

LINCOLN COUNTY NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Prepared By
Finance Department**

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LINCOLN COUNTY

NORTH CAROLINA

BOARD OF COMMISSIONERS

ALEX E. PATTON, CHAIRMAN

CARL E. ROBINSON, JR, VICE-CHAIRMAN

JAMES A. KLEIN

CARROL MITCHEM

CECILIA A. MARTIN

W. TRACY JACKSON, 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
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December 9, 2014

Chairman Carroll Mitchem,
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, 2014, 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, 2014, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that Lincoln County's financial statements for the fiscal year ended June 30, 2013, 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.

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

Fiscal year 2013 saw five economic development announcements. Borghetti Turbos announced that they will come to Lincoln County and make an investment of \$7,000,000 and add 127 new jobs. Tenowo also announced an expansion of their facilities valued at over \$3,000,000, with 12 new jobs added.

In 2012, 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 complete and the second phase is in the construction stage. 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 has completed water line upgrades near the new Highway 16 and Highway 73 interchange, 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 included an option to purchase the building if the County chooses. The County exercised that option in Fiscal Year 2013. County offices previously located in the Courthouse have relocated to this building providing much needed space and freeing up space in the Courthouse for court functions.

At the same September 2006 meeting the Board of Commissioners also approved an agreement that allowed Lincoln Health System to enter into an agreement for Carolinas Healthcare System to apply for a certificate of need to construct 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 2013 – 14 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. The 2003 and part of the 2006 bonds were refunded in November, 2013. This will result in a slightly lower debt service burden for the remaining life of the bonds.

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.

Construction is underway to extend sewer service past the Lincoln-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 scheduled to be completed in late 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. Permitting activity has significantly increased in Lincoln County over the past year.

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 \$18,386,184 expended from the General Fund. In addition, \$1,477,799 was paid for capital project expenditures.

Other Postemployment Benefits

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

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

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

Awards and Acknowledgements

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Lincoln County for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the eighteenth 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.

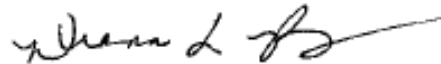
Acknowledgements

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,



Kelly G. Atkins
County Manager



Deanna L. Rios
Finance Director



Government Finance Officers Association

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

Presented to

**Lincoln County
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

LINCOLN COUNTY, NORTH CAROLINA

Principal Officials

June 30, 2014

Board of County Commissioners

Alex E. Patton, Chairman

Carl E. Robinson, Jr., Vice-Chairman

James A. Klein

Carroll Mitchem

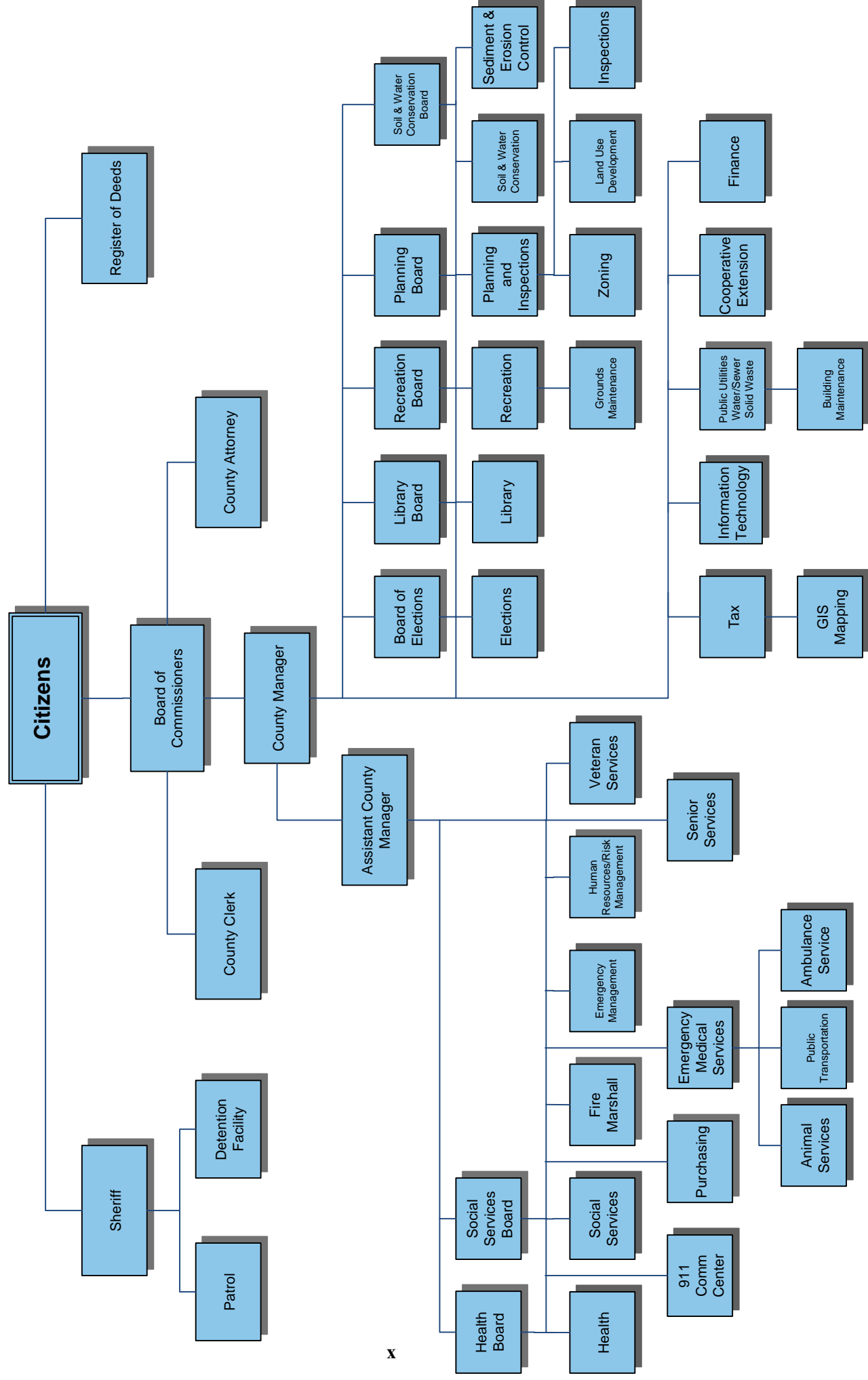
Cecelia A. Martin

County Officials

**George Wood
Martha Lide
Wesley Deaton
Danny Hester
David Carpenter
Ron Rombs
Donnie Fields
Tom Dyson
Bradley Putnam
Bill Summers
Ron Rombs
Deanna Rios
Margaret Dollar
Jennifer Sackett
Dante' Patterson
Andrew Bryant
Don Chamblee
Erma Deen Hoyle
Marti Hovis
Susan McCracken
Rick McSwain
Clyde Kepley
Ron Rombs
Eric Robinson**

**County Manager
Assistant County Manager
County Attorney
Register of Deeds
Sheriff
Animal Services
Buildings and Grounds
Cooperative Extension
Elections
Emergency Management
Emergency Medical Services
Finance Director
Health
Library
Information Technology
Planning and Inspections
Public Works
Recreation
Senior Services
Social Services
Soil Conservation
Tax Administrator
Transportation
Veterans Service**

Lincoln County



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

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

Independent Auditor's Report

To the Board of Commissioners
Lincoln County
Lincolnton, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lincoln County, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Lincoln County ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officer's Special Separation Allowance, and the Other Post-Employment 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 the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lincoln County's basic financial statements. The introductory information, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical section as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office of Management; Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements and statistical section.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of Lincoln County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln County's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 9, 2014

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Management's Discussion and Analysis

As management of Lincoln County, we offer readers of Lincoln County's financial statements this narrative overview and analysis of the financial activities of Lincoln County for the fiscal year ended June 30, 2014. 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

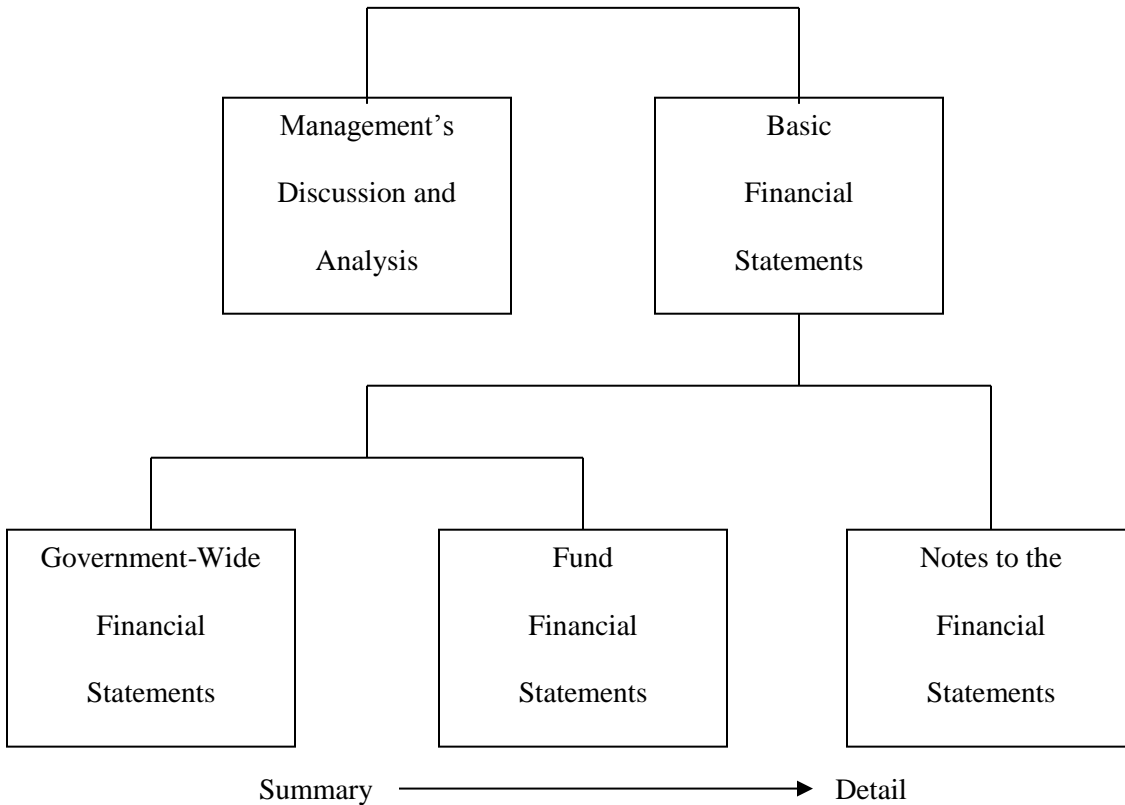
- The assets of Lincoln County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$30,551,210 (*net position*).
- Current year decreases in debt related to school construction and expansion of the water treatment plant were the primary factors contributing to the increase in the government's total net position of \$6,723,571.
- As of the close of the current fiscal year, Lincoln County's governmental funds reported combined ending fund balances of \$32,086,496, an increase of \$4,525,930, in comparison with the prior year amount. This increase was primarily due to an increase in sales taxes collected and savings in various departments in the General Fund. This increase was offset by a decrease in other funds balance of \$1,977,768. Approximately 61.94% of this total amount, or \$19,874,654, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,687,339, or 14.99%, of total General Fund expenditures for the fiscal year.
- Lincoln County's total debt decreased by \$855,972, or 0.55%, during the current fiscal year. The key factor in this decrease was the 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.
- Standard & Poor's increased Lincoln County's bond rating from AA- to AA+ in September 2014. Lincoln County has maintained bond ratings of Aa3 from Moody's Investors Service and AA rating from Fitch Ratings as a result of our last ratings in January 2011. Fitch reaffirmed our rating in September 2013.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the County's basic services, such as public safety, parks and recreation, and general administration. Property taxes and State and Federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and sewer and solid waste services offered by Lincoln County. The final category is the component 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 governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Lincoln County has 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 Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 42,330,425	\$ 37,668,435	\$ 14,235,090	\$ 15,941,370	\$ 56,565,515	\$ 53,609,805
Capital assets	57,808,578	57,435,443	75,695,921	74,002,638	133,504,499	131,438,081
Total assets	<u>100,139,003</u>	<u>95,103,878</u>	<u>89,931,011</u>	<u>89,944,008</u>	<u>190,070,014</u>	<u>185,047,886</u>
Deferred outflows of resources	<u>818,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>818,037</u>	<u>-</u>
Liabilities:						
Long-term liabilities						
outstanding	123,726,285	123,503,535	30,806,167	31,884,889	154,532,452	155,388,424
Other liabilities	<u>4,897,317</u>	<u>4,883,464</u>	<u>750,486</u>	<u>708,338</u>	<u>5,647,803</u>	<u>5,591,802</u>
Total liabilities	<u>128,623,602</u>	<u>128,386,999</u>	<u>31,556,653</u>	<u>32,593,227</u>	<u>160,180,255</u>	<u>160,980,226</u>
Deferred inflows of resources	<u>156,586</u>	<u>240,021</u>	<u>-</u>	<u>-</u>	<u>156,586</u>	<u>240,021</u>
Net Position:						
Net investment in capital assets	54,146,520	54,900,961	53,989,857	50,496,688	108,136,377	105,397,649
Restricted	9,177,119	14,386,979	-	-	9,177,119	14,386,979
Unrestricted	<u>(91,146,787)</u>	<u>(102,811,082)</u>	<u>4,384,501</u>	<u>6,854,093</u>	<u>(86,762,286)</u>	<u>(95,956,989)</u>
Total net position	<u>\$ (27,823,148)</u>	<u>\$ (33,523,142)</u>	<u>\$ 58,374,358</u>	<u>\$ 57,350,781</u>	<u>\$ 30,551,210</u>	<u>\$ 23,827,639</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets of Lincoln County exceeded liabilities and deferred inflows of resources by \$30,551,210 as of June 30, 2014. The County's net position increased by \$6,723,571 for the fiscal year ended June 30, 2014. One of the largest portions, \$108,136,377, reflects the County's net investment in capital assets (e.g., land, buildings, machinery, and equipment). Lincoln County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Lincoln County's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 98.1%
- 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 Position

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 9,016,040	\$ 9,008,949	\$ 11,381,206	\$ 11,041,087	\$ 20,397,246	\$ 20,050,036
Operating grants and contributions	12,568,827	11,898,627	-	-	12,568,827	11,898,627
Capital grants and contributions	2,179,514	2,152,831	834,730	346,610	3,014,244	2,499,441
General revenues:						
Property taxes	57,879,585	56,026,606	931,496	878,437	58,811,081	56,905,043
Other taxes	14,468,649	13,586,537	-	-	14,468,649	13,586,537
Other	479,719	365,218	19,989	55,390	499,708	420,608
Total revenues	<u>96,592,334</u>	<u>93,038,768</u>	<u>13,167,421</u>	<u>12,321,524</u>	<u>109,759,755</u>	<u>105,360,292</u>
Expenses:						
General government	15,128,230	14,220,070	-	-	15,128,230	14,220,070
Public safety	26,685,171	25,701,983	-	-	26,685,171	25,701,983
Economic and physical development	3,610,352	1,808,417	-	-	3,610,352	1,808,417
Human services	18,738,888	18,773,508	-	-	18,738,888	18,773,508
Cultural and recreational	2,360,608	2,380,555	-	-	2,360,608	2,380,555
Education	19,863,983	20,801,271	-	-	19,863,983	20,801,271
Interest on long-term debt	3,941,948	4,251,585	-	-	3,941,948	4,251,585
Loss on disposal of capital assets	-	80,631	-	-	-	80,631
Solid waste	-	-	4,234,410	4,309,839	4,234,410	4,309,839
Water and sewer	-	-	8,472,594	7,545,781	8,472,594	7,545,781
Special item- loss on disposal of capital assets	-	-	-	9,647,031	-	9,647,031
Total expenses	<u>90,329,180</u>	<u>88,018,020</u>	<u>12,707,004</u>	<u>21,502,651</u>	<u>103,036,184</u>	<u>109,520,671</u>
Increase in net position before transfers	6,263,154	5,020,748	460,417	(9,181,127)	6,723,571	(4,160,379)
Transfers	<u>(563,160)</u>	<u>-</u>	<u>563,160</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	5,699,994	5,020,748	1,023,577	(9,181,127)	6,723,571	(4,160,379)
Net Position						
Beginning of year - July 1	<u>(33,523,142)</u>	<u>(38,543,890)</u>	<u>57,350,781</u>	<u>66,531,908</u>	<u>23,827,639</u>	<u>27,988,018</u>
End of year - June 30	<u>\$ (27,823,148)</u>	<u>\$ (33,523,142)</u>	<u>\$ 58,374,358</u>	<u>\$ 57,350,781</u>	<u>\$ 30,551,210</u>	<u>\$ 23,827,639</u>

Governmental Activities. Governmental activities increased the County's net position by \$5,699,994. The key elements of this increase in 2014 were increased revenues from sales taxes and property and other taxes. There were decreases in expenditures in human services and general government.

Business-Type Activities. Business-type activities increased Lincoln County's net position by \$1,023,577. The business-type activities increase was primarily related to capital contributions to the Water and Sewer 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 \$14,929,094, while total fund balance reached \$23,606,489. 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 17.65% of total General Fund expenditures, while total fund balance represents 27.90% of that same amount. This slight percentage increase is the result of increased revenues primarily in the general government.

The General Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). At the end of the current fiscal year, total fund balance of the General Capital Projects Fund was \$2,920,321, an increase of \$2,693,590. The increase is attributed to the issuance of debt for several projects that were already underway.

At June 30, 2014, the governmental funds of Lincoln County reported a combined fund balance of \$32,086,496, a 16.42% increase from last year. Decreases in school capital funds were offset by increases in the General Capital Projects Fund and 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 \$884,291. The largest part of this increase, \$400,000, was to increase revenues and expenses in our DSS and Health programs to account for additional revenues and expenditures to assist clients. The other increases were to account for grants and to carryover encumbered funds from the previous year in various departments.

Proprietary Funds. Lincoln County's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Solid Waste Fund at the end of the fiscal year amounted to (\$1,786,218), the Water and Sewer Fund equaled \$6,123,786, and those for the East Lincoln County Water and Sewer District equaled (\$2,308,067). The total change in net position for the three funds was (\$518,501), \$702,452, and \$839,626, respectively. The increase in the Water and Sewer Fund is due to capital contributions to the fund. 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, 2014 totals \$133,504,499 (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 water 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	
	2014	2013	2014	2013	2014	2013
Land	\$ 5,645,888	\$ 5,645,888	\$ 1,173,567	\$ 1,173,567	\$ 6,819,455	\$ 6,819,455
Buildings and structures	32,162,023	33,126,458	29,062,250	29,190,484	61,224,273	62,316,942
Other improvements	8,389,617	7,766,374	1,859,757	1,939,475	10,249,374	9,705,849
Machinery and equipment	2,907,301	3,776,515	3,020,392	2,586,843	5,927,693	6,363,358
Infrastructure	-	-	36,270,230	37,437,411	36,270,230	37,437,411
Vehicles and other equipment	2,758,186	2,466,120	-	-	2,758,186	2,466,120
Construction in progress	5,945,563	4,654,088	4,309,725	1,674,858	10,255,288	6,328,946
Total	<u>\$ 57,808,578</u>	<u>\$ 57,435,443</u>	<u>\$ 75,695,921</u>	<u>\$ 74,002,638</u>	<u>\$ 133,504,499</u>	<u>\$ 131,438,081</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, 2014, Lincoln County had total bonded debt outstanding of \$83,655,000, 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	
	2014	2013	2014	2013	2014	2013
General obligation bonds	<u>\$ 82,050,000</u>	<u>\$ 89,020,000</u>	<u>\$ 1,605,000</u>	<u>\$ 2,135,000</u>	<u>\$ 83,655,000</u>	<u>\$ 91,155,000</u>

Lincoln County's total bonded debt decreased by \$7,500,000, or 8.23%, during the past fiscal year, primarily due to paying off debt.

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

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Lincoln County is approximately \$558,000,000. The County had \$13,500,000 in school bonds, authorized but un-issued, at June 30, 2014.

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 2013-2014 averaged approximately 5.9%, slightly higher than the State average of 5.8%, 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.
- Four industrial announcements during 2013-2014 fiscal year totaled over \$10 million of capital investments.
- 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.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities. The County adopted a General Fund budget in the amount of \$88,701,584 for the fiscal year ending June 30, 2015, an increase of \$2,364,143, or 2.74%, from the fiscal year 2014 budget. The majority of the budget increases were in Debt Service and Tax Department revaluation 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, and complete demolition and removal of the old facility, which will allow for future growth in the eastern part of the County. Rates for landfill tipping fees have 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, North Carolina 28092.

LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2014

				<u>Component Unit</u>
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Lincoln</u>
	<u>Activities</u>	<u>Activities</u>	<u>Primary</u>	<u>County</u>
			<u>Government</u>	<u>ABC Board</u>
Assets:				
Cash and cash equivalents	\$ 23,241,016	\$ 12,722,567	\$ 35,963,583	\$ 454,756
Taxes receivable (net)	1,350,115	142,664	1,492,779	-
Accounts receivable (net)	1,998,642	673,014	2,671,656	-
Due from other governments	3,988,667	155,508	4,144,175	-
Internal balances	(15,540)	15,540	-	-
Inventories	-	-	-	181,366
Prepaid items	772,689	6,619	779,308	-
Cash and cash equivalents, restricted	10,994,836	519,178	11,514,014	-
Capital assets, non-depreciable	11,591,451	5,483,292	17,074,743	200,607
Capital assets, depreciable, net	46,217,127	70,212,629	116,429,756	362,100
Total assets	<u>100,139,003</u>	<u>89,931,011</u>	<u>190,070,014</u>	<u>1,198,829</u>
Deferred Outflows of Resources:				
Deferred charges, net	<u>818,037</u>	<u>-</u>	<u>818,037</u>	<u>-</u>
Liabilities:				
Accounts payable and other accrued liabilities	4,893,782	616,308	5,510,090	188,574
Prepaid fees	3,535	-	3,535	-
Liabilities to be paid from restricted assets:				
Customer deposits	-	134,178	134,178	-
Long-term liabilities:				
Due in less than one year	9,852,551	2,203,391	12,055,942	-
Due in more than one year	<u>113,873,734</u>	<u>28,602,776</u>	<u>142,476,510</u>	<u>-</u>
Total liabilities	<u>128,623,602</u>	<u>31,556,653</u>	<u>160,180,255</u>	<u>188,574</u>
Deferred Inflows of Resources:				
Prepaid taxes	<u>156,586</u>	<u>-</u>	<u>156,586</u>	<u>-</u>
Net Position:				
Net investment in capital assets	54,146,520	53,989,857	108,136,377	562,707
Restricted for Stabilization by State statute	8,518,475	-	8,518,475	-
Restricted for Register of Deeds	39,044	-	39,044	-
Restricted for public safety	619,600	-	619,600	-
Restricted for working capital	-	-	-	68,853
Unrestricted	<u>(91,146,787)</u>	<u>4,384,501</u>	<u>(86,762,286)</u>	<u>378,695</u>
Total net position	<u>\$ (27,823,148)</u>	<u>\$ 58,374,358</u>	<u>\$ 30,551,210</u>	<u>\$ 1,010,255</u>

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

LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 15,128,230	\$ 1,758,889	\$ 1,545,655	\$ 1,143,064
Public safety	26,685,171	4,750,346	507,169	-
Economic and physical development	3,610,352	-	9,255	-
Human services	18,738,888	2,486,344	10,393,912	-
Cultural and recreational	2,360,608	20,461	112,836	-
Education	19,863,983	-	-	1,036,450
Debt service:				
Interest and fees	3,941,948	-	-	-
Total governmental activities	<u>90,329,180</u>	<u>9,016,040</u>	<u>12,568,827</u>	<u>2,179,514</u>
Business-Type Activities:				
Solid waste	4,234,410	3,708,037	-	-
Water and sewer	8,378,593	7,673,169	-	834,730
East Lincoln County Water and Sewer	94,001	-	-	-
Total business-type activities	<u>12,707,004</u>	<u>11,381,206</u>	<u>-</u>	<u>834,730</u>
Total primary government	<u>\$ 103,036,184</u>	<u>\$ 20,397,246</u>	<u>\$ 12,568,827</u>	<u>\$ 3,014,244</u>
Component Unit:				
Lincoln County ABC Board	<u>\$ 2,286,156</u>	<u>\$ 2,356,650</u>	<u>\$ -</u>	<u>\$ -</u>
Total component unit	<u>\$ 2,286,156</u>	<u>\$ 2,356,650</u>	<u>\$ -</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
Total general revenues excluding transfers

Transfers

Total general revenues and transfers

Change in net position

Net Position:

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 Position			Component Unit
Primary Government			
Governmental Activities	Business-Type Activities	Total	Lincoln County ABC Board
\$ (10,680,622)	\$ -	\$ (10,680,622)	
(21,427,656)	-	(21,427,656)	
(3,601,097)	-	(3,601,097)	
(5,858,632)	-	(5,858,632)	
(2,227,311)	-	(2,227,311)	
(18,827,533)	-	(18,827,533)	
(3,941,948)	-	(3,941,948)	
(66,564,799)	-	(66,564,799)	
-	(526,373)	(526,373)	
-	129,306	129,306	
-	(94,001)	(94,001)	
-	(491,068)	(491,068)	
(66,564,799)	(491,068)	(67,055,867)	
			\$ 70,494
			70,494
57,879,585	931,496	58,811,081	-
13,071,926	-	13,071,926	-
228,408	-	228,408	-
737,628	-	737,628	-
430,687	-	430,687	-
317,328	-	317,328	-
162,391	19,989	182,380	343
72,827,953	951,485	73,779,438	343
(563,160)	563,160	-	-
72,264,793	1,514,645	73,779,438	343
5,699,994	1,023,577	6,723,571	70,837
(33,523,142)	57,350,781	23,827,639	939,418
\$ (27,823,148)	\$ 58,374,358	\$ 30,551,210	\$ 1,010,255

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

LINCOLN COUNTY, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 17,682,728	\$ -	\$ 1,409,098	\$ 19,091,826
Taxes receivable, net	1,091,310	-	258,805	1,350,115
Accounts receivable, net	1,862,581	109,456	26,420	1,998,457
Due from other governments	3,652,591	124,058	212,018	3,988,667
Due from other funds	2,888,313	-	-	2,888,313
Prepaid items	630,872	-	-	630,872
Cash and cash equivalents, restricted	928,173	6,115,000	3,951,663	10,994,836
Total assets	<u>\$ 28,736,568</u>	<u>\$ 6,348,514</u>	<u>\$ 5,858,004</u>	<u>\$ 40,943,086</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance:				
Liabilities:				
Accounts payable and other accrued liabilities	\$ 3,429,980	\$ 539,880	\$ 39,513	\$ 4,009,373
Prepaid fees	3,535	-	-	3,535
Due to other funds	15,540	2,888,313	-	2,903,853
Total liabilities	<u>3,449,055</u>	<u>3,428,193</u>	<u>39,513</u>	<u>6,916,761</u>
Deferred inflows of resources:				
Unavailable taxes	1,091,310	-	258,805	1,350,115
Prepaid taxes	156,586	-	-	156,586
Unavailable revenue	433,128	-	-	433,128
Total deferred inflows of resources	<u>1,681,024</u>	<u>-</u>	<u>258,805</u>	<u>1,939,829</u>
Fund Balances:				
Non-spendable:				
Prepays	630,872	-	-	630,872
Restricted:				
Stabilization for State statute	8,046,523	233,514	238,438	8,518,475
Register of Deeds	39,044	-	-	39,044
Future capital projects	-	6,115,000	-	6,115,000
Education	-	-	3,951,663	3,951,663
Public safety	-	-	619,600	619,600
Committed	-	-	749,985	749,985
Assigned	2,202,711	-	-	2,202,711
Unassigned	12,687,339	(3,428,193)	-	9,259,146
Total fund balances	<u>23,606,489</u>	<u>2,920,321</u>	<u>5,559,686</u>	<u>32,086,496</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,736,568</u>	<u>\$ 6,348,514</u>	<u>\$ 5,858,004</u>	
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.				57,808,578
Deferred charges related to advance refunding of long-term debt are not current financial resources and, therefore, are not reported in the funds.				
Deferred cost of refunding			\$ 880,891	
Less accumulated amortization			<u>(62,854)</u>	818,037
Long-term liabilities and related accrued interest, unfunded pension obligations, compensated absences, and other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.				(124,010,241)
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end.				1,783,243
An Internal Service Fund is used by management to charge insurance costs to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.				<u>3,690,739</u>
Net position of governmental activities, per Exhibit A				<u>\$ (27,823,148)</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, 2014

	General Fund	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 51,516,392	\$ -	\$ 6,646,450	\$ 58,162,842
Local option sales taxes	13,071,926	-	-	13,071,926
Other taxes and licenses	1,080,115	-	316,608	1,396,723
Unrestricted intergovernmental revenues	317,328	-	-	317,328
Restricted intergovernmental revenues	11,065,260	982,301	1,075,583	13,123,144
Permits and fees	1,808,245	-	-	1,808,245
Sales, service, and rents	6,244,150	-	-	6,244,150
Miscellaneous	1,448,634	160,763	15,800	1,625,197
Investment earnings	154,376	133	2,664	157,173
Total revenues	<u>86,706,426</u>	<u>1,143,197</u>	<u>8,057,105</u>	<u>95,906,728</u>
Expenditures:				
Current:				
General government	7,783,862	-	-	7,783,862
Public safety	20,498,430	-	6,864,691	27,363,121
Economic and physical development	1,620,028	-	-	1,620,028
Human services	20,025,104	-	-	20,025,104
Cultural and recreational	2,263,800	-	-	2,263,800
Education	18,386,184	-	-	18,386,184
Capital outlay	-	6,116,734	1,477,799	7,594,533
Debt service:				
Principal repayments	10,202,473	-	-	10,202,473
Interest	3,841,493	-	-	3,841,493
Total expenditures	<u>84,621,374</u>	<u>6,116,734</u>	<u>8,342,490</u>	<u>99,080,598</u>
Revenues over (under) expenditures	<u>2,085,052</u>	<u>(4,973,537)</u>	<u>(285,385)</u>	<u>(3,173,870)</u>
Other Financing Sources (Uses):				
Long-term debt issued	9,325,691	6,115,000	-	15,440,691
Payment to refunding bond escrow agent	(7,740,891)	-	-	(7,740,891)
Transfers out	(1,552,127)	-	(1,692,383)	(3,244,510)
Transfers in	1,692,383	1,552,127	-	3,244,510
Total other financing sources (uses)	<u>1,725,056</u>	<u>7,667,127</u>	<u>(1,692,383)</u>	<u>7,699,800</u>
Net change in fund balances	3,810,108	2,693,590	(1,977,768)	4,525,930
Fund Balances:				
Beginning of year - July 1	<u>19,796,381</u>	<u>226,731</u>	<u>7,537,454</u>	<u>27,560,566</u>
End of year - June 30	<u>\$ 23,606,489</u>	<u>\$ 2,920,321</u>	<u>\$ 5,559,686</u>	<u>\$ 32,086,496</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, 2014

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

Net change in fund balances - total governmental funds (Exhibit D)	\$ 4,525,930
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.	4,993,120
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(2,828,564)
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.	(1,228,261)
The value of capital assets transferred from governmental to business-type activities is reflected as a transfer in the Statement of Activities.	(563,160)
Expenses related to compensated absences, Law Enforcement Officers' Separation Allowance, and other post-employment benefits that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(2,090,887)
Accrued interest and amortization of refunding costs and premiums that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(100,455)
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	(283,257)
Other fees for service	124,502
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.	10,202,473
The net revenue of certain activities of the Internal Service Fund is reported with governmental activities.	648,353
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.	<u>(7,699,800)</u>
Change in net position of governmental activities	<u>\$ 5,699,994</u>

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

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Over/Under
Revenues:				
Ad valorem taxes	\$ 49,835,725	\$ 50,165,725	\$ 51,516,392	\$ 1,350,667
Local option sales taxes	12,063,210	12,113,210	13,071,926	958,716
Other taxes and licenses	825,000	825,000	1,080,115	255,115
Unrestricted intergovernmental revenues	318,750	318,750	317,328	(1,422)
Restricted intergovernmental revenues	11,007,599	11,255,297	11,065,260	(190,037)
Permits and fees	1,330,500	1,369,754	1,808,245	438,491
Sales, service, and rents	7,359,418	7,389,265	6,244,150	(1,145,115)
Miscellaneous	817,650	1,005,142	1,448,634	443,492
Investment earnings	70,000	70,000	154,376	84,376
Total revenues	<u>83,627,852</u>	<u>84,512,143</u>	<u>86,706,426</u>	<u>2,194,283</u>
Expenditures:				
Current:				
General government	8,014,521	8,206,748	7,783,862	422,886
Public safety	20,820,468	21,072,689	20,498,430	574,259
Economic and physical development	1,954,308	1,981,550	1,620,028	361,522
Human services	21,214,181	21,692,904	20,025,104	1,667,800
Cultural and recreational	2,570,706	2,621,766	2,263,800	357,966
Education	18,386,184	18,386,184	18,386,184	-
Debt service:				
Principal	9,072,455	10,835,570	10,202,473	633,097
Interest and fees	<u>4,067,457</u>	<u>4,219,142</u>	<u>3,841,493</u>	<u>377,649</u>
Total expenditures	<u>86,100,280</u>	<u>89,016,553</u>	<u>84,621,374</u>	<u>4,395,179</u>
Revenues over (under) expenditures	<u>(2,472,428)</u>	<u>(4,504,410)</u>	<u>2,085,052</u>	<u>6,589,462</u>
Other Financing Sources (Uses):				
Long-term debt issued	-	9,325,691	9,325,691	-
Payment to refunding bond escrow agent	-	(7,740,891)	(7,740,891)	-
Transfers out	(1,325,000)	(1,552,127)	(1,552,127)	-
Transfers in	1,692,383	1,721,303	1,692,383	(28,920)
Fund balance appropriated	<u>2,105,045</u>	<u>2,750,434</u>	<u>-</u>	<u>(2,750,434)</u>
Total other financing sources (uses)	<u>2,472,428</u>	<u>4,504,410</u>	<u>1,725,056</u>	<u>(2,779,354)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,810,108</u>	<u>\$ 3,810,108</u>
Fund Balance:				
Beginning of year - July 1			<u>19,796,381</u>	
End of year - June 30			<u>\$ 23,606,489</u>	

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

LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	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	\$ 5,793,576	\$ 6,879,758	\$ 49,233	\$ 12,722,567	\$ 4,149,190
Taxes receivable, net	140,729	-	1,935	142,664	-
Accounts receivable, net	87,691	580,409	4,914	673,014	185
Due from other governments	64,631	90,877	-	155,508	-
Due from other funds	19,660	-	-	19,660	-
Prepaid items	2,086	4,533	-	6,619	141,817
Cash and cash equivalents, restricted	385,000	134,178	-	519,178	-
Total current assets	<u>6,493,373</u>	<u>7,689,755</u>	<u>56,082</u>	<u>14,239,210</u>	<u>4,291,192</u>
Capital assets:					
Non-depreciable capital assets	400,367	5,082,925	-	5,483,292	-
Depreciable capital assets, net	<u>3,966,563</u>	<u>66,246,066</u>	<u>-</u>	<u>70,212,629</u>	<u>-</u>
Total non-current assets	<u>4,366,930</u>	<u>71,328,991</u>	<u>-</u>	<u>75,695,921</u>	<u>-</u>
Total assets	<u>10,860,303</u>	<u>79,018,746</u>	<u>56,082</u>	<u>89,935,131</u>	<u>4,291,192</u>
Liabilities:					
Current liabilities:					
Accounts payable and other accrued liabilities	164,331	442,828	9,149	616,308	600,453
Due to other funds	-	4,120	-	4,120	-
Current portion of compensated absences	22,000	31,000	-	53,000	-
Current portion of long-term debt	25,667	1,354,724	770,000	2,150,391	-
Liabilities to be paid from restricted assets:					
Customer deposits	<u>-</u>	<u>134,178</u>	<u>-</u>	<u>134,178</u>	<u>-</u>
Total current liabilities	<u>211,998</u>	<u>1,966,850</u>	<u>779,149</u>	<u>2,957,997</u>	<u>600,453</u>
Non-current liabilities:					
Accrued landfill closure/post-closure care costs	7,226,057	-	-	7,226,057	-
Compensated absences	39,488	57,547	-	97,035	-
Other post-employment benefits	827,715	896,296	-	1,724,011	-
Long-term debt	<u>359,333</u>	<u>17,611,340</u>	<u>1,585,000</u>	<u>19,555,673</u>	<u>-</u>
Total non-current liabilities	<u>8,452,593</u>	<u>18,565,183</u>	<u>1,585,000</u>	<u>28,602,776</u>	<u>-</u>
Total liabilities	<u>8,664,591</u>	<u>20,532,033</u>	<u>2,364,149</u>	<u>31,560,773</u>	<u>600,453</u>
Net Position:					
Net investment in capital assets	3,981,930	52,362,927	-	56,344,857	-
Unrestricted	<u>(1,786,218)</u>	<u>6,123,786</u>	<u>(2,308,067)</u>	<u>2,029,501</u>	<u>3,690,739</u>
Total net position	<u>\$ 2,195,712</u>	<u>\$ 58,486,713</u>	<u>\$ (2,308,067)</u>	<u>\$ 58,374,358</u>	<u>\$ 3,690,739</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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	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	\$ 627,419	\$ 7,479,048	\$ -	\$ 8,106,467	\$ -
Water and sewer taps	-	145,700	-	145,700	-
Other operating revenues	-	48,421	-	48,421	7,234,929
Total operating revenues	627,419	7,673,169	-	8,300,588	7,234,929
Operating Expenses:					
Water treatment and distribution	-	3,750,263	-	3,750,263	-
Sewage collection	-	1,300,937	-	1,300,937	-
Pumping station	-	19,213	-	19,213	-
Landfill operations	3,205,544	-	-	3,205,544	-
Water and Sewer District	-	-	3,127	3,127	-
Landfill closure and post-closure costs	482,133	-	-	482,133	-
Other services	-	-	-	-	6,591,794
Depreciation	546,144	2,219,146	-	2,765,290	-
Total operating expenses	4,233,821	7,289,559	3,127	11,526,507	6,591,794
Operating income (loss)	(3,606,402)	383,610	(3,127)	(3,225,919)	643,135
Non-Operating Revenues (Expenses):					
Ad valorem taxes	-	-	931,496	931,496	-
Availability fee	2,715,945	-	-	2,715,945	-
Investment earnings	7,872	9,986	2,131	19,989	5,218
Loss on disposal of capital assets	-	(568,050)	-	(568,050)	-
Tire disposal tax	95,873	-	-	95,873	-
Franchise fees	35,518	-	-	35,518	-
Solid waste disposal tax	51,025	-	-	51,025	-
NC electronics management fund distribution	5,257	-	-	5,257	-
Federal and State grants, non-capital	10,717	-	-	10,717	-
Miscellaneous	166,283	-	-	166,283	-
Interest and fees	(589)	(520,984)	(90,874)	(612,447)	-
Total non-operating revenues (expenses)	3,087,901	(1,079,048)	842,753	2,851,606	5,218
Income (loss) before transfers and contributions	(518,501)	(695,438)	839,626	(374,313)	648,353
Capital contributions	-	834,730	-	834,730	-
Transfers in	-	563,160	-	563,160	-
Change in net position	(518,501)	702,452	839,626	1,023,577	648,353
Net Position:					
Beginning of year - July 1	2,714,213	57,784,261	(3,147,693)	57,350,781	3,042,386
End of year - June 30	\$ 2,195,712	\$ 58,486,713	\$ (2,308,067)	\$ 58,374,358	\$ 3,690,739

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, 2014

	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	\$ 581,982	\$ 7,141,495	\$ -	\$ 7,723,477	\$ -
Cash received from interfund services	-	-	-	-	7,234,744
Cash received from other operating revenues	3,069,901	48,421	928,145	4,046,467	-
Cash paid for goods and services	(1,325,783)	(2,870,094)	(6,084)	(4,201,961)	(6,836,482)
Cash paid on behalf of employees	(1,738,151)	(2,066,053)	-	(3,804,204)	-
Net cash provided (used) by operating activities	<u>587,949</u>	<u>2,253,769</u>	<u>922,061</u>	<u>3,763,779</u>	<u>398,262</u>
Non-Capital Financing Activities:					
Federal and State grants, non-capital	10,717	-	-	10,717	-
Loans (to) from other funds	(2,671)	35,690	(4,085)	28,934	-
Net cash provided (used) by non-capital financing activities	<u>8,046</u>	<u>35,690</u>	<u>(4,085)</u>	<u>39,651</u>	<u>-</u>
Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(657,764)	(3,623,969)	-	(4,281,733)	-
Debt issued	385,000	134,309	-	519,309	-
Debt principal paid	(54,648)	(1,484,547)	(780,000)	(2,319,195)	-
Capital contributions	-	653,000	-	653,000	-
Interest and fees paid	(589)	(528,151)	(90,874)	(619,614)	-
Net cash provided (used) by capital and related financing activities	<u>(328,001)</u>	<u>(4,849,358)</u>	<u>(870,874)</u>	<u>(6,048,233)</u>	<u>-</u>
Investing Activities:					
Interest on investments	<u>7,872</u>	<u>9,986</u>	<u>2,131</u>	<u>19,989</u>	<u>5,218</u>
Net increase (decrease) in cash and cash equivalents/investments	275,866	(2,549,913)	49,233	(2,224,814)	403,480
Cash and Cash Equivalents/Investments:					
Beginning of year - July 1	<u>5,902,710</u>	<u>9,563,849</u>	<u>-</u>	<u>15,466,559</u>	<u>3,745,710</u>
End of year - June 30	<u>\$ 6,178,576</u>	<u>\$ 7,013,936</u>	<u>\$ 49,233</u>	<u>\$ 13,241,745</u>	<u>\$ 4,149,190</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, 2014

	Business-Type Activities				Governmental Activities
	Solid Waste Fund	Water and Sewer Fund	East Lincoln County Water and Sewer District Fund	Total Enterprise Funds	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (3,606,402)	\$ 383,610	\$ (3,127)	\$ (3,225,919)	\$ 643,135
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	546,144	2,219,146	-	2,765,290	-
Non-operating items	3,069,901	-	931,496	4,001,397	-
Change in Assets and Liabilities:					
(Increase) decrease in receivables	(15,946)	(483,253)	(3,351)	(502,550)	(185)
(Increase) decrease in due from other governments	(29,491)	(30,232)	-	(59,723)	-
(Increase) decrease in prepaids	(2,086)	16,891	-	14,805	-
(Increase) decrease in other assets	-	-	-	-	(10,129)
Increase (decrease) in accounts payable	30,268	15,310	(2,957)	42,621	(234,559)
Increase (decrease) in customer deposits	-	6,694	-	6,694	-
Increase (decrease) in landfill closure/post-closure care cost	482,133	-	-	482,133	-
Increase (decrease) in other post-employment benefits	111,490	133,006	-	244,496	-
Increase (decrease) in compensated absences payable	1,938	(7,403)	-	(5,465)	-
Total adjustments	4,194,351	1,870,159	925,188	6,989,698	(244,873)
Net cash provided (used) by operating activities	\$ 587,949	\$ 2,253,769	\$ 922,061	\$ 3,763,779	\$ 398,262
Non-Cash Investing, Capital, and Financing Activities:					
Capital contributions	\$ -	\$ 181,730	\$ -	\$ 181,730	\$ -
Transfer in of capital assets, net	-	563,160	-	563,160	-
Capital assets contributed to others	-	(568,050)	-	(568,050)	-
	\$ -	\$ 176,840	\$ -	\$ 176,840	\$ -

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

LINCOLN COUNTY, NORTH CAROLINA**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****JUNE 30, 2014**

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ <u>275,172</u>
Liabilities:	
Intergovernmental payable	\$ <u>275,172</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, 2014

Note 1. Summary of Significant Accounting Policies

The accounting policies of Lincoln County and its component units conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153 A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The following discretely presented component unit is reported in a separate column in the county's government-wide financial statements in order to emphasize that it is legally separate from the County. The blended component unit, although it is a legally separate entity, is in substance, part of the County's operations.

Component 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., P.O. 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, 2014

B. Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

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

The County reports the following major governmental funds:

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

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

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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

The County reports all of its enterprise funds as major:

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

The County reports the following fund types:

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

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

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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

Governmental fund financial statements 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, 2014

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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County, are recognized as revenues. Other intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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.

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

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

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

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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, 2013. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

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

Fund	Description	Amount
General Fund	QZAB Sinking Fund	\$ 928,173
General Capital Projects Fund	Unexpended proceeds	6,115,000
School Capital Projects Fund	Unexpended proceeds	3,951,663
Solid Waste Fund	Unexpended proceeds	385,000
Water and Sewer Fund	Customer deposits	134,178
Total restricted cash		<u>\$ 11,514,014</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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 data 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

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has one item that meets this criterion – a charge on refunding that had previously been classified as an asset.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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

Long-Term Obligations. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premium and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

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

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

The County's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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

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

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

The governmental fund types classify fund balances as follows:

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

Prepays – portion of fund balance that is not an available resource because it represents prepaid amounts, which are not spendable resources. Non-spendable fund balance for prepaids was \$630,872 at June 30, 2014.

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

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

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

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

Restricted for 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, 2014, is as follows:

		General Capital Projects	Other Governmental Funds	
<u>Purpose</u>	<u>General Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Total</u>
Stabilization by State statute	\$ 8,046,523	\$ 233,514	\$ 238,438	\$ 8,518,475
Register of Deeds	39,044	-	-	39,044
Future capital projects	-	6,115,000	-	6,115,000
Public safety	-	-	619,600	619,600
Education	-	-	3,951,663	3,951,663
Total	<u>\$ 8,085,567</u>	<u>\$ 6,348,514</u>	<u>\$ 4,809,701</u>	<u>\$ 19,243,782</u>

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds of \$10,066,663 as of June 30, 2014.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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

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

Committed fund balance at June 30, 2014 is as follows:

<u>Purpose</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Future capital projects	\$ 749,985	\$ 749,985

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.

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, 2014, is as follows:

<u>Purpose</u>	<u>General Fund</u>
Subsequent year's expenditures	\$ 2,202,711

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, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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

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

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

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

Total fund balance - General Fund	\$ 23,606,489
Less:	
Prepays	(630,872)
Stabilization by State statute	(8,046,523)
Register of Deeds	(39,044)
Appropriated fund balance in 2015 budget	(2,202,711)
Working capital/fund balance policy	(12,687,339)
Fund balance remaining	<u><u>\$ -</u></u>

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

	General
	Fund
Encumbrances	<u><u>\$ 76,166</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.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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 funds, and enterprise funds. All unencumbered annual appropriations lapse at fiscal year-end. However, encumbered appropriations are re-appropriated in the ensuing year's budget. Project ordinances are adopted for the capital projects funds. All budgets are prepared using the modified accrual basis of accounting, which is consistent with the accounting system used to record transactions.

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

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

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

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

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

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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

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 position in the following funds:

East Lincoln County Water and Sewer Fund	<u>\$ 2,308,067</u>
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Water and Sewer Capital Fund	<u>\$ 454,983</u>
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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 Water and Sewer Capital Fund will be eliminated with future transfers.

D. Excess of Expenditures Over Appropriations

For the year ended June 30, 2014, the expenditures made in the County's Fire Districts Fund exceeded the authorized appropriations made by the governing board by \$412,951. This over-expenditure occurred because the collections of ad valorem taxes exceeded budgeted amounts, and the remittance of those excess collections to the fire departments was not accounted for in the budget process due to oversight. Management and the Board will more closely monitor the budget in this fund to ensure compliance in future years.

Note 3. Deposits and Investments

A. Deposits

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the deferral depository insurance coverage are collateralized with securities held by the County's agent in the County's name. Under the Pooling Method, a collateral

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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, 2014, the carrying amount of the County's deposits with banks was \$20,275,169. Balances with banks equaled \$21,144,772. Of the bank balances, \$753,540 was covered by federal depository insurance and \$20,391,232 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 \$4,215.

B. Investments

At June 30, 2014, the County's investments consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>
NC Capital Management Trust - Cash Portfolio	\$ 24,829,393	N/A	N/A	N/A
NC Capital Management Trust - Term Portfolio	798,198	\$ 798,198	\$ -	\$ -
US Government Agencies	1,845,794	1,845,794	-	-
Total investments	<u>\$ 27,473,385</u>	<u>\$ 2,643,992</u>	<u>\$ -</u>	<u>\$ -</u>

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.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

Credit Risk. The County has no policy regarding credit risk. The County's investment in the NC Capital Management Trust Cash Portfolio carried a rating of AAAM by Standard and Poor's as of June 30, 2014. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended. The County's investments in US government agencies are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Note 4. Receivables

A. Detail

Receivables at the government-wide level at June 30, 2014, were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 2,575,053	\$ 2,183,871	\$ 3,652,591	\$ 8,411,515
Other governmental	<u>135,227</u>	<u>259,454</u>	<u>336,076</u>	<u>730,757</u>
Total receivables	2,710,280	2,443,325	3,988,667	9,142,272
Allowance for doubtful accounts	<u>(711,638)</u>	<u>(1,093,210)</u>	-	<u>(1,804,848)</u>
Total governmental activities	<u>\$ 1,998,642</u>	<u>\$ 1,350,115</u>	<u>\$ 3,988,667</u>	<u>\$ 7,337,424</u>
Business-Type Activities:				
Solid waste	\$ 142,283	\$ 189,257	\$ 64,631	\$ 396,171
Water and sewer	<u>640,576</u>	<u>23,264</u>	<u>90,877</u>	<u>754,717</u>
Total receivables	782,859	212,521	155,508	1,150,888
Allowance for doubtful accounts	<u>(109,845)</u>	<u>(69,857)</u>	-	<u>(179,702)</u>
Total business-type activities	<u>\$ 673,014</u>	<u>\$ 142,664</u>	<u>\$ 155,508</u>	<u>\$ 971,186</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 2,530,644
Refundable sales tax	447,102
DSS Receivable	955,368
Other governmental agencies	<u>211,061</u>
Total due from other government agencies	<u>\$ 4,144,175</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

B. Deferred Outflows and Inflows of Resources

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

	<u>Unavailable Revenues</u>	<u>Unearned Revenues</u>
Taxes receivable, net (General Fund and Special Revenue Fund)	\$ 1,350,115	\$ -
Ambulance receivables, net (General Fund)	333,284	-
Health Department receivables, net (General Fund)	99,844	-
Prepaid taxes (General Fund)	-	156,586
Total	<u>\$ 1,783,243</u>	<u>\$ 156,586</u>

C. Property Tax – Use-Value Assessment on Certain Lands

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

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,941,827	\$ 461,184	\$ 2,403,011
2012	1,967,785	290,248	2,258,033
2013	2,011,948	115,687	2,127,635
2014	2,064,936	-	2,064,936
Total	<u>\$ 7,986,496</u>	<u>\$ 867,119</u>	<u>\$ 8,853,615</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

Note 5. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Governmental Activities:					
Non-Depreciable Assets:					
Land	\$ 5,645,888	\$ -	\$ -	\$ -	\$ 5,645,888
Construction in progress	4,654,088	4,993,120	(3,701,645)	-	5,945,563
Depreciable Assets:					
Buildings	43,626,253	-	-	-	43,626,253
Other improvements	9,876,960	2,219,059	(1,196,899)	-	10,899,120
Equipment	9,539,372	313,008	(192,584)	(670,432)	8,989,364
Vehicles and other equipment	8,701,716	1,169,578	(1,011,988)	-	8,859,306
Total	<u>82,044,277</u>	<u>8,694,765</u>	<u>(6,103,116)</u>	<u>(670,432)</u>	<u>83,965,494</u>
Less Accumulated Depreciation:					
Buildings	(10,499,795)	(964,435)	-	-	(11,464,230)
Other improvements	(2,110,586)	(398,917)	-	-	(2,509,503)
Equipment	(5,762,857)	(612,817)	186,339	107,272	(6,082,063)
Vehicles and other equipment	(6,235,596)	(852,395)	986,871	-	(6,101,120)
Total accumulated depreciation	<u>(24,608,834)</u>	<u>\$ (2,828,564)</u>	<u>\$ 1,173,210</u>	<u>\$ 107,272</u>	<u>(26,156,916)</u>
Capital assets, net	<u>\$ 57,435,443</u>				<u>\$ 57,808,578</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</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>6,694,798</u>	<u>657,764</u>	<u>(173,212)</u>	<u>7,179,350</u>
Total	<u>19,704,331</u>	<u>657,764</u>	<u>(173,212)</u>	<u>20,188,883</u>
Less Accumulated Depreciation:				
Buildings and structures	(219,903)	(11,933)	-	(231,836)
Improvements	(10,472,222)	(254,006)	-	(10,726,228)
Machinery, equipment, and vehicles	<u>(4,756,896)</u>	<u>(280,205)</u>	<u>173,212</u>	<u>(4,863,889)</u>
Total accumulated depreciation	<u>(15,449,021)</u>	<u>\$ (546,144)</u>	<u>\$ 173,212</u>	<u>(15,821,953)</u>
Capital assets, net	<u>\$ 4,255,310</u>			<u>\$ 4,366,930</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Proprietary Capital Assets:					
Water and Sewer Fund:					
Non-Depreciable Assets:					
Land	\$ 773,200	\$ -	\$ -	\$ -	\$ 773,200
Construction in progress	1,674,858	3,623,969	(989,102)	-	4,309,725
Depreciable Assets:					
Buildings and structures	33,940,268	-	-	670,432	34,610,700
Improvements	587,154	199,294	-	-	786,448
Water lines	38,035,204	56,480	-	-	38,091,684
Sewer lines	15,788,758	125,250	-	-	15,914,008
Machinery, equipment, and vehicles	3,463,363	221,758	-	-	3,685,121
Total	<u>94,262,805</u>	<u>4,226,751</u>	<u>(989,102)</u>	<u>670,432</u>	<u>98,170,886</u>
Less Accumulated Depreciation:					
Buildings and structures	(5,120,024)	(679,461)	-	(107,272)	(5,906,757)
Improvements	(194,480)	(25,006)	-	-	(219,486)
Water lines	(12,767,141)	(915,530)	-	-	(13,682,671)
Sewer lines	(3,619,410)	(433,381)	-	-	(4,052,791)
Machinery, equipment, and vehicles	(2,814,422)	(165,768)	-	-	(2,980,190)
Total accumulated depreciation	<u>(24,515,477)</u>	<u>\$ (2,219,146)</u>	<u>\$ -</u>	<u>\$ (107,272)</u>	<u>(26,841,895)</u>
Capital assets, net	<u>\$ 69,747,328</u>				<u>\$ 71,328,991</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 886,033
Public safety	1,332,612
Economic and physical development	1,000
Transportation	100,412
Human services	216,264
Cultural and recreational	292,243
Total	<u>\$ 2,828,564</u>

Business-Type Activities:

Solid waste	\$ 546,144
Water and sewer	2,219,146
Total	<u>\$ 2,765,290</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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

Net Investment in Capital Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net	\$ 57,808,578	\$ 75,695,921
Long-term debt, gross	109,179,772	21,706,064
Debt for assets not owned by County (school debt)	<u>(99,402,714)</u>	<u>-</u>
Debt for County assets	9,777,058	21,706,064
Unexpended proceeds of debt for County assets	<u>(6,115,000)</u>	<u>-</u>
Capital debt, net	<u>3,662,058</u>	<u>21,706,064</u>
Net investment in capital assets	<u>\$ 54,146,520</u>	<u>\$ 53,989,857</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

Note 6. Liabilities

A. Payables

Payables at the government-wide level at June 30, 2014, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Insurance Claims Incurred, but Not Reported</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:					
General	\$ 1,541,024	\$ 1,888,956	\$ -	\$ 283,956	\$ 3,713,936
Other governmental	579,393	-	-	-	579,393
Internal Service Fund	127,319	-	473,134	-	600,453
Total governmental activities	<u>\$ 2,247,736</u>	<u>\$ 1,888,956</u>	<u>\$ 473,134</u>	<u>\$ 283,956</u>	<u>\$ 4,893,782</u>
Business-Type Activities:					
Solid waste	\$ 109,006	\$ 55,325	\$ -	\$ -	\$ 164,331
Water and sewer	286,371	62,348	-	94,109	442,828
East Lincoln water and sewer	-	-	-	9,149	9,149
Total business-type activities	<u>\$ 395,377</u>	<u>\$ 117,673</u>	<u>\$ -</u>	<u>\$ 103,258</u>	<u>\$ 616,308</u>

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.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

The County's general obligation bonds at June 30, 2014, are comprised of the following individual issues:

Governmental Activities:

Governmental Funds:

\$12,360,000 2012A Advance Refunding School serial bonds, due in annual installments ranging from \$105,000 to \$1,200,000 through June 1, 2023; interest rates from 2.00% to 3.00%; interest payments due June 1 and December 1	\$ 11,280,000
\$17,895,000 2012B Advance Refunding School serial bonds, due in annual installments ranging from \$100,000 to \$3,195,000 through June 1, 2024; interest rates from 2.00% to 4.00% due June 1 and December 1	17,490,000
\$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	3,260,000
\$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	1,200,000
\$15,000,000 2008 Schools Building bonds, due in annual installments of \$600,000 to \$1,650,000 through June 1, 2027; interest rates from 4.25% to 6.25%; interest payments due June 1 and December 1 (partially refunded in 2009-2010)	\$ 2,400,000

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

General Obligation Indebtedness (continued)

\$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)	\$ 800,000
\$18,140,000 2010A School & Public Facility Refunding bonds, due in annual installments of \$130,000 to \$2,085,000 through June 1, 2027; interest rates from 2.00% to 3.85%; interest payments due June 1 and December 1	14,105,000
\$8,500,000 2010B School bonds, due in annual installments of \$300,000 to \$1,200,000 through June 1, 2029; interest rates from 2.00% to 4.00%; interest payments due June 1 and December 1	7,300,000
\$17,405,000 2011A School Refunding bonds, due in annual installments of \$55,000 to \$3,240,000 through June 1, 2021; interest rates from 2.00% to 5.00%; interest payments due June 1 and December 1	15,590,000
\$9,600,000 2011B School bonds, due in annual installments of \$325,000 to \$900,000 through June 1, 2029; interest rates from 3.00% to 4.75%; interest payments due June 1 and December 1	<u>8,625,000</u>
Total serviced by governmental activities	<u>\$ 82,050,000</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

General Obligation Indebtedness (continued)

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

	\$	475,000
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\$5,520,000 Sanitary Sewer Refunding bonds, due in annual installments of \$75,000 to \$540,000 through June 1, 2017; interest rates from 2.00% to 3.40%; interest payments due June 1 and December 1

		<u>1,130,000</u>
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Total serviced by business-type activities

		<u>1,605,000</u>
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Total general obligation bonds

	\$	<u>83,655,000</u>
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LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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, 2014, are comprised of the following individual agreements:

Governmental Activities:

General Fund:

\$2,000,000 2005 Qualified Zone Academy installment purchase contract for school building improvements due September 15, 2021. The contract requires 15 annual sinking fund installments of \$104,315 to be invested. If investment earnings do not result as projected, the County will pay the amount required for the total funds to equal \$2,000,000 on September 15, 2021	\$ 2,000,000
\$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, 2020; interest rates from 4.00% to 5.00%; interest payments due December 1 and June 1; \$6,860,000 partially refunded in 2014	5,890,000
\$7,845,000 2013 School Refunding installment contract issued to partially refund the 2006 COPS; due in annual installments from \$93,000 to \$1,078,000 through June 1, 2027; interest from 1.776% to 2.520%; interest payments due June 1 and December 1	7,660,000
\$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	1,155,000
\$1,100,000 installment purchase contract for Arlie Business Park and water projects; due in semi-annual installments of \$217,880; interest at 2.65%	902,534
\$1,480,691 2013 Refunding installment contract issued to refund the 2003 COPS for jail, social services, library buildings, and school construction; due in annual installments from \$158,613 to \$426,329 through June 2018; interest at 1.64%; interest payments due June 1 and December 1	1,031,441
\$6,115,000 installment financing contract, issued to fund various capital projects; due in semi-annual installments of \$216,667, plus interest at 3.02%; through June 26, 2029	<u>6,115,000</u>
Total governmental activities	\$ <u>24,753,975</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

Business-Type Activities:

Water and Sewer Fund:

\$134,309 2013 Refunding installment contract issued to refund the 2003 COPS for water plant sludge de-watering project; due in annual installments from \$14,387 to \$38,671 through June 2018; interest at 1.64%; interest payments due June 1 and December 1 93,559

\$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 1 182,324

\$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 1 244,908

\$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 1,350,039

\$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 14,875,000

\$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% 2,220,234

Solid Waste Fund:

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

Total business-type activities 19,351,064

Total installment purchase contracts \$ 44,105,039

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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, 2014, is \$750,000.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

Changes in Long-Term Debt. The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>	<u>Current Portion</u>
Governmental Activities:					
General obligation bonds	\$ 89,020,000	\$ -	\$ 6,970,000	\$ 82,050,000	\$ 6,965,000
Premium on long-term debt	2,622,152	-	246,355	2,375,797	246,355
Installment purchases	19,405,757	15,440,691	10,092,473	24,753,975	2,089,196
Unfunded pension obligation	675,871	145,409	80,771	740,509	-
Other post-employment benefits	10,202,445	2,656,856	629,529	12,229,772	-
Compensated absences	1,577,310	952,782	953,860	1,576,232	552,000
Total	<u>\$ 123,503,535</u>	<u>\$ 19,195,738</u>	<u>\$ 18,972,988</u>	<u>\$ 123,726,285</u>	<u>\$ 9,852,551</u>
Business-Type Activities:					
Solid Waste Fund:					
Installment purchases	\$ 54,648	\$ 385,000	\$ 54,648	\$ 385,000	\$ 25,667
Compensated absences	59,550	32,854	30,916	61,488	22,000
Other post-employment benefits	716,225	177,526	66,036	827,715	-
Accrued landfill closure/ post-closure care costs	6,743,924	482,133	-	7,226,057	-
Total	<u>7,574,347</u>	<u>1,077,513</u>	<u>151,600</u>	<u>8,500,260</u>	<u>47,667</u>
Water and Sewer Fund:					
Installment purchases	20,316,302	134,309	1,484,547	18,966,064	1,354,724
Compensated absences	95,950	49,678	57,081	88,547	31,000
Other post-employment benefits	763,290	170,280	37,274	896,296	-
Total	<u>21,175,542</u>	<u>354,267</u>	<u>1,578,902</u>	<u>19,950,907</u>	<u>1,385,724</u>
East Lincoln Water and Sewer District Fund:					
General obligation bonds	2,135,000	-	530,000	1,605,000	520,000
State Bond loan	1,000,000	-	250,000	750,000	250,000
Total	<u>3,135,000</u>	<u>-</u>	<u>780,000</u>	<u>2,355,000</u>	<u>770,000</u>
Total Business-type activities	<u>\$ 31,884,889</u>	<u>\$ 1,431,780</u>	<u>\$ 2,510,502</u>	<u>\$ 30,806,167</u>	<u>\$ 2,203,391</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 FIFO basis, assuming that employees are taking leave time as it is earned.

At June 30, 2014, Lincoln County had a legal debt margin of approximately \$579,000,000.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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					
	Obligation Bonds		Notes Payable		Purchase Agreements				Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental										
Activities:										
2015	\$ 6,965,000	\$ 2,924,867	\$ -	\$ -	\$ 2,089,196	\$ 715,910	\$ 9,054,196	\$ 3,640,777		
2016	6,925,000	2,678,917	-	-	1,951,825	646,574	8,876,825	3,325,491		
2017	6,925,000	2,456,167	-	-	1,829,699	574,522	8,754,699	3,030,689		
2018	6,835,000	2,239,317	-	-	1,830,920	504,592	8,665,920	2,743,909		
2019	6,845,000	1,950,167	-	-	1,677,271	434,597	8,522,271	2,384,764		
2020-2024	33,375,000	6,236,835	-	-	10,071,728	1,310,517	43,446,728	7,547,352		
2025-2029	14,180,000	1,464,559	-	-	5,303,336	324,500	19,483,336	1,789,059		
Total	<u>\$ 82,050,000</u>	<u>\$ 19,950,829</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,753,975</u>	<u>\$ 4,511,212</u>	<u>\$ 106,803,975</u>	<u>\$ 24,462,041</u>		
Business-Type										
Activities:										
2015	\$ 520,000	\$ 58,332	\$ 250,000	\$ 25,725	\$ 1,380,391	\$ 474,884	\$ 2,150,391	\$ 558,941		
2016	510,000	41,420	250,000	17,150	1,374,239	440,798	2,134,239	499,368		
2017	400,000	23,938	250,000	8,575	1,370,098	406,744	2,020,098	439,257		
2018	150,000	8,313	-	-	1,376,868	372,688	1,526,868	381,001		
2019	25,000	1,188	-	-	1,369,774	338,447	1,394,774	339,635		
2020-2024	-	-	-	-	6,226,364	1,189,044	6,226,364	1,189,044		
2025-2029	-	-	-	-	4,503,330	542,500	4,503,330	542,500		
2030-2031	-	-	-	-	1,750,000	65,100	1,750,000	65,100		
Total	<u>\$ 1,605,000</u>	<u>\$ 133,191</u>	<u>\$ 750,000</u>	<u>\$ 51,450</u>	<u>\$ 19,351,064</u>	<u>\$ 3,830,205</u>	<u>\$ 21,706,064</u>	<u>\$ 4,014,846</u>		

Advance Refunding

On November 14, 2013, the County issued the \$9,460,000 Installment Financing Contract, Series 2013 for the purpose of a current refunding of the Series 2003 Certificates of Participation in the amount of \$1,565,000 and a partial advance refund the Series 2006 Certificates of Participation in the amount of \$6,860,000. As a result, the debt refunded in advance of \$6,860,000 is considered defeased and the liability has been removed from the governmental activities column of the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,035,000. The 2013 Contract bears interest ranging from 1.776% to 2.520%, with payment dates of June 1 and December 1, and will mature June 1, 2027. The refunding produced debt service savings of \$612,283.

In prior years, the County has refunded various bond issues by creating separate irrevocable trust funds to provide for all future debt service payments on the old bonds. New debt has been issued and the proceeds have been used to purchase qualified government securities that were placed in the trust funds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On June 30, 2014, \$29,200,000 of bonds outstanding is considered defeased.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

Debt Related to Capital Activities

Of the total governmental activities debt listed, only \$9,777,058 relates to assets to which the County holds title, while the remaining \$99,402,714 related to assets owned and utilized by the school system. Unspent restricted cash related to the school debt amounts to \$3,951,663.

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.

Funding. Plan members are required to contribute 6% of their annual covered salary. The County is required to contribute at an actuarially determined rate. The current rate for employees not engages in law enforcement is 7.07%, and for law enforcement officers is 7.55% 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, 2014, 2013, and 2012 were \$1,847,403, \$1,697,179, and \$1,401,624, 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% 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.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

The Separation Allowance covers all full-time law enforcement officers of the County. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>103</u>
Total	<u><u>111</u></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. 143-12D to provide these retirement benefits and has chosen to fund benefit payments on a pay-as-you-go basis through appropriations in the General Fund operating budget. The County's obligation to contribute to this plan is established by statute and may be amended by the North Carolina General Assembly. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. There were no contributions made by employees. The current year obligations of \$80,771 were paid by the General Fund for the Separation Allowance.

The annual required contribution for the fiscal year ended June 30, 2014, was determined as part of the December 31, 2012, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25 percent to 7.85% per year. The inflation component was 3.00%. The assumptions did not include post-retirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on a closed basis. The remaining amortization period at December 31, 2012, was 18 years.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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	\$ 166,680
Interest on net pension obligation	33,794
Adjustment to annual required contribution	<u>(55,065)</u>
Annual pension cost	145,409
Employer contributions	<u>80,771</u>
Increase (decrease) in net pension obligation	64,638
Net pension obligation:	
Beginning of year - July 1	<u>675,871</u>
End of year - June 30	<u><u>\$ 740,509</u></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, 2012, 2013, and 2014 is as follows:

Three-Year Trend Information			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 149,551	51.76%	\$ 598,833
6/30/2013	150,371	48.77%	675,871
6/30/2014	145,409	55.55%	740,509

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

Funded Status and Funding Progress. As of December 31, 2013, 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 \$1,374,091. The covered payroll (annual payroll of active employees covered by the plan) was \$4,154,487, and the ratio of the UAAL to the covered payroll was 33.07%.

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.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

C. Supplemental Retirement Income Plan for Law Enforcement Officers

The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. North Carolina G.S. 135-5 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

North Carolina G.S. 143-12E requires the County to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. In addition, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014, were \$400,328, which consisted of \$207,197 from the County and \$193,131 from the law enforcement officers.

C. 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.

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 3 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, 2014, the County's required and actual contributions were \$6,601.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

Note 8. Death Benefit Plan

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the system at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

For the fiscal year ended June 30, 2014, the County made no contributions to the State for death benefits. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively. Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010, was established. The County will have a three-year reprieve; contributions will resume in the fiscal year beginning July 1, 2015.

Note 9. Other Post-Employment Benefits (OPEB)

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

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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

Currently, 105 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2014, the County made payments for post-retirement health benefit premiums of \$732,839. 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, 2012, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	84	21
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	<u>580</u>	<u>106</u>
Total	<u><u>664</u></u>	<u><u>127</u></u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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 2014, the County chose to fund the plan benefits on a pay-as-you-go basis.

The current annual required contribution (ARC) rate is 12.02% of annual covered payroll. For the current year, the County contributed \$732,839, or 3.0%, of annual covered payroll. There were no contributions by retirees. The County self-funds health and dental coverage for all retirees and employees. The County's obligation to contribute to the HCB Plan is established and may be amended by the County Commissioners.

Summary of Significant Accounting Policies. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting throughout the year and adjusted to full accrual where required for reporting purposes. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 2,638,563	\$ 345,412	\$ 2,983,975
Interest on net OPEB obligation	411,205	53,830	465,035
Adjustments to annual required contribution	(392,912)	(51,436)	(444,348)
Annual OPEB cost (expense)	2,656,856	347,806	3,004,662
Contributions made	(629,529)	(103,310)	(732,839)
Increase (decrease) in net OPEB obligation	2,027,327	244,496	2,271,823
Net OPEB obligation:			
Beginning of year - July 1	10,202,445	1,479,515	11,681,960
End of year - June 30	<u>\$ 12,229,772</u>	<u>\$ 1,724,011</u>	<u>\$ 13,953,783</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

The County's annual OPEB cost, the percentage of OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2014 were as follows:

<u>Year Ended June 30</u>	<u>OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>OPEB Obligation</u>
2012	\$ 2,939,170	33.2%	\$ 9,419,771
2013	3,015,206	25.0%	11,681,960
2014	3,004,662	24.4%	13,953,783

Funding Status and Funding Progress. As of December 31, 2012, 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 \$29,492,800. The covered payroll (annual payroll of active employees covered by the plan) was \$24,819,345, and the ratio of the UAAL to the covered payroll was 118.8%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, an annual pre-Medicare medical trend increase of 8.50% to 5.00%, and an annual post-Medicare medical trend increase of 6.25% to 5.00%. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar amount of projected payroll on an open basis. The remaining amortization period at December 31, 2012, was 30 years.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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

The County's new landfill consists of Phases I through VIII and an area used for construction and debris (C&D) materials. Cells have been constructed in Phase I, II, and III, accordingly, along with the C&D area. Federal and State laws and regulations require the County to place a final cover on its landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$7,226,057 reported as landfill closure and post-closure care liability at June 30, 2014, represents a cumulative amount reported to date based on the use of landfill capacity in the County's sanitary and C&D landfill sections. The sanitary landfill reported a cumulative amount of \$6,084,403 to date based on the use of 86% of Phase I through III's estimated capacity. The C&D portion reported a cumulative amount of \$1,141,654 to date based on the use of 75% of estimated capacity. The County will recognize the remaining estimated cost of closure and post-closure care of \$1,385,823 as the remaining estimated capacity is filled. Of this amount, \$1,002,597 is related to the remaining capacity in the sanitary landfill, and \$383,226 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 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County expects to close Phases I through III in the year 2020 for the sanitary portion and that same year for the C&D portion.

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

Note 11. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and/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.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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 Fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The County's claims that are incurred but not reported are considered a current liability and are included in accounts payable of the Health Benefits Fund and the Workers' Compensation Fund (the Internal Service Funds). The County has recognized provisions of \$306,742 for claims incurred but not reported in the Health Benefits Fund and \$166,392 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:

	2014	2013
Unpaid claims, beginning	\$ 639,568	\$ 1,319,717
Incurred claims	5,100,122	3,734,300
Claim payments	<u>(5,266,556)</u>	<u>(4,414,449)</u>
Unpaid claims, ending	<u>\$ 473,134</u>	<u>\$ 639,568</u>

Note 12. Interfund Activity

The transfers to/from other funds at June 30, 2014, were for the purpose of funding capital projects and consist of the following:

From	To	Amount
Capital Reserve Fund	General Fund	\$ 1,692,383
General Fund	General Capital Projects Fund	<u>1,552,127</u>
Total		<u>\$ 3,244,510</u>

The due to/from other funds at June 30, 2014, consist of the following:

Receivable Fund	Payable Fund	Amount
Water and Sewer Fund	General Fund	\$ 19,660
General Capital Projects Fund	General Fund	2,888,313
General Fund	Solid Waste Fund	<u>4,120</u>
Total		<u>\$ 2,912,093</u>

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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

Note 13. Claims and Judgments

At June 30, 2014, the County was involved in several lawsuits involving damages and potential claims. The exact amount of any claim cannot be determined at this time. It is the opinion of the County Attorney and County management that none of these lawsuits would have any adverse financial impact upon the County or its financial position.

Note 14. Summary Disclosure of Significant Contingencies

The County has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Note 15. Related Organization

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

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

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

Note 16. Joint Ventures

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

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

The County has an ongoing financial responsibility to supplement these funds, and for the year ended June 30, 2014, provided \$274,589 in support of Partners' services. Additionally, the County remitted \$12,702 to Pathways from the alcohol rehabilitation tax. The County does not have an equity interest in Partners; therefore, no equity interest has been reflected in the financial statements at June 30, 2014. Complete financial statements for Partners may be obtained from Partners' administrative offices at 901 South New Hope Road, Gastonia, North Carolina 28054.

The County, in conjunction with the City of Lincolnton, participates in a general aviation airport. Each participating government appoints three members to the six-member Board. The Airport is a joint venture established to facilitate economic expansion within the County and to improve the quality of life for its citizens. The Airport has been in existence since 1986, but it is not yet self-sustaining. The County has an ongoing financial responsibility for the Airport because it and the City are legally obligated under the intergovernmental agreement that created the Airport to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The County contributed \$59,187 to the Airport during the fiscal year ended June 30, 2014. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2014. Complete financial statements for the Airport can be obtained from Lincoln County administrative offices at 115 West Main Street, Lincolnton, NC 28092.

Note 17. Jointly Governed Organization

The County, in conjunction with seven other counties and 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 \$18,784 to the Council during the fiscal year ended June 30, 2014.

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, 2014.

The County's Board of Commissioners appoints one of the Lake Norman Marine Commission Board of Directors. The County provided funding of \$25,500 for the year ended June 30, 2014. 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, 2014.

LINCOLN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

Note 18. Benefit Payments Issued By the State

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

	Federal	State
Medical assistance	\$ 56,435,118	\$ 30,729,285
Temporary Assistance to Needy Families	271,408	(28)
Low income energy assistance	458,046	-
Chafee Foster Care Independence Program	17,159	-
State/County domiciliary care	-	447,664
Special Supplemental Food Program for Women, Infants, and Children	1,163,860	-
IV-E foster care	193,663	54,442
IV-E adoption subsidy	304,271	86,188
CWS adopt subsidy and vendor	-	315,898
State foster home	-	130,307
Totals	<u>\$ 58,843,525</u>	<u>\$ 31,763,756</u>

LINCOLN COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/2008	\$ -	\$ 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%
12/31/2012	-	1,316,627	1,316,627	0.00%	4,015,989	32.78%
12/31/2013	-	1,374,091	1,374,091	0.00%	4,154,487	33.07%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation End of Year
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
2013	157,695	51.22%	675,871
2014	166,680	38.78%	740,509

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	12/31/13
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	17 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, 2014**

Schedule of Funding Progress

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

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%
2013	2,998,367	25.11%
2014	2,983,975	24.56%

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	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, closed
Remaining amortization period	30 years
Amortization factor	17.9837
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate:	
Pre-Medicare trend rate	8.50% - 5.00%
Post-Medicare trend rate	6.25% - 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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes	\$ 50,165,725	\$ 51,516,392	\$ 1,350,667	\$ 49,575,234
Local Option Sales Taxes:				
Article 39 one percent	5,098,000	5,542,568	444,568	5,120,511
Article 40 one-half of one percent	3,996,250	4,031,972	35,722	3,899,945
Article 42 one-half of one percent	2,835,150	3,043,911	208,761	2,827,309
Article 44 one-half of one percent	-	3,143	3,143	12,276
Medicaid hold harmless	183,810	450,332	266,522	364,243
Total	12,113,210	13,071,926	958,716	12,224,284
Other Taxes and Licenses:				
Real estate transfer tax	500,000	737,628	237,628	697,046
Local occupancy tax and car rental tax	87,000	114,079	27,079	109,865
Utility franchise tax	238,000	228,408	(9,592)	233,252
Total	825,000	1,080,115	255,115	1,040,163
Unrestricted Intergovernmental Revenues:				
Beer and wine tax	318,750	317,328	(1,422)	289,491
Restricted Intergovernmental Revenues:				
Federal and State grants	10,914,797	10,753,630	(161,167)	10,584,659
Court facilities fees	100,000	97,021	(2,979)	111,587
ABC revenue	240,500	214,609	(25,891)	228,120
Total	11,255,297	11,065,260	(190,037)	10,924,366
Permits and Fees:				
Inspection Department	694,300	1,122,662	428,362	772,433
Sheriff Department	233,954	272,538	38,584	318,262
Soil and water conservation	8,000	12,525	4,525	9,400
Fire marshal	2,500	2,490	(10)	3,405
Register of Deeds	431,000	398,030	(32,970)	449,764
Total	1,369,754	1,808,245	438,491	1,553,264

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Sales and Services:				
Rents, concessions, and fees	888,593	897,816	9,223	833,593
Ambulance fees	3,080,000	2,929,175	(150,825)	3,394,333
Animal control	78,100	80,112	2,012	78,739
Jail fees	30,000	78,354	48,354	44,787
Social Services	1,665,507	1,073,627	(591,880)	1,187,043
Health Department	1,325,277	881,780	(443,497)	1,064,743
Collection fees - special tax districts and City of Lincolnton	261,788	259,336	(2,452)	246,361
Soil and water conservation	60,000	43,950	(16,050)	31,700
Total	7,389,265	6,244,150	(1,145,115)	6,881,299
Investment Earnings	70,000	154,376	84,376	58,368
Miscellaneous:				
Sale of property	40,000	75,815	35,815	37,770
Contributions	3,000	16,691	13,691	21,924
Other	962,142	1,356,128	393,986	898,022
Total	1,005,142	1,448,634	443,492	957,716
Total revenues	84,512,143	86,706,426	2,194,283	83,504,185
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	107,133	106,635	498	102,988
Other operating expenditures	104,582	104,206	376	101,078
Total	211,715	210,841	874	204,066
Administration and Finance:				
Salaries and employee benefits	1,169,874	1,074,350	95,524	1,019,207
Other operating expenditures	162,283	162,970	(687)	153,928
Overhead allocated to other funds	(440,000)	(466,244)	(26,244)	(272,916)
Total	892,157	771,076	68,593	900,219
Data Processing:				
Salaries and employee benefits	448,992	477,074	(28,082)	455,069
Other operating expenditures	220,445	180,391	40,054	182,642
Total	669,437	657,465	11,972	637,711

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Elections:				
Salaries and employee benefits	302,322	257,001	45,321	296,968
Special compensation	7,200	9,570	(2,370)	9,670
Other operating expenditures	144,235	124,144	20,091	136,128
Total	453,757	390,715	63,042	442,766
Taxes:				
Salaries and employee benefits	642,034	605,763	36,271	601,709
Other operating expenditures	450,402	431,017	19,385	337,222
Tax mapping	355,930	313,321	42,609	306,177
Tax revaluation	543,798	522,362	21,436	428,552
Total	1,992,164	1,872,463	119,701	1,673,660
Legal:				
Other operating expenditures	135,000	216,470	(81,470)	177,198
Register of Deeds:				
Salaries and employee benefits	461,294	456,784	4,510	445,202
Other operating expenditures	438,952	492,383	(53,431)	501,995
Capital outlay	4,000	-	4,000	-
Total	904,246	949,167	(44,921)	947,197
Central Services:				
Salaries and employee benefits	756,000	629,529	126,471	703,918
Other operating expenditures	35,000	34,566	434	36,424
Total	791,000	664,095	126,905	740,342
Public Buildings:				
Salaries and employee benefits	574,010	553,104	20,906	566,233
Other operating expenditures	1,058,310	1,080,077	(21,767)	1,054,316
Total	1,632,320	1,633,181	(861)	1,620,549
Court Facilities:				
Other operating expenditures	40,898	39,633	1,265	35,496
Special Grants:				
Forestry program	68,636	53,061	15,575	48,865
National Guard	2,500	-	2,500	2,565
Lake Norman Marine Commission	23,500	23,500	-	22,990
Lake Norman RPO	15,000	5,667	9,333	-

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Regional Council of Government	18,784	18,784	-	18,392
West/East Lincoln Rescue Squads	70,500	52,610	17,890	107,224
Miscellaneous grants	166,900	106,900	60,000	61,900
Airport Authority	59,187	59,187	-	58,756
Arts Council	7,268	7,268	-	7,268
Mainstreet Program	5,700	5,700	-	5,700
Cultural Development Center	29,216	29,216	-	29,216
Chamber of Commerce	14,963	14,963	-	14,963
Mountain Island Commission	1,900	1,900	-	1,900
Total	484,054	378,756	105,298	379,739
 Total general government	 8,206,748	 7,783,862	 370,398	 7,758,943
 Public Safety:				
Sheriff Department:				
Salaries and employee benefits	7,190,766	6,897,331	293,435	6,747,234
Other operating expenditures	1,390,059	1,354,298	35,761	1,378,318
Total	8,580,825	8,251,629	329,196	8,125,552
 Jail:				
Salaries and employee benefits	2,040,297	2,006,269	34,028	1,963,499
Other operating expenditures	947,991	920,996	26,995	851,096
Total	2,988,288	2,927,265	61,023	2,814,595
 Jail Commissary:				
Other operating expenditures	10,000	43,193	(33,193)	-
 Communications:				
Salaries and employee benefits	1,049,107	1,074,579	(25,472)	1,029,721
Other operating expenditures	207,375	237,464	(30,089)	176,534
Capital outlay	-	-	-	4,302
Total	1,256,482	1,312,043	(55,561)	1,210,557
 Emergency Management:				
Salaries and employee benefits	79,698	79,176	522	71,067
Other operating expenditures	132,128	107,572	24,556	92,221
Capital outlay	37,767	-	37,767	25,409
Total	249,593	186,748	62,845	188,697
 Emergency Management - Beatties Ford:				
Other operating expenditures	12,100	11,973	127	9,827

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Emergency Management - Special Operations:				
Other operating expenditures	25,000	25,787	(787)	29,132
Ambulance Services:				
Salaries and employee benefits	4,364,432	4,338,306	26,126	4,115,809
Other operating expenditures	1,100,579	1,084,260	16,319	1,183,183
Total	5,465,011	5,422,566	42,445	5,298,992
Fire:				
Fire Marshall				
Salaries and employee benefits	170,646	170,368	278	163,437
Other operating expenditures	29,271	33,951	(4,680)	28,170
Total	199,917	204,319	(4,402)	191,607
Assistance to Local Volunteer Fire Departments	151,697	149,385	2,312	139,721
Planning and Inspections:				
Salaries and employee benefits	1,102,714	1,050,009	52,705	1,068,946
Other operating expenditures	182,929	178,468	4,461	170,402
Total	1,285,643	1,228,477	57,166	1,239,348
Medical Examiner:				
Contracted services	41,200	47,002	(5,802)	46,412
Animal Control:				
Salaries and employee benefits	529,813	426,144	103,669	487,158
Other operating expenditures	277,120	261,899	15,221	310,945
Total	806,933	688,043	118,890	798,103
Total public safety	21,072,689	20,498,430	574,259	20,092,543
Economic and Physical Development:				
Cooperative Extension:				
Salaries and employee benefits	64,820	59,216	5,604	58,226
Other operating expenditures	96,288	51,522	44,766	27,765
Contracted services	197,884	168,121	29,763	187,512
Total	358,992	278,859	80,133	273,503

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Economic Development Commission/Projects:				
Other operating expenditures	1,145,996	1,101,000	44,996	1,236,319
Soil and Water Conservation:				
Salaries and employee benefits	220,346	214,024	6,322	216,083
Other operating expenditures	31,216	26,145	5,071	35,666
Total	251,562	240,169	11,393	251,749
Community Development Block Grant:				
Contracted services - CDBG Grant	225,000	-	225,000	62,727
Total economic and physical development	1,981,550	1,620,028	361,522	1,824,298
Human Services:				
Health:				
Administration:				
Salaries and employee benefits	810,624	760,134	50,490	782,904
Special compensation	1,540	840	700	1,080
Other operating expenditures	168,108	132,914	35,194	211,736
Total	980,272	893,888	86,384	995,720
Immunization:				
Salaries and employee benefits	59,624	59,552	72	58,368
Other operating expenditures	44,085	24,015	20,070	39,658
Total	103,709	83,567	20,142	98,026
Adult Health:				
Salaries and employee benefits	121,727	88,952	32,775	116,634
Other operating expenditures	4,739	3,037	1,702	4,993
Total	126,466	91,989	34,477	121,627
BCCP - Health:				
Salaries and employee benefits	-	9,197	(9,197)	2,969
Other operating expenditures	41,641	41,668	(27)	49,277
Total	41,641	50,865	(9,224)	52,246

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Communicable Disease:				
Salaries and employee benefits	60,576	55,939	4,637	58,860
Other operating expenditures	13,227	4,271	8,956	5,444
Total	73,803	60,210	13,593	64,304
Lab:				
Salaries and employee benefits	102,038	102,264	(226)	98,496
Other operating expenditures	98,997	64,080	34,917	87,963
Total	201,035	166,344	34,691	186,459
Family Planning:				
Salaries and employee benefits	111,528	102,057	9,471	99,880
Other operating expenditures	38,827	30,227	8,600	35,049
Total	150,355	132,284	18,071	134,929
Maternal Health:				
Salaries and employee benefits	90,772	54,590	36,182	69,151
Other operating expenditures	12,027	8,282	3,745	6,228
Total	102,799	62,872	39,927	75,379
Child Health:				
Salaries and employee benefits	118,458	118,454	4	116,191
Other operating expenditures	6,289	5,100	1,189	2,740
Total	124,747	123,554	1,193	118,931
Home Health Services:				
Salaries and employee benefits	715,846	688,182	27,664	691,914
Contracted services	260,000	183,225	76,775	222,588
Other operating expenditures	186,138	131,652	54,486	140,953
Total	1,161,984	1,003,059	158,925	1,055,455
Maternal Care Coordination:				
Salaries and employee benefits	115,873	117,383	(1,510)	116,619
Other operating expenditures	11,588	5,907	5,681	6,005
Total	127,461	123,290	4,171	122,624
Child Service Coordination:				
Salaries and employee benefits	134,953	165,279	(30,326)	123,095
Other operating expenditures	9,521	7,840	1,681	7,826
Total	144,474	173,119	(28,645)	130,921

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
School Health:				
Salaries and employee benefits	440,890	438,810	2,080	397,999
Other operating expenditures	31,269	25,547	5,722	32,958
Total	472,159	464,357	7,802	430,957
Dental Health:				
Salaries and employee benefits	11,969	15,611	(3,642)	17,555
Women, Infants, and Children:				
Salaries and employee benefits	255,046	226,085	28,961	226,653
Other operating expenditures	17,925	16,498	1,427	23,680
Total	272,971	242,583	30,388	250,333
Day Care Grant:				
Salaries and employee benefits	51,745	51,889	(144)	50,866
Other operating expenditures	4,142	3,997	145	3,876
Total	55,887	55,886	1	54,742
Nutrition:				
Salaries and employee benefits	104,164	102,634	1,530	100,427
Other operating expenditures	1,000	158	842	222
Total	105,164	102,792	2,372	100,649
Environmental Health:				
Salaries and employee benefits	507,602	507,214	388	497,882
Other operating expenditures	64,298	59,802	4,496	58,812
Capital outlay	-	2,481	(2,481)	2,833
Total	571,900	569,497	2,403	559,527
Health Promotion:				
Salaries and employee benefits	50,463	39,566	10,897	46,233
Other operating expenditures	24,487	7,756	16,731	8,642
Total	74,950	47,322	27,628	54,875
Bioterrorism:				
Salaries and employee benefits	59,220	59,166	54	58,074
Other operating expenditures	11,637	7,325	4,312	9,677
Total	70,857	66,491	4,366	67,751

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Contracted Services:				
Salaries and employee benefits	536,229	441,639	94,590	477,861
Other operating expenditures	68,006	53,029	14,977	37,523
Total	604,235	494,668	109,567	515,384
Other Health Programs:				
6th Grade Health Study Grant	-	97	(97)	290
Susan Komen	50,892	42,832	8,060	47,197
Total	50,892	42,929	7,963	47,487
Total health	5,629,730	5,067,177	562,553	5,255,881
Mental Health:				
Gaston-Lincoln Area Program	275,589	285,844	(10,255)	382,291
Social Services:				
Administration:				
Salaries and employee benefits	818,363	787,404	30,959	792,327
Special compensation	1,200	900	300	820
Other operating expenditures	363,314	321,413	41,901	370,214
Capital outlay	381,705	161,921	219,784	243,829
Total	1,564,582	1,271,638	292,944	1,407,190
Children's Services:				
Salaries and employee benefits	2,108,002	2,052,919	55,083	2,073,240
Foster care	865,736	876,635	(10,899)	726,381
Other operating expenditures	94,819	37,085	57,734	64,814
Total	3,068,557	2,966,639	101,918	2,864,435
Adolescent Parenting:				
Salaries and employee benefits	57,620	59,405	(1,785)	56,031
Other operating expenditures	4,049	2,361	1,688	2,910
Total	61,669	61,766	(97)	58,941
Adult Services:				
Salaries and employee benefits	675,400	644,845	30,555	648,011
Long-term care, SD	530,000	446,473	83,527	476,671
Other operating expenditures	16,792	9,245	7,547	8,361
Total	1,222,192	1,100,563	121,629	1,133,043

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
State In-Home Care:				
Special compensation	9,249	5,273	3,976	3,672
Office on Aging - HCCBG:				
Special contracted services	214,687	209,835	4,852	207,468
Other operating expenditures	539	-	539	-
Total	215,226	209,835	5,391	207,468
Child Support Enforcement:				
Salaries and employee benefits	461,770	449,784	11,986	408,188
Other operating expenditures	26,580	22,070	4,510	16,142
Total	488,350	471,854	16,496	424,330
CAP - Children:				
Special contracted services	26,674	-	26,674	-
CAP - Disabled Adults:				
Special contracted services	1,083,971	809,248	274,723	852,482
Other operating expenditures	140,000	145,832	(5,832)	129,845
Total	1,223,971	955,080	268,891	982,327
TANF Program:				
Salaries and employee benefits	389,472	367,092	22,380	374,947
Client travel reimbursement	1,500	1,021	479	1,019
Other operating expenditures	31,152	4,926	26,226	4,069
Total	422,124	373,039	49,085	380,035
Title XIX Program - Family and Children:				
Salaries and employee benefits	472,069	458,689	13,380	447,502
TANF emergency assistance	5,130	5,722	(592)	4,766
Other operating expenditures	2,743	1,787	956	1,983
Total	479,942	466,198	13,744	454,251
Title XIX Program - Adult:				
Salaries and employee benefits	644,810	643,264	1,546	584,043
Client transportation	423,700	507,641	(83,941)	445,313
Medicaid, SD	3,800	4,135	(335)	5,628
Other operating expenditures	3,292	3,157	135	3,299
Total	1,075,602	1,158,197	(82,595)	1,038,283

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Food Stamp Program - Issuance:				
Salaries and employee benefits	542,302	549,482	(7,180)	552,776
Other operating expenditures	623,755	474,451	149,304	570,383
Total	1,166,057	1,023,933	142,124	1,123,159
Food Stamp Program - Fraud:				
Special contracted services	46,281	46,198	83	45,516
Other operating expenditures	749	199	550	184
Total	47,030	46,397	633	45,700
Senior's Health Insurance Program				
Other operating expenditures	5,145	1,031	4,114	9,059
Total social services	11,076,370	10,111,443	964,927	10,131,893
Assistance Programs:				
Blind	3,613	3,613	-	3,556
Daycare program	2,383,083	2,266,174	116,909	2,312,860
Communities in schools	47,025	47,025	-	47,025
Gaston skills	56,471	56,471	-	55,645
Total	2,490,192	2,373,283	116,909	2,419,086
Veterans Service Office:				
Special contracted services	102,122	101,548	574	99,131
Other operating expenditures	22,253	14,559	7,694	22,061
Total	124,375	116,107	8,268	121,192
JCP:				
Administration	12,776	12,221	555	10,280
Gang (ARRA)	-	-	-	15,000
Pathways MH/SA	8,125	8,125	-	6,875
Communities in schools	27,689	27,689	-	27,689
Savy Shepherd	208,572	188,228	20,344	163,760
Mediation	10,000	10,000	-	25,616
CIS - After School	38,566	43,106	(4,540)	62,281
Phoenix Counseling	15,000	6,250	8,750	15,000
FamiliFirst	25,500	18,412	7,088	25,498
Shepherd - Take Hold of Reins	6,885	6,665	220	-
Total	353,113	320,696	32,417	351,999

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Shepherd - Trail Success Equine:				
Other operating expenditures	30,789	32,989	(2,200)	30,789
Gaston Family Health Services				
Other operating expenditures	30,000	30,000	-	30,000
Senior Services:				
Salaries and employee benefits	230,281	217,224	13,057	219,527
Other operating expenditures	277,145	244,562	32,583	253,811
Total	507,426	461,786	45,640	473,338
Transportation TLC:				
Salaries and employee benefits	810,538	828,206	(17,668)	785,080
Other operating expenditures	364,782	397,573	(32,791)	386,743
Total	1,175,320	1,225,779	(50,459)	1,171,823
Total human services	21,692,904	20,025,104	1,667,800	20,368,292
Cultural and Recreational:				
Recreation:				
Salaries and employee benefits	660,385	627,630	32,755	601,352
Contracted services	12,050	9,510	2,540	4,747
Other operating expenditures	386,060	283,399	102,661	263,471
Total	1,058,495	920,539	137,956	869,570
Recreation - Building and Grounds:				
Salaries and employee benefits	213,375	128,880	84,495	147,642
Other operating expenditures	76,712	69,474	7,238	51,103
Total	290,087	198,354	91,733	198,745
Library:				
Salaries and employee benefits	759,588	625,306	134,282	655,585
Other operating expenditures	473,264	482,943	(9,679)	427,165
Capital outlay	-	283	(283)	618
Total	1,232,852	1,108,532	124,320	1,083,368
Battle of Ramsour Mill:				
Operating expenses	8,712	7,270	1,442	8,882
Historical Properties:				
Other operating expenditures	3,405	890	2,515	1,262

LINCOLN COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Historical Association	28,215	28,215	-	28,215
Total cultural and recreational	2,621,766	2,263,800	357,966	2,190,042
Education:				
Public schools - current expense	16,036,429	16,036,429	-	16,175,429
Public schools - capital outlay	2,210,955	2,210,955	-	1,729,091
Community college - current expense	138,800	138,800	-	138,800
Total education	18,386,184	18,386,184	-	18,043,320
Debt Service:				
Principal retirement	10,835,570	10,202,473	633,097	9,037,267
Interest and fees	4,219,142	3,841,493	377,649	4,251,476
Total debt service	15,054,712	14,043,966	1,010,746	13,288,743
Total expenditures	89,016,553	84,621,374	4,342,691	83,566,181
Revenues over (under) expenditures	(4,504,410)	2,085,052	6,589,462	(61,996)
Other Financing Sources (Uses):				
Long-term debt issued	9,325,691	9,325,691	-	-
Payment to refunding bond escrow agent	(7,740,891)	(7,740,891)	-	-
Transfers out	(1,552,127)	(1,552,127)	-	(1,492,061)
Transfers in	1,721,303	1,692,383	(28,920)	2,125,383
Fund balance appropriated	2,750,434	-	(2,750,434)	-
Total other financing sources (uses)	4,504,410	1,725,056	(2,779,354)	633,322
Net change in fund balance	\$ -	3,810,108	\$ 3,810,108	571,326
Fund Balance:				
Beginning of year - July 1		19,796,381		19,225,055
End of year - June 30		\$ 23,606,489		\$ 19,796,381

LINCOLN COUNTY, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND

GENERAL CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental				
Federal and State grants	\$ 5,256,792	\$ 146,000	\$ 982,301	\$ 1,128,301
Investment earnings	9,000	5,308	133	5,441
Contributions and donations	511,012	-	79,824	79,824
Miscellaneous	951,763	103,299	80,939	184,238
Total revenues	<u>6,728,567</u>	<u>254,607</u>	<u>1,143,197</u>	<u>1,397,804</u>
Expenditures:				
Capital outlay				
Land and buildings	5,418,111	2,388,383	431,005	2,819,388
Data processing	1,873,650	547,220	1,109,481	1,656,701
Water/sewer lines	6,460,945	1,194,346	2,338,332	3,532,678
Other improvements	310,661	3,462	186,855	190,317
Contracted services	159,350	-	70,070	70,070
Other equipment	2,810,267	-	1,980,991	1,980,991
Contingency	185,717	-	-	-
Total expenditures	<u>17,218,701</u>	<u>4,133,411</u>	<u>6,116,734</u>	<u>10,250,145</u>
Revenues over (under) expenditures	<u>(10,490,134)</u>	<u>(3,878,804)</u>	<u>(4,973,537)</u>	<u>(8,852,341)</u>
Other Financing Sources (Uses):				
Long-term debt issued	6,403,242	1,100,000	6,115,000	7,215,000
Transfer from General Fund	4,086,892	3,005,535	1,552,127	4,557,662
Total other financing sources (uses)	<u>10,490,134</u>	<u>4,105,535</u>	<u>7,667,127</u>	<u>11,772,662</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 226,731</u>	2,693,590	<u>\$ 2,920,321</u>
Fund Balance:				
Beginning of year - July 1			<u>226,731</u>	
End of year - June 30			<u>\$ 2,920,321</u>	

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LINCOLN COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2014

	<u>Special Revenue Funds</u>		
	<u>Fire Districts Fund</u>	<u>Law Enforcement Fund</u>	<u>Federal Law Enforcement Fund</u>
Assets:			
Cash and cash equivalents	\$ 37,244	\$ 49,572	\$ 41,744
Taxes receivable, net	258,805	-	-
Accounts receivable, net	-	-	-
Due from other governments	-	1,010	806
Cash and cash equivalents, restricted	-	-	-
Total assets	<u>\$ 296,049</u>	<u>\$ 50,582</u>	<u>\$ 42,550</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and other accrued liabilities	<u>\$ 37,244</u>	<u>\$ 743</u>	<u>\$ -</u>
Deferred Inflows of Resources:			
Unavailable taxes	<u>258,805</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted:			
Stabilization for State statute	-	1,010	806
Restricted, all other	-	48,829	41,744
Committed	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>49,839</u>	<u>42,550</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 296,049</u>	<u>\$ 50,582</u>	<u>\$ 42,550</u>

Schedule C-1

Emergency Telephone Systems Fund	Capital Project Funds		Total Nonmajor Governmental Funds
	School Capital Projects Fund	Capital Reserve Fund	
\$ 530,553	\$ -	\$ 749,985	\$ 1,409,098
-	-	-	258,805
26,420	-	-	26,420
1,316	-	208,886	212,018
-	3,951,663	-	3,951,663
<u>\$ 558,289</u>	<u>\$ 3,951,663</u>	<u>\$ 958,871</u>	<u>\$ 5,858,004</u>
<u>\$ 1,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,513</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>258,805</u>
27,736	-	208,886	238,438
529,027	3,951,663	-	4,571,263
-	-	749,985	749,985
<u>556,763</u>	<u>3,951,663</u>	<u>958,871</u>	<u>5,559,686</u>
<u>\$ 558,289</u>	<u>\$ 3,951,663</u>	<u>\$ 958,871</u>	<u>\$ 5,858,004</u>

LINCOLN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds		
	Fire Districts Fund	Law Enforcement Fund	Federal Law Enforcement Fund
Revenues:			
Ad valorem taxes	\$ 6,646,450	\$ -	\$ -
Other taxes and licenses	-	-	-
Restricted intergovernmental revenue	-	16,645	22,488
Miscellaneous	-	4,300	11,500
Investment earnings	-	56	40
Total revenues	<u>6,646,450</u>	<u>21,001</u>	<u>34,028</u>
Expenditures:			
Current:			
Public safety	6,646,450	17,368	15,408
Capital outlay - schools	-	-	-
Total expenditures	<u>6,646,450</u>	<u>17,368</u>	<u>15,408</u>
Revenues over (under) expenditures	-	3,633	18,620
Other Financing Sources (Uses):			
Transfers out	-	-	-
Net change in fund balances	-	3,633	18,620
Fund Balances:			
Beginning of year - July 1	-	46,206	23,930
End of year - June 30	<u>\$ -</u>	<u>\$ 49,839</u>	<u>\$ 42,550</u>

Schedule C-2

Emergency Telephone Systems Fund	Capital Project Funds		Total Nonmajor Governmental Funds
	School Capital Projects Fund	Capital Reserve Fund	
\$ -	\$ -	\$ -	\$ 6,646,450
316,608	-	-	316,608
-	-	1,036,450	1,075,583
-	-	-	15,800
567	492	1,509	2,664
<u>317,175</u>	<u>492</u>	<u>1,037,959</u>	<u>8,057,105</u>
185,465	-	-	6,864,691
-	1,477,799	-	1,477,799
<u>185,465</u>	<u>1,477,799</u>	<u>-</u>	<u>8,342,490</u>
131,710	(1,477,307)	1,037,959	(285,385)
-	-	(1,692,383)	(1,692,383)
131,710	(1,477,307)	(654,424)	(1,977,768)
<u>425,053</u>	<u>5,428,970</u>	<u>1,613,295</u>	<u>7,537,454</u>
<u>\$ 556,763</u>	<u>\$ 3,951,663</u>	<u>\$ 958,871</u>	<u>\$ 5,559,686</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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad valorem taxes	\$ 6,233,499	\$ 6,646,450	\$ 412,951	\$ 6,249,854
Expenditures:				
Alexis Fire District	341,929	356,461	(14,532)	343,610
Boger City Fire District	631,859	648,171	(16,312)	629,852
Crouse Fire District	105,821	115,641	(9,820)	110,765
Denver Fire District	1,929,667	1,971,686	(42,019)	1,926,060
East Lincoln Fire District	1,611,649	1,672,035	(60,386)	1,605,174
Howard's Creek Fire District	254,321	295,301	(40,980)	258,189
North 321 Fire District	224,369	237,354	(12,985)	230,324
North Brook Fire District	206,828	289,951	(83,123)	211,563
Pumpkin Center Fire District	450,429	469,181	(18,752)	457,148
South Fork Fire District	242,581	342,754	(100,173)	243,462
Union Fire District	234,046	247,915	(13,869)	233,707
Total expenditures	6,233,499	6,646,450	(412,951)	6,249,854
Net change in fund balance	\$ -	-	\$ -	-
Fund Balance:				
Beginning of year - July 1		-		-
End of year - June 30		\$ -		\$ -

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental	\$ 15,000	\$ 16,645	\$ 1,645	\$ 29,305
Investment earnings	25	56	31	51
Miscellaneous	-	4,300	4,300	3,000
Total revenues	<u>15,025</u>	<u>21,001</u>	<u>5,976</u>	<u>32,356</u>
Expenditures:				
Public safety	<u>20,000</u>	<u>17,368</u>	<u>2,632</u>	<u>23,477</u>
Revenues over (under) expenditures	(4,975)	3,633	8,608	8,879
Other Financing Sources (Uses):				
Appropriated fund balance	<u>4,975</u>	-	<u>(4,975)</u>	-
Net change in fund balance	<u>\$ -</u>	<u>3,633</u>	<u>\$ 3,633</u>	<u>8,879</u>
Fund Balance:				
Beginning of year - July 1		<u>46,206</u>		<u>37,327</u>
End of year - June 30		<u>\$ 49,839</u>		<u>\$ 46,206</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental revenue	\$ 15,000	\$ 22,488	\$ 7,488	\$ 18,448
Investment earnings	40	40	-	62
Miscellaneous	2,000	11,500	9,500	3,562
Total revenues	<u>17,040</u>	<u>34,028</u>	<u>16,988</u>	<u>22,072</u>
Expenditures:				
Public safety	<u>17,040</u>	<u>15,408</u>	<u>1,632</u>	<u>13,269</u>
Net change in fund balance	<u>\$ -</u>	<u>18,620</u>	<u>\$ 18,620</u>	<u>8,803</u>
Fund Balance:				
Beginning of year - July 1		<u>23,930</u>		<u>15,127</u>
End of year - June 30		<u>\$ 42,550</u>		<u>\$ 23,930</u>

LINCOLN COUNTY, NORTH CAROLINA

SPECIAL REVENUE - EMERGENCY TELEPHONE SYSTEM FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Other Taxes and Licenses:				
911 system subscriber fees	\$ 316,608	\$ 316,608	\$ -	\$ 322,090
Investment earnings	800	567	(233)	412
Total revenues	<u>317,408</u>	<u>317,175</u>	<u>(233)</u>	<u>322,502</u>
Expenditures:				
Public Safety:				
911 system subscriber fees				
Other operating expenditures	93,000	92,861	139	72,303
Telephone	125,716	79,104	46,612	111,986
Capital outlay	<u>13,500</u>	<u>13,500</u>	<u>-</u>	<u>197,221</u>
Total expenditures	<u>232,216</u>	<u>185,465</u>	<u>46,751</u>	<u>381,510</u>
Revenues over (under) expenditures	<u>85,192</u>	<u>131,710</u>	<u>46,518</u>	<u>(59,008)</u>
Other Financing Sources (Uses):				
Transfers in (out)	(98,692)	-	98,692	-
Fund balance appropriated	<u>13,500</u>	<u>-</u>	<u>(13,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>(85,192)</u>	<u>-</u>	<u>85,192</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>131,710</u>	<u>\$ 131,710</u>	<u>(59,008)</u>
Fund Balance:				
Beginning of year - July 1		<u>425,053</u>		<u>484,061</u>
End of year - June 30		<u>\$ 556,763</u>		<u>\$ 425,053</u>

LINCOLN COUNTY, NORTH CAROLINA

SCHOOL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Investment earnings	\$ 211,875	\$ 396,395	\$ 492	\$ 396,887
Expenditures:				
Education	37,633,995	32,445,081	1,477,799	33,922,880
Revenues over (under) expenditures	(37,422,120)	(32,048,686)	(1,477,307)	(33,525,993)
Other Financing Sources (Uses):				
Long-term debt issued	39,777,839	39,848,504	-	39,848,504
Bond premium	-	76,694	-	76,694
Transfers out	(2,980,719)	(3,072,542)	-	(3,072,542)
Transfer from General Fund	625,000	625,000	-	625,000
Total other financing sources (uses)	37,422,120	37,477,656	-	37,477,656
Net change in fund balance	\$ -	\$ 5,428,970	(1,477,307)	\$ 3,951,663
Fund Balance:				
Beginning of year - July 1			5,428,970	
End of year - June 30			\$ 3,951,663	

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted Intergovernmental:				
Lottery proceeds	\$ 826,383	\$ 1,036,450	\$ 210,067	\$ 809,283
Investment earnings	2,000	1,509	(491)	1,336
Total revenues	<u>828,383</u>	<u>1,037,959</u>	<u>209,576</u>	<u>810,619</u>
Other Financing Sources (Uses):				
Transfers out	(1,695,383)	(1,692,383)	3,000	(2,125,383)
Appropriated fund balance	<u>867,000</u>	<u>-</u>	<u>(867,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(828,383)</u>	<u>(1,692,383)</u>	<u>(864,000)</u>	<u>(2,125,383)</u>
Net change in fund balance	<u>\$ -</u>	<u>(654,424)</u>	<u>\$ (654,424)</u>	<u>(1,314,764)</u>
Fund Balance:				
Beginning of year - July 1		<u>1,613,295</u>		<u>2,928,059</u>
End of year - June 30		<u>\$ 958,871</u>		<u>\$ 1,613,295</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Solid waste charges/tipping fees	\$ 630,000	\$ 627,419	\$ (2,581)	\$ 637,691
Other	5,000	-	(5,000)	-
Total operating revenues	635,000	627,419	(7,581)	637,691
Non-Operating Revenues:				
Availability fees	2,764,100	2,715,945	(48,155)	2,692,980
Tire disposal tax	60,000	95,873	35,873	96,722
Franchise fees	35,000	35,518	518	35,000
Solid waste disposal tax	60,000	51,025	(8,975)	46,604
Federal and State grants	-	10,717	10,717	33,879
NC electronics management fund distribution	1,000	5,257	4,257	4,536
Miscellaneous	123,891	166,283	42,392	155
Investment earnings	16,893	7,872	(9,021)	17,301
Total non-operating revenues	3,060,884	3,088,490	27,606	2,927,177
Total revenues	3,695,884	3,715,909	20,025	3,564,868
Expenditures:				
Landfill Operations:				
Salaries and employee benefits	1,873,574	1,740,089	133,485	1,660,004
Other operating costs	1,627,135	1,352,027	275,108	1,194,443
Capital outlay	860,549	657,764	202,785	277,759
Debt Service:				
Principal	84,648	54,648	30,000	91,326
Interest	6,527	589	5,938	3,366
Total expenditures	4,452,433	3,805,117	647,316	3,226,898
Revenues over (under) expenditures	(756,549)	(89,208)	667,341	337,970

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Long-term debt issued	350,000	385,000	35,000	-
Appropriated fund balance	406,549	-	(406,549)	-
Total other financing sources (uses)	756,549	385,000	(371,549)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	295,792	\$ 295,792	337,970
Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Reconciling items:				
Debt principal		54,648		91,326
Long-term debt issued		(385,000)		-
Capital outlay added to capital assets		657,764		277,759
Depreciation		(546,144)		(625,494)
(Increase) decrease in compensated absences		(1,938)		-
(Increase) decrease in other post-employment benefits		(111,490)		(138,558)
(Increase) decrease in landfill closure and and post-closure costs		(482,133)		(687,974)
Total reconciling items		(814,293)		(1,082,941)
Change in net position		\$ (518,501)		\$ (744,971)

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Water and sewer charges/fees	\$ 7,563,200	\$ 7,479,048	\$ (84,152)	\$ 7,342,550
Water and sewer taps	73,000	145,700	72,700	78,216
Other operating revenues	43,867	48,421	4,554	59,801
Total operating revenues	<u>7,680,067</u>	<u>7,673,169</u>	<u>(6,898)</u>	<u>7,480,567</u>
Non-Operating Revenues:				
Investment income	24,000	5,319	(18,681)	21,240
Other capital contributions	-	653,000	653,000	346,610
Total non-operating revenues	<u>24,000</u>	<u>658,319</u>	<u>634,319</u>	<u>367,850</u>
Total revenues	<u>7,704,067</u>	<u>8,331,488</u>	<u>627,421</u>	<u>7,848,417</u>
Expenditures:				
Water System:				
Salaries and employee benefits	740,613	639,824	100,789	701,607
Other operating costs	<u>1,394,986</u>	<u>1,190,854</u>	<u>204,132</u>	<u>925,293</u>
Total water system	<u>2,135,599</u>	<u>1,830,678</u>	<u>304,921</u>	<u>1,626,900</u>
Sewer System:				
Salaries and employee benefits	639,827	553,233	86,594	604,234
Other operating costs	<u>742,638</u>	<u>714,191</u>	<u>28,447</u>	<u>480,237</u>
Total sewer system	<u>1,382,465</u>	<u>1,267,424</u>	<u>115,041</u>	<u>1,084,471</u>
Water Treatment Plant:				
Salaries and employee benefits	568,148	545,969	22,179	509,368
Other operating costs	<u>562,325</u>	<u>547,218</u>	<u>15,107</u>	<u>553,238</u>
Total water treatment plant	<u>1,130,473</u>	<u>1,093,187</u>	<u>37,286</u>	<u>1,062,606</u>
Indian Creek Pumping Station:				
Other operating costs	<u>15,361</u>	<u>19,213</u>	<u>(3,852)</u>	<u>8,161</u>
Wastewater Treatment - Killian Creek:				
Salaries and employee benefits	350,318	334,430	15,888	226,010
Other operating costs	<u>451,395</u>	<u>382,714</u>	<u>68,681</u>	<u>322,236</u>
Total wastewater treatment - Killian Creek	<u>801,713</u>	<u>717,144</u>	<u>84,569</u>	<u>548,246</u>
Wastewater Treatment - Forney Creek:				
Salaries and employee benefits	-	-	-	105,665
Other operating costs	<u>-</u>	<u>1,780</u>	<u>(1,780)</u>	<u>29,261</u>
Total wastewater treatment - Forney Creek	<u>-</u>	<u>1,780</u>	<u>(1,780)</u>	<u>134,926</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Debt Service:				
Principal	1,482,424	1,484,547	(2,123)	1,342,572
Interest	492,706	528,151	(35,445)	546,546
Total debt service	<u>1,975,130</u>	<u>2,012,698</u>	<u>(37,568)</u>	<u>1,889,118</u>
 Total expenditures	 <u>7,440,741</u>	 <u>6,942,124</u>	 <u>498,617</u>	 <u>6,354,428</u>
 Revenues over (under) expenditures	 <u>263,326</u>	 <u>1,389,364</u>	 <u>1,126,038</u>	 <u>1,493,989</u>
 Other Financing Sources (Uses):				
Fund balance appropriated	414,956	-	(414,956)	-
Long-term debt issued	134,309	134,309	-	-
Transfers in (out)	<u>(812,591)</u>	<u>(778,956)</u>	<u>33,635</u>	<u>(4,633,568)</u>
Total other financing sources (uses)	<u>(263,326)</u>	<u>(644,647)</u>	<u>(381,321)</u>	<u>(4,633,568)</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	 <u>\$ -</u>	 <u>744,717</u>	 <u>\$ 744,717</u>	 <u>(3,139,579)</u>
 Reconciliation of Modified Accrual Basis (Modified Accrual) to Full Accrual Basis:				
Reconciling items:				
Debt principal		1,484,547		1,342,572
Long-term debt issued		(134,309)		-
Water and Sewer Capital Fund activity:				
Interest income		4,667		28,251
Intrafund transfers		778,956		4,633,568
Capital project expenses not capitalized		(15,384)		(104,469)
Capital contributions		181,730		-
Transfer in of capital assets		563,160		-
Capital assets contributed to others		(568,050)		-
Depreciation		(2,219,146)		(2,171,845)
Loss on disposal of capital assets (special item)		-		(9,647,031)
(Increase) decrease in compensated absences		7,403		-
(Increase) decrease in other post-employment benefits		(133,006)		(132,905)
Change in accrued interest		<u>7,167</u>		<u>11,720</u>
Total reconciling items		<u>(42,265)</u>		<u>(6,040,139)</u>
 Change in net position		 <u>\$ 702,452</u>		 <u>\$ (9,179,718)</u>

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, 2014

		<u>Actual</u>		
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ -	\$ 4,667	\$ 4,667
Miscellaneous	-	17,247	-	17,247
Total revenues	-	17,247	4,667	21,914
Expenditures:				
Capital outlay	5,608,671	1,363,186	3,639,353	5,002,539
Contingency	164,972	-	-	-
Total expenditures	5,773,643	1,363,186	3,639,353	5,002,539
Revenues over (under) expenditures	(5,773,643)	(1,345,939)	(3,634,686)	(4,980,625)
Other Financing Sources (Uses):				
Transfers in (out)	5,773,643	3,746,686	778,956	4,525,642
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 2,400,747	\$ (2,855,730)	\$ (454,983)

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Non-Operating Revenues:				
Ad valorem taxes	\$ 915,049	\$ 931,496	\$ 16,447	\$ 878,437
Investment earnings	1,200	2,131	931	1,551
Total non-operating revenues	<u>916,249</u>	<u>933,627</u>	<u>17,378</u>	<u>879,988</u>
Expenditures:				
Other operating costs	140,061	3,127	136,934	1,180
Debt Service:				
Principal	780,000	780,000	-	790,000
Interest	-	90,874	(90,874)	135,246
Total expenditures	<u>920,061</u>	<u>874,001</u>	<u>46,060</u>	<u>926,426</u>
Revenues over (under) expenditures	(3,812)	59,626	63,438	(46,438)
Other Financing Sources (Uses):				
Fund balance appropriated	<u>3,812</u>	-	<u>(3,812)</u>	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	59,626	<u>\$ 59,626</u>	(46,438)
Reconciliation of Modified Accrual Basis (Modified Accrual) to Full Accrual Basis:				
Reconciling items:				
Debt principal		<u>780,000</u>		<u>790,000</u>
Change in net position		<u>\$ 839,626</u>		<u>\$ 743,562</u>

LINCOLN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014

	Health Insurance Fund	Workers' Compensation Fund	Total Internal Service Funds
Assets:			
Current assets:			
Cash and cash equivalents	\$ 3,884,461	\$ 264,729	\$ 4,149,190
Accounts receivable, net	185	-	185
Prepaid items	131,817	10,000	141,817
Total assets	<u>4,016,463</u>	<u>274,729</u>	<u>4,291,192</u>
Liabilities:			
Current liabilities:			
Accounts payable and other accrued liabilities	<u>408,552</u>	<u>191,901</u>	<u>600,453</u>
Net Position:			
Unrestricted	<u>\$ 3,607,911</u>	<u>\$ 82,828</u>	<u>\$ 3,690,739</u>

LINCOLN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Health Insurance Fund	Workers' Compensation Fund	Total Internal Service Funds
Operating Revenues:			
Contributions from employer	\$ 5,470,689	\$ -	\$ 5,470,689
Contributions from employees	1,126,984	-	1,126,984
Flex account	126,115	-	126,115
Workers' compensation premiums	-	511,141	511,141
Total operating revenues	<u>6,723,788</u>	<u>511,141</u>	<u>7,234,929</u>
Operating Expenses:			
Health, admin, and consultant fees	906,489	104,784	1,011,273
Health and worker' compensation claims	5,144,581	166,065	5,310,646
Flex account	269,875	-	269,875
Total operating expenses	<u>6,320,945</u>	<u>270,849</u>	<u>6,591,794</u>
Operating income (loss)	402,843	240,292	643,135
Non-Operating Revenues (Expenses):			
Investment earnings	<u>4,960</u>	<u>258</u>	<u>5,218</u>
Change in net position	407,803	240,550	648,353
Net Position:			
Beginning of year - July 1	<u>3,200,108</u>	<u>(157,722)</u>	<u>3,042,386</u>
End of year - June 30	<u>\$ 3,607,911</u>	<u>\$ 82,828</u>	<u>\$ 3,690,739</u>

LINCOLN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Health Insurance Fund	Workers' Compensation Fund	Total Internal Service Funds
Operating Activities:			
Cash received from interfund services	\$ 6,723,603	\$ 511,141	\$ 7,234,744
Cash paid for goods and services	(6,410,087)	(426,395)	(6,836,482)
Net cash provided (used) by operating activities	<u>313,516</u>	<u>84,746</u>	<u>398,262</u>
Investing Activities:			
Interest on investments	<u>4,960</u>	<u>258</u>	<u>5,218</u>
Net increase (decrease) in cash and cash equivalents/investments	318,476	85,004	403,480
Cash and Cash Equivalents/Investments:			
Beginning of year - July 1	<u>3,565,985</u>	<u>179,725</u>	<u>3,745,710</u>
End of year - June 30	<u>\$ 3,884,461</u>	<u>\$ 264,729</u>	<u>\$ 4,149,190</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	<u>\$ 402,843</u>	<u>\$ 240,292</u>	<u>\$ 643,135</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Change in assets and liabilities:			
(Increase) decrease in receivables	(185)	-	(185)
(Increase) decrease in prepaids	(10,129)	-	(10,129)
Increase (decrease) in accounts payable	(79,013)	(155,546)	(234,559)
Total adjustments	<u>(89,327)</u>	<u>(155,546)</u>	<u>(244,873)</u>
Net cash provided (used) by operating activities	<u>\$ 313,516</u>	<u>\$ 84,746</u>	<u>\$ 398,262</u>

LINCOLN COUNTY, NORTH CAROLINA

INTERNAL SERVICE FUNDS

HEALTH INSURANCE FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

FINANCIAL PLAN AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions from employer	\$ 5,628,425	\$ 5,470,689	\$ (157,736)	\$ 5,405,176
Contributions from employees	1,127,795	1,126,984	(811)	1,080,749
Flex account	150,000	126,115	(23,885)	140,252
Total operating revenues	<u>6,906,220</u>	<u>6,723,788</u>	<u>(182,432)</u>	<u>6,626,177</u>
Operating Expenditures:				
Health and consultant fees	867,000	906,489	(39,489)	915,914
Health claims	5,431,140	5,100,491	330,649	4,242,245
Patient monitoring	466,080	44,090	421,990	42,270
Flex account	150,000	269,875	(119,875)	147,438
Total operating expenditures	<u>6,914,220</u>	<u>6,320,945</u>	<u>593,275</u>	<u>5,347,867</u>
Operating income (loss)	(8,000)	402,843	410,843	1,278,310
Non-Operating Revenues:				
Investment earnings	<u>8,000</u>	<u>4,960</u>	<u>(3,040)</u>	<u>10,736</u>
Change in net position - budgetary basis	<u>\$ -</u>	<u>\$ 407,803</u>	<u>\$ 407,803</u>	<u>\$ 1,289,046</u>

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

LINCOLN COUNTY, NORTH CAROLINA

INTERNAL SERVICE FUNDS

WORKERS' COMPENSATION FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

FINANCIAL PLAN AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Workers' compensation premiums	\$ 499,500	\$ 511,141	\$ 11,641	\$ 453,795
Operating Expenditures:				
Admin and consultant fees	74,000	104,784	(30,784)	78,992
Workers' compensation claims	325,000	166,065	158,935	172,204
Total operating expenditures	500,500	270,849	229,651	251,196
Operating income (loss)	(1,000)	240,292	241,292	202,599
Non-Operating Revenues:				
Investment earnings	1,000	258	(742)	587
Change in net position - budgetary basis	\$ -	\$ 240,550	\$ 240,550	\$ 203,186

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

LINCOLN COUNTY, NORTH CAROLINA

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Social Services:				
Assets:				
Cash and cash equivalents	\$ 60,178	\$ 229,110	\$ 208,438	\$ 80,850
Total assets	<u>\$ 60,178</u>	<u>\$ 229,110</u>	<u>\$ 208,438</u>	<u>\$ 80,850</u>
Liabilities:				
Intergovernmental payable	\$ 60,178	\$ 229,110	\$ 208,438	\$ 80,850
Total liabilities	<u>\$ 60,178</u>	<u>\$ 229,110</u>	<u>\$ 208,438</u>	<u>\$ 80,850</u>
Tax Collector Fund:				
Assets:				
Cash and cash equivalents	\$ 62,994	\$ 4,673,296	\$ 4,680,012	\$ 56,278
Total assets	<u>\$ 62,994</u>	<u>\$ 4,673,296</u>	<u>\$ 4,680,012</u>	<u>\$ 56,278</u>
Liabilities:				
Intergovernmental payable	\$ 62,994	\$ 4,673,296	\$ 4,680,012	\$ 56,278
Total liabilities	<u>\$ 62,994</u>	<u>\$ 4,673,296</u>	<u>\$ 4,680,012</u>	<u>\$ 56,278</u>
Register of Deeds SB202 Fund:				
Assets:				
Cash and cash equivalents	\$ 5,636	\$ 58,199	\$ 58,869	\$ 4,966
Total assets	<u>\$ 5,636</u>	<u>\$ 58,199</u>	<u>\$ 58,869</u>	<u>\$ 4,966</u>
Liabilities:				
Intergovernmental payable	\$ 5,636	\$ 58,199	\$ 58,869	\$ 4,966
Total liabilities	<u>\$ 5,636</u>	<u>\$ 58,199</u>	<u>\$ 58,869</u>	<u>\$ 4,966</u>
HB 1779 Interest Fund:				
Assets:				
Cash and cash equivalents	\$ 2,829	\$ -	\$ 2,829	\$ -
Total assets	<u>\$ 2,829</u>	<u>\$ -</u>	<u>\$ 2,829</u>	<u>\$ -</u>
Liabilities:				
Intergovernmental payable	\$ 2,829	\$ -	\$ 2,829	\$ -
Total liabilities	<u>\$ 2,829</u>	<u>\$ -</u>	<u>\$ 2,829</u>	<u>\$ -</u>

LINCOLN COUNTY, NORTH CAROLINA

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Inmate Trust Fund:				
Assets:				
Cash and cash equivalents	\$ 15,088	\$ 234,930	\$ 237,700	\$ 12,318
Total assets	<u>\$ 15,088</u>	<u>\$ 234,930</u>	<u>\$ 237,700</u>	<u>\$ 12,318</u>
Liabilities:				
Intergovernmental payable	\$ 15,088	\$ 234,930	\$ 237,700	\$ 12,318
Total liabilities	<u>\$ 15,088</u>	<u>\$ 234,930</u>	<u>\$ 237,700</u>	<u>\$ 12,318</u>
Miscellaneous Fund:				
Assets:				
Cash and cash equivalents	\$ 313,725	\$ 405,963	\$ 598,928	\$ 120,760
Total assets	<u>\$ 313,725</u>	<u>\$ 405,963</u>	<u>\$ 598,928</u>	<u>\$ 120,760</u>
Liabilities:				
Intergovernmental payable	\$ 313,725	\$ 405,963	\$ 598,928	\$ 120,760
Total liabilities	<u>\$ 313,725</u>	<u>\$ 405,963</u>	<u>\$ 598,928</u>	<u>\$ 120,760</u>
Totals - All Agency Funds:				
Assets:				
Cash and investments	\$ 460,450	\$ 5,601,498	\$ 5,786,776	\$ 275,172
Total assets	<u>\$ 460,450</u>	<u>\$ 5,601,498</u>	<u>\$ 5,786,776</u>	<u>\$ 275,172</u>
Liabilities:				
Intergovernmental payable	\$ 460,450	\$ 5,601,498	\$ 5,786,776	\$ 275,172
Total liabilities	<u>\$ 460,450</u>	<u>\$ 5,601,498</u>	<u>\$ 5,786,776</u>	<u>\$ 275,172</u>

LINCOLN COUNTY, NORTH CAROLINA**GENERAL FUND****SCHEDULE OF AD VALOREM TAXES RECEIVABLE****JUNE 30, 2014**

Fiscal Year	Uncollected Balance July 1, 2013	Additions	Collections and Credits	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 51,551,612	\$ 50,570,651	\$ 980,961
2012-2013	1,230,507	-	833,352	397,155
2011-2012	381,260	-	141,867	239,393
2010-2011	195,656	-	65,769	129,887
2009-2010	111,651	-	23,805	87,846
2008-2009	102,857	-	11,971	90,886
2007-2008	89,924	-	7,374	82,550
2006-2007	73,962	-	6,123	67,839
2005-2006	64,226	-	4,544	59,682
2004-2005	54,910	-	7,238	47,672
2003-2004	75,065	-	75,065	-
Total	<u>\$ 2,380,018</u>	<u>\$ 51,551,612</u>	<u>\$ 51,747,759</u>	2,183,871

Less: allowance for uncollectible ad valorem taxes receivable:

General Fund (1,092,561)**Ad Valorem