sewer District	-	233,985	477,480	677,198	1,142,295	-	-	-	-	-
Total business-type activities program revenues	<u>8,020,625</u>	<u>13,398,752</u>	<u>10,948,160</u>	<u>9,460,346</u>	<u>13,236,624</u>	<u>15,526,795</u>	<u>12,532,615</u>	<u>10,445,312</u>	<u>10,637,411</u>	<u>11,324,314</u>
Total primary government program revenues	<u>21,490,504</u>	<u>29,351,560</u>	<u>28,651,434</u>	<u>27,968,613</u>	<u>34,064,029</u>	<u>36,067,652</u>	<u>35,793,950</u>	<u>34,371,610</u>	<u>54,844,650</u>	<u>33,822,951</u>
Net (Expense)/Revenue										
Governmental activities	(60,594,467)	(46,912,175)	(52,179,224)	(81,958,587)	(71,536,201)	(61,305,798)	(68,574,625)	(74,321,518)	(44,818,274)	(69,574,757)
Business-type activities	<u>271,068</u>	<u>6,616,174</u>	<u>2,904,034</u>	<u>2,950,788</u>	<u>6,614,897</u>	<u>3,390,214</u>	<u>(1,024,843)</u>	<u>(1,228,823)</u>	<u>(1,795,328)</u>	<u>1,075,034</u>
Total primary government net (expense)/revenue	<u>(60,323,399)</u>	<u>(40,296,001)</u>	<u>(49,275,190)</u>	<u>(79,007,799)</u>	<u>(64,921,304)</u>	<u>(57,915,584)</u>	<u>(69,599,468)</u>	<u>(75,550,341)</u>	<u>(46,613,602)</u>	<u>(68,499,723)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	30,069,280	31,778,884	36,774,263	38,185,874	40,282,791	43,830,954	53,625,181	54,718,453	54,568,588	54,905,801
Local option sales tax	9,265,641	11,818,791	13,184,746	14,312,428	15,791,771	16,360,401	13,803,138	10,913,165	10,369,667	11,785,721
Utility franchise tax	168,229	173,696	180,808	186,985	274,422	318,899	321,802	273,740	231,349	238,690
Real estate transfer tax	534,704	693,074	850,318	1,155,158	1,146,496	1,005,843	514,599	531,807	387,864	534,686
Other taxes and licenses	1,532,527	421,983	525,573	445,617	476,624	494,670	746,779	646,101	639,076	365,652
Unrestricted intergovernmental	286,096	378,105	427,161	446,783	462,986	472,872	456,991	294,812	500,722	479,922
Investment earnings	443,179	165,874	772,131	2,016,573	2,624,428	1,604,805	662,836	109,631	91,606	87,795
Miscellaneous	248,747	-	-	(251,884)	-	-	-	-	-	-
Transfers	-	-	-	(1,837,216)	-	(1,084,403)	-	-	-	(79,006)
Gain (loss) on disposal of capital assets	-	-	-	-	-	-	-	-	-	-
Total governmental activities:	<u>42,548,403</u>	<u>45,430,407</u>	<u>52,715,000</u>	<u>56,497,534</u>	<u>59,222,302</u>	<u>64,088,444</u>	<u>69,046,923</u>	<u>67,487,709</u>	<u>66,788,872</u>	<u>68,319,261</u>

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type activities:										
Property taxes	1,529,428	1,604,298	1,806,680	1,547,152	1,701,604	1,302,839	557,775	472,991	487,936	495,073
Other taxes and licenses	2,051,000	-	-	-	-	-	-	-	-	-
Unrestricted intergovernmental	20,068	-	-	-	-	-	-	-	-	-
Investment earnings	159,517	113,335	342,074	704,796	769,650	712,156	258,880	37,924	31,172	46,465
Transfers	-	-	-	251,884	-	-	1,084,403	-	-	-
Total business-type activities	3,760,013	1,717,633	2,148,754	2,503,832	2,471,254	2,014,995	1,901,058	510,915	519,108	541,538
Total primary government	46,308,416	47,148,040	54,863,754	59,001,366	61,693,556	66,103,439	70,947,981	67,998,624	67,307,980	68,860,799
Change in Net Assets										
Governmental activities	(18,046,064)	(1,481,768)	535,776	(25,461,053)	(12,313,899)	2,782,646	472,298	(6,833,809)	21,970,598	(1,255,496)
Prior period adjustment	-	-	281,085	-	-	-	-	-	-	-
Business-type activities	4,031,081	8,333,807	5,052,788	5,454,620	9,086,151	5,405,209	876,215	(717,908)	(1,276,220)	1,616,572
Prior period adjustment	-	-	(400,000)	(3,202,935)	-	-	-	-	-	-
Total primary government	\$ (14,014,983)	\$ 6,852,039	\$ 5,469,649	\$ (23,209,368)	\$ (3,227,748)	\$ 8,187,855	\$ 1,348,513	\$ (7,551,717)	\$ 20,694,378	\$ 361,076

Schedule 3**Lincoln County****Fund Balances, Governmental Funds****Last Ten Fiscal Years**

(modified accrual basis of accounting)

	Fiscal Year								General Fund	Non-spendable	Prepays	Restricted	Stabilization for State statute	4,425,101	\$ 46,046	4,642,158
	2003	2004	2005	2006	2007	2008	2009	2010								
General Fund																
Reserved for:																
State statute	\$ 7,103,522	\$ 6,207,162	\$ 6,300,551	\$ 6,142,499	\$ 7,325,570	\$ 6,184,221	\$ 4,642,450	\$ 4,923,594							\$ 412,743	\$ 588,275
Unreserved																
Undesignated	\$ 9,374,194	\$ 10,808,036	\$ 14,040,465	\$ 12,218,849	\$ 11,136,446	\$ 10,239,759	\$ 15,686,057	\$ 15,256,358							4,425,101	4,642,158
Total General Fund	\$ 16,477,716	\$ 17,015,198	\$ 20,341,016	\$ 18,361,348	\$ 18,462,016	\$ 16,423,980	\$ 20,328,507	\$ 20,179,952							46,046	48,767
All Other Governmental Funds																
Reserved for:																
State statute	\$ 741,305	\$ 738,349	\$ 472,524	\$ 546,305	\$ 614,753	\$ 625,717	\$ 545,926	\$ 499,044	All Other Governmental Funds						19,107,300	19,225,055
Unreserved, reported in:																
Capital projects funds	5,591,234	1,422,207	9,473,672	30,550,999	11,406,471	4,431,429	13,070,660	10,666,888	Stabilization for State statute						495,726	690,235
Special revenue funds	868,004	681,614	1,443,006	1,918,943	3,529,121	4,449,812	6,458,680	6,384,275	Restricted, all other						603,986	338,169
Total all other governmental funds	\$ 7,200,543	\$ 2,842,170	\$ 11,389,202	\$ 33,016,247	\$ 15,550,345	\$ 9,506,958	\$ 20,075,266	\$ 17,550,207	Committed						3,496,614	2,436,170
									Capital Project Funds							
									Restricted							
									Stabilization for State statute						540,662	15,898
									Restricted, all other						1,523,768	821,143
									Committed						1,225,391	1,232,123
															3,289,821	2,069,164
									Special Revenue Funds							
									Restricted							
									Restricted, all other						11,368,364	8,183,748
									Unassigned						(201,780)	-
									Total Special Revenue Funds						\$ 11,166,584	\$ 8,183,748

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Ad valorem taxes	29,877,029	31,720,911	36,512,355	38,564,953	40,273,413	43,831,868	53,306,067	54,655,457	54,810,341	49,019,309
Local option sales taxes	10,344,449	11,818,791	13,184,746	14,312,428	15,791,771	16,360,401	13,803,138	10,913,165	10,369,667	11,785,721
Other taxes and licenses	1,156,652	1,288,753	1,556,699	1,787,760	1,897,542	1,819,412	1,583,180	1,451,648	1,258,289	859,857
Unrestricted intergovernmental revenues	286,096	378,105	427,161	446,783	462,986	472,872	456,991	294,812	500,722	479,922
Restricted intergovernmental revenues	6,998,014	7,720,774	8,887,514	9,334,631	10,005,953	10,005,506	12,071,547	13,135,650	12,693,675	11,113,384
Permits and fees	1,412,239	1,546,249	1,722,771	1,816,283	2,262,340	2,250,774	1,460,117	1,280,703	1,143,681	1,336,428
Sales, service and rents	5,059,626	6,423,416	6,853,660	7,004,456	7,797,193	7,176,094	7,911,950	8,016,111	7,971,588	7,264,115
Investment earnings	443,179	165,874	772,131	2,016,573	2,624,428	1,604,805	658,773	107,649	88,420	973,684
Miscellaneous	278,847	262,369	435,690	528,126	903,261	1,007,343	1,102,712	880,474	1,139,064	70,272
Total Revenues	55,856,131	61,325,242	70,352,727	75,811,993	82,018,887	84,529,075	92,354,475	90,735,669	89,975,447	82,902,692
Expenditures										
General Government	5,420,276	5,587,042	6,689,600	7,180,315	7,115,181	6,973,330	6,680,816	6,805,984	7,288,803	7,596,084
Public Safety	13,489,640	14,107,357	16,243,710	17,291,813	19,948,102	22,973,155	24,414,534	25,211,834	25,839,073	19,566,218
Environmental Protection	537,466	563,632	-	-	-	-	-	-	-	-
Economic and physical development	678,381	855,719	1,284,830	1,121,760	1,456,413	1,891,301	2,560,826	2,141,124	2,130,806	2,216,098
Human services	15,410,129	16,392,974	17,592,440	18,751,492	20,233,571	21,030,957	19,932,951	19,486,941	20,796,790	20,259,280
Culture and Recreation	1,211,763	1,352,872	1,429,794	1,518,568	1,487,686	1,567,316	1,828,106	1,991,265	2,076,511	2,057,344
Education	32,732,273	12,681,353	13,464,100	14,375,502	15,671,351	17,109,628	17,742,846	18,421,240	18,421,240	17,742,846
Capital Outlay	4,722,622	7,012,641	10,810,331	36,797,703	21,698,635	8,523,119	12,481,380	15,117,985	8,452,355	-
Debt Service:										
Principal	4,663,402	3,601,883	4,658,421	5,724,576	6,727,757	7,743,368	7,872,139	8,770,711	8,970,463	9,116,549
Interest	2,725,299	3,387,510	3,319,690	4,021,663	5,045,425	4,907,326	5,258,614	5,408,907	6,604,596	4,935,755
Total Expenditures	81,591,251	65,542,983	75,492,916	106,783,392	99,384,121	92,719,500	98,772,212	103,355,991	100,580,637	83,490,174
Excess of revenues over (under) expenditures	(25,735,120)	(4,217,741)	(5,140,189)	(30,971,399)	(17,365,234)	(8,190,425)	(6,417,737)	(12,620,322)	(10,605,190)	(587,482)
Other Financing Sources (Uses)										
Transfers in	10,347,464	10,771,009	6,550,828	21,737,558	21,816,295	22,881,375	13,131,113	9,451,904	10,679,484	4,835,242
Transfers out	(10,347,464)	(10,771,009)	(6,550,828)	(21,989,442)	(21,816,295)	(22,881,375)	(13,235,823)	(9,451,904)	(10,679,484)	(4,490,310)
Bonds & installment financing issued	9,588,275	-	17,000,000	60,220,000	-	109,002	20,990,000	28,027,000	27,005,000	30,255,000
Bond premium	-	-	34,005	76,730	-	-	5,282	204,331	1,330,062	2,868,507
Advance refunding of long-term debt	-	17,506,757	-	-	-	-	-	-	-	-
Advance refunding payments to trustee	-	(17,763,348)	-	(9,400,000)	-	-	-	(18,284,623)	(17,300,000)	(32,763,202)
Debt issuance costs	-	(87,730)	-	-	-	-	-	-	-	-
Prior period adjustment	-	-	-	-	-	-	-	-	-	-
Miscellaneous other financing uses	-	-	(20,966)	(26,070)	-	-	-	-	-	-
Total other financing sources (uses)	9,588,275	(344,321)	17,013,039	50,618,776	-	109,002	20,890,572	9,946,708	11,035,062	705,237
Net change in fund balances	(16,146,845)	(4,562,062)	11,872,850	19,647,377	(17,365,234)	(8,081,423)	14,472,835	(2,673,614)	429,872	117,755
Debt service as a percentage of noncapital expenditures	9.49%	10.88%	10.97%	9.35%	12.12%	14.46%	13.99%	14.12%	15.84%	20.03%

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		Registered Vehicles	Other					
2003	2,966,548,052	338,448,801	163,376,431	165,157,601	524,431,990	370,129,854	360,596,730	4,558,374,257	0.620	5,082,932,936	89.68%
2004	3,091,161,061	360,806,847	167,382,296	164,199,294	530,303,836	409,492,585	377,825,148	4,772,772,479	0.620	5,538,786,676	86.17%
2005 (5)	3,802,698,472	444,490,729	178,822,434	221,215,557	546,104,374	504,857,009	372,177,382	5,627,934,843	0.620	5,691,106,121	98.89%
2006	3,909,655,314	457,076,482	188,530,612	229,539,273	642,566,748	470,754,443	372,386,636	5,811,430,962	0.610	6,056,097,293	95.96%
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%

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. The last reassessment was on January 1, 2008 and was the basis for fiscal 2009 taxes. The next revaluation will be conducted after 3 years January 1, 2011 after which revert back to 4 year cycle.

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

	Year Taxes Are Payable									
	2003	2004	2005(1)	2006	2007	2008	2009(1)	2010	2011	2012
Lincoln County	0.6200	0.6200	0.6200	0.6100	0.6100	0.6100	0.5700	0.5700	0.5700	0.5960
<u>Municipality Rates:</u>										
Lincolnton (2)	0.5600	0.5600	0.5600	0.5600	0.5600	0.5600	0.5600	0.5600	0.5600	0.5600
<u>Special District</u>										
East Lincoln Water and Sewer District (3)	0.1500	0.1500	0.1300	0.1100	0.1100	0.0750	0.0200	.0175	.0175	.0290
<u>Fire Districts</u> (4)										
Alexis	0.0500	0.0500	0.0500	0.0650	0.0850	0.1450	0.1142	0.1050	0.1100	0.1100
Boger City	0.0500	0.0500	0.0500	0.0500	0.0500	0.0700	0.0700	0.0700	0.0750	0.0925
Crouse	0.0500	0.0500	0.0500	0.0500	0.0600	0.0600	0.0600	0.0600	0.0600	0.0609
Denver	0.0500	0.0500	0.0450	0.0500	0.0790	0.1150	0.0981	0.09675	0.09675	0.1099
East Lincoln	0.0500	0.0500	0.0450	0.0600	0.0650	0.0650	0.0606	0.0606	0.0606	0.0680
Howards Creek	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0700	0.1000	0.1000	0.1050
North Brook	0.0500	0.0500	0.0500	0.0500	0.0500	0.0600	0.0600	0.0600	0.0600	0.0600
North 321	0.0350	0.0350	0.0350	0.0350	0.0350	0.0350	0.0350	0.0350	0.035	0.0350
Pumpkin Center	0.0500	0.0500	0.0500	0.0500	0.0650	0.1000	0.0951	0.0951	0.0951	0.0951
South Fork	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0776	0.0910	0.091	0.0910
Union	0.0500	0.0500	0.0500	0.0500	0.0650	0.0650	0.0750	0.0750	0.075	0.0750

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

Taxpayer	Type of Business	Fiscal Year 2012			Fiscal Year 2003		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy Corp.	Utility	\$ 238,015,037	1	2.90%	\$ 286,260,751	1	6.06%
The Timken Company	Bearing manufacturer	86,774,240	2	1.06%	79,710,977	2	1.69%
Julius Blum, Inc.	Furniture hardware manufacturer	69,893,197	3	0.85%	44,450,485	3	0.94%
Cataler North America Corp.	Auto parts manufacturer	62,540,313	4	0.76%			
RSI Home Products	Manufacturing	60,704,192	5	0.74%			
Wal Mart Stores East LP	Retail	31,706,202	6	0.39%			
Rutherford Electric Membership	Utility	30,541,910	7	0.37%	21,638,396	5	0.46%
Actavis Mid Atlantic	Pharmaceuticals	28,416,626	8	0.35%			
Lowe's Home Improvement Ctr	Retail Sales	27,557,948	9	0.34%			
Bellsouth Corp.	Utility	25,379,608	10	0.31%	32,726,148	4	0.69%
Vermont American Corp.	Tool Manufacturer				19,598,267	6	0.41%
Mohican Mills, Inc.	Textile manufacturer				16,271,099	7	0.34%
Cochrane Furniture Co., Inc.	Furniture manufacturer				12,770,423	8	0.27%
Carolina Centers, LLC	Real Estate				9,343,223	9	0.20%
McMurray Fabrics	Manufacturing				7,768,316	10	0.16%
Totals		\$ 661,529,273		8.06%	\$ 530,538,085		11.23%

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)		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		Amount	Percentage of Adjusted Levy	
2003	28,162,134	156,030	28,318,164	27,283,688	96.35%	973,300	28,256,988	99.78%	61,176
2004	29,507,590	155,770	29,663,360	28,841,912	97.23%	733,723	29,575,635	99.70%	87,725
2005	34,643,901	49,123	34,693,024	33,537,294	96.67%	1,093,551	34,630,845	99.82%	62,179
2006	35,554,969	(14,335)	35,540,634	34,697,002	97.63%	769,254	35,466,256	99.79%	74,378
2007	37,196,591	154,642	37,351,233	36,499,544	97.72%	765,698	37,265,242	99.77%	85,991
2008	39,495,597	260,891	39,756,488	38,884,020	97.81%	770,609	39,654,629	99.74%	101,859
2009	48,397,102	144,571	48,541,673	47,330,210	97.50%	1,083,400	48,413,610	99.74%	128,063
2010	48,978,334	323,666	49,302,000	48,202,295	97.77%	924,804	49,127,099	99.65%	174,901
2011	49,168,763	152,177	49,320,940	48,295,770	97.92%	709,865	49,005,635	99.36%	315,305
2012	49,318,299	19,177	49,337,476	48,213,572	97.72%	-	48,213,572	97.72%	1,123,904

Source: Lincoln County Tax Department

\$ 2,279,357

Schedule 9**Lincoln County****Ratios of Outstanding Debt by Type,****Last Ten Fiscal Years**

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Fiscal Year	Governmental Activities			Business-type Activities					Percentage of Personal Income (1)
	General Obligation Bonds	Installment Loans	Capital Leases	General Obligation Bonds	Clean Water Loan	Installment Loans	Total Primary Government	Per Capita (1)	
2003	56,536,445	11,121,128		15,386,428	3,500,000	1,163,327	87,707,328	1,301	5.59%
2004	53,122,034	11,403,864		14,057,966	3,250,000	1,031,136	82,865,000	1,216	5.21%
2005	66,785,180	10,082,297		12,204,820	3,000,000	912,702	92,984,999	1,337	5.53%
2006	90,935,156	31,027,745		10,394,844	2,750,000	3,942,943	139,050,688	1,961	7.44%
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		5,563,766	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	*

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 2010 personal income not available to calculate fiscal year 2011.

* Information not yet available.

Schedule 10
Lincoln County
Ratios of Net General Bonded Debt Outstanding,
Last Ten Fiscal Years

General Bonded Debt Outstanding					
Fiscal Year	General Obligation Bonds	Total	Percentage of Personal Income(1)	Percentage of Actual Taxable Value of Property(2)	Per Capita(1)
2003	71,922,873	71,922,873	4.58%	1.58%	1,067
2004	67,180,000	67,180,000	4.22%	1.41%	986
2005	78,990,000	78,990,000	4.70%	1.40%	1,136
2006	101,330,000	101,330,000	5.42%	1.74%	1,429
2007	94,305,000	94,305,000	4.61%	1.54%	1,290
2008	87,365,000	87,365,000	3.94%	1.34%	1,174
2009	100,030,000	100,030,000	4.07%	1.18%	1,342
2010	103,260,000	103,260,000	4.07%	1.20%	1,364
2011	105,430,000	105,430,000	4.07%	1.22%	1,316
2012	98,675,000	98,675,000	*	1.19%	1,248

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.

(2) See schedule 5 for property value data.

* Information not yet available.

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed Value of Property	\$ 4,558,374	\$ 4,772,772	\$ 5,627,935	\$ 5,811,431	\$ 6,114,992	\$ 6,509,962	\$ 8,490,268	\$ 8,634,483	\$ 8,644,971	\$ 8,242,244
Debt Limit, 8% of Assessed Value (Statutory Limitation)	364,670	381,822	450,235	464,914	489,199	520,797	679,221	690,759	691,598	659,380
Amount of Debt Applicable to Limit										
Gross debt	87,707	82,865	92,985	139,051	130,124	120,202	131,832	150,082	149,585	143,193
Less: Amount available for repayment of general obligation bonds	-	-	-	-	-	-	-	-	-	-
Debt outstanding for water and sewer purposes	20,050	18,339	16,118	17,088	14,888	12,601	11,113	26,317	25,085	25,730
Total net debt applicable to limit	67,658	64,526	76,867	121,963	115,235	107,601	120,719	123,765	124,499	117,463
Legal Debt Margin	<u>\$ 297,012</u>	<u>\$ 317,296</u>	<u>\$ 373,367</u>	<u>\$ 342,952</u>	<u>\$ 373,964</u>	<u>\$ 413,196</u>	<u>\$ 558,503</u>	<u>\$ 566,994</u>	<u>\$ 567,098</u>	<u>\$ 541,917</u>
Total net debt applicable to the limit as a percentage of debt limit	18.55%	16.90%	17.07%	26.23%	23.56%	20.66%	17.77%	17.92%	18.00%	17.81%

Note: NC Statute GS159-55 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, 2012

<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 Lincolnton (1)	\$ -	100.00%	\$ -
Direct - Lincoln County			<u>96,000,000</u>
Total direct and overlapping debt			<u><u>\$ 96,000,000</u></u>

(1) Source: City of Lincolnton 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)
2003	67,390	1,568,971	23,688	11,050	7.10%	21,277
2004	68,118	1,590,737	23,635	11,274	7.10%	22,710
2005	69,532	1,681,231	24,692	11,480	6.10%	30,578
2006	70,914	1,868,000	28,591	11,666	5.70%	31,356
2007	73,107	2,044,532	30,303	12,056	5.00%	34,693
2008	74,405	2,215,799	32,418	12,193	4.80%	24,536
2009	74,552	2,459,872	32,912	11,792	7.50%	13,921
2010	75,718	2,537,929	33,375	11,984	13.60%	13,121
2011	80,134	2,589,120	33,029	11,790	12.70%	13,149
2012	79,026	*	*		10.50%	*

* 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.

Schedule 14
Lincoln County
Principal Employers
Current Year and Nine Years Ago

Employer	Product or Service	2012			Percentage of Total County Employment	2003			Percentage of Total County Employment
		Employees	Rank			Employees	Rank		
Lincoln County Schools	Education	1,600	1		4.24%	1,386	1		3.89%
Lincoln County Government	County Government	750	2		1.99%	482	7		1.35%
The Timken Company	Tapered Roller Bearings	750	3		1.99%	639	2		1.79%
Wal-Mart Stores, Inc.	Discount Stores	730	4		1.94%	315	11		0.88%
Lincoln Medical Center	Medical Care	720	5		1.91%	467	9		1.31%
RSI Home Products	Vanities and Marble Counter Tops	570	6		1.51%	500	5		1.40%
Julius Blum, Inc.	Cabinet and Furniture Hardware	370	7		0.98%	410	10		1.15%
Actavis Corp.	Pharmaceuticals	330	8		0.88%	190	19		0.53%
Lowes	Home Improvements	270	9		0.72%	125	28		0.35%
Mohican Mills	Lace and Tricot Goods	240	10		0.64%	500	4		1.40%
United Technologies	Security Devices	230	11		0.61%				
Cataler North America	Automobile Components	200	12		0.53%				
State of North Carolina	Various Government Agencies	190	13		0.50%	241	14		0.68%
McMurray Fabrics, Inc.	Specialty Fabrics	190	14		0.50%	100	33		0.28%
Robert Bosch Tool Corporation	Tools Manufacturer and Distributor	180	15		0.48%	476	8		1.34%
VT LeeBoy, Inc.	Asphalt Paving Equipment	175	16		0.46%	140	26		0.39%
Total Civilian Labor Force for the County		37,707			35,607				

Sources: Lincoln Economic Development Association
 North Carolina Employment Security Commission
 Telephone survey Finance Department

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

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

Function/Program	Full-Time Equivalent As of June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Cultural and recreation										
Recreation	18.5	16.0	17.0	18.0	11.0	15.0	26.5	30.6	29.7	29.7
Library	14.5	15.5	16.5	16.0	14.0	17.5	17.5	17.3	16.33	16.4
Historical Coordinator	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0
Water/Sewer (Business activity)										
Water & Sewer Fund	(5)	23.0	25.0	27.0	28.0	34.0	42.0	43.0	43.0	42.6
East Lincoln Sewer District	(5)	7.0	7.0	7.0	8.0	8.0	0.0	0.0	0.0	0.0
Landfill	(3)	22.5	24.5	29.5	30.5	39.0	41.0	48.0	48.6	43.6
Total		<u>525.0</u>	<u>551.5</u>	<u>580.0</u>	<u>618.0</u>	<u>644.5</u>	<u>681.5</u>	<u>752.5</u>	<u>757.2</u>	<u>740.4</u>
										<u>741.9</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 2,088 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.
- (3) Sanitation was combined into Landfill Fund 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Management Information Systems										
Work orders	2,669	2,562	3,168	3,259	3,889	3,804	3,798	4,870	5,571	5,604
Elections										
Registered voters	41,378	41,174	42,923	43,955	44,471	47,306	49,218	49,899	49,959	53,240
Votes cast in general elections (votes odd years city even county wide)	926	30,207	189	18,700	877	36,066	1,421	n/a	23,427	36,892
Tax										
Number of land records created	1,314	996	930	1,081	959	936	1,144	126	140	250
Number of ownership transfers - real estate/mfg. homes	5,248	6,066	5,947	6,499	7,114	6,679	6,118	2,411	4,293	3,995
Number of tax bills created - real/personal	60,656	60,153	62,476	65,243	67,167	66,168	69,202	68,330	68,499	68,400
Number of tax bills created - registered vehicles	78,325	80,864	83,135	89,016	85,666	89,394	89,224	87,540	85,796	84,814
Register of Deeds										
Total documents recorded	21,727	23,171	20,125	21,414	20,645	19,179	15,066	13,427	12,042	
Deeds recorded	3,615	4,130	4,252	4,714	4,489	3,905	2,706	2,666	2,382	
Marriage licenses issued	459	422	473	492	484	488	471	505	514	
Births occurring	*	512	466	375	455	481	485	523	424	346
Deaths occurring	*	460	486	443	475	472	518	486	474	452
Certified copies issued	4,848	5,119	5,220	5,211	5,935	5,344	5,300	4,991	4,759	
Public safety										
Arrests	*	1,882	2,053	2,154	2,869	3,618	3,265	3,213	2,928	2,975
Civil papers served	*	9,872	9,205	9,404	11,058	11,753	13,036	13,255	13,715	12,311
Jail bookings		2,398	4,246	6,150	4,805	3,750	3,942	3,622	3,516	3,584
Average daily jail population		77	76	100	117	112	110	125	123	134
Communications total calls	*	57,794	63,261	49,261	81,234	87,361	106,576	110,305	93,074	89,575
Building permits issued	*	2,003	2,179	2,396	2,512	2,560	1,795	1,884	2,238	3,035
Building inspections conducted	*	21,277	22,710	30,578	31,356	34,693	24,536	13,921	13,121	13,131
Emergency medical calls answered		7,239	8,164	8,889	9,635	12,020	14,331	14,394	15,367	16,002
Emergency patients transported		4,672	5,002	5,089	5,436	7,194	7,249	7,868	7,994	8,143
Number of firemen and officers		400	400	400	400	450	476	500	500	450
Number of fire calls answered		1,800	1,800	1,900	1,900	2,486	2,955	3,000	3,000	3,000
Number of fire marshal inspections		350	350	300	450	400	1,250	1,300	1,300	1,750
Animals entering shelter		3,821	3,105	3,262	3,512	3,240	3,969	2,611	4,779	4,235
Animals euthanized		3,119	2,866	2,824	2,772	2,445	2,577	1,555	2,601	2,485

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Economic and physical development										
Cooperative Extension client contacts	18,355	22,744	25,069	25,099	31,950	33,984	50,055	49,206	69,149	63,688
Soil and Water Conservation										
Clients assisted	2,319	2,372	2,320	2,435	2,700	2,673	3,183	3,634	3,658	3,750
Funds landowners received from fed & state programs	189,284	295,000	253,463	581,611	226,815	284,656	443,203	233,644	176,714	346,154
Human services										
Health Department patient visits										
Adult Health	594	705	895	1,007	4,108	4,972	4,922	4,091	3,790	2,684
Child Health	336	280	249	236	1,189	1,219	1,514	1,160	1,115	1,083
Family Planning	1,278	1,099	1,075	1,025	4,586	4,932	5,892	6,842	4,836	4,723
Immunizations/Flu	3,431	3,460	4,611	4,372	4,719	2,961	3,362	5,076	2,285	1,144
Maternal Health	540	732	718	506	2,012	1,296	1,831	1,851	1,125	374
Primary Care	508	4,182	6,394	6,109	7,192	7,251	7,231	7,225	6,052	5,899
Sexually transmitted diseases	308	287	225	228	1,619	2,178	2,588	3,054	2,748	2,562
Tuberculosis	155	155	131	203	236	626	602	652	324	477
Case Management (child service & maternity care) (discontinued)	2,580	2,421	2,216	2,342	2,946	1,972	2,398	2,005	1,748	*
Lab services (in-house) (referred)	9,603	17,513	12,663	12,786	12,750	12,375	12,452	9,898	10,895	9,536
WIC (women infants and children)	4,653	4,750	4,748	4,224	4,679	5,063	4,797	4,116	4,356	4,030
Home Health (unduplicated patients)	13,085	14,605	20,074	20,684	22,749	23,269	24,715	24,180	24,345	24,490
Environmental Health										
Food & Lodging permits		40	64	96	100	62	70	71	68	77
Food, Lodging & Institutional Inspections						782	796	834	859	1,257
Sewage system permits		972	756	780	834	841	377	302	273	349
Sewage system finals		597	543	464	491	375	271	208	164	213
Water samples		126	134	220	165	250	344	294	258	308
New well permits (began 7/1/07)						189	145	96	102	137
Wells Inspected (water for sampling)		54	66	80	45	123	177	120	-	-
New well sitings (discontinued 7/1/07)	465	380	406	540	524	-	-	-	-	-
Swimming pools		30	25	35	30	31	37	25	31	31
Lead investigations		1	2	-	1	1	2	-	-	-
Complaint investigations						62	118	121	56	175
Social Services cases (may contain duplicates)										
Child & adult protective services	83	90	85	116	133	126	108	108	116	109
Children in foster care	49	44	58	71	109	97	76	53	56	62
Work first cases	266	188	182	167	161	150	160	133	128	121
NC health choice cases	444	557	623	566	617	626	666	756	826	817
Medicaid cases	5,299	5,769	6,244	6,814	7,104	7,437	8,027	8,952	8,966	9,098
Food stamp cases	1,452	1,861	2,186	2,568	2,732	2,487	3,657	4,372	5,244	5,654
Child support cases	2,476	2,542	2,516	2,599	2,733	2,809	2,823	2,863	2,765	2,920
Transportation clients served	-	-	-	280	524	632	667	2,444	2,900	38,810
Transportation trips provided	-	-	-	-	-	-	38,507	38,506	40,367	46,883
Culture and recreation										
Recreation (shelter & facility reservations)									816	896
Library volumes in collection	102,204	106,855	109,413	128,856	126,319	133,498	134,854	137,971	148,408	142,853
Library circulation	301,116	304,599	321,761	315,578	325,699	329,072	323,544	326,429	308,342	280,413

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Water/Sewer (Business activity)										
Number of water customers	6,898	7,756	8,075	8,657	9,169	9,583	9,585	9,584	9,730	9,901
Average daily water production	2,150,000	2,200,000	2,300,000	2,460,000	2,640,000	2,402,250	2,296,000	2,910,000	2,800,000	2,620,000
Number of sewer customers	1,611	2,234	2,502	2,879	3,220	3,538	3,660	3,699	3,812	3,843
Average daily sewage treatment	393,000	463,000	523,000	548,000	617,750	610,333	700,000	729,000	780,000	880,000
Landfill										
Tons of waste sanitary landfill	44,125	45,558	52,013	45,435	45,091	44,680	45,508	48,496	46,692	43,093
Tons of waste demolition landfill	18,730	16,337	16,097	10,351	10,787	7,809	11,264	12,796	16,131	18,282
Tons of recyclables	1,288	1,337	1,424	1,440	1,678	1,870	1,848	2,175	2,187	2,048
Tons of whitegoods	1,310	1,508	1,583	1,502	1,872	1,184	968	1,023	800	1,125
Tons of tires	1,290	1,117	1,310	1,267	1,678	1,371	1,185	1,281	1,209	1,280

* 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Buildings	19	20	22	22	22	22	22	22	24	24
Public safety										
Law enforcement stations	3	3	3	3	3	3	3	3	3	3
Patrol units	53	53	53	53	67	71	77	77	77	77
Jail capacity	168	168	168	168	168	168	168	168	168	168
Emergency medical stations	3	3	3	3	3	3	5	6	7	7
Emergency medical apparatus	18	20	18	17	18	20	22	23	23	24
Fire department stations	11	11	11	11	11	13	15	15	15	16
Economic and physical development										
Human services										
Number of transportation vehicles	19	18	14	12	12	13	12	15	18	19
Cultural and recreation										
Number of libraries	3	3	3	3	3	3	3	3	3	3
Number of county parks										
Developed	2	2	2	2	2	2	4	4	4	5
Undeveloped	1	1	2	2	2	2	1	1	1	1
Park acreage:										
Developed	37	37	37	37	37	37	115	115	115	149
Undeveloped	54	54	54	54	54	54	116	116	116	116
Number of community centers	2	2	2	2	2	2	2	2	2	2
Number of gyms/centers	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
Miles of water mains	258	260	265	270	279	285	300	315	336	313
Number of wastewater plants	1	1	1	1	1	1	1	2	2	2
Miles of sanitary sewer	72	75	78	82	86	90	100	155	155	171
Landfill										
Number of sanitary landfills	1	1	1	1	1	1	1	1	1	1
Number of demolition landfills	1	1	1	1	1	1	1	1	1	1
Number of convenience sites	7	7	7	7	7	7	7	7	7	7

Source: Various County Departments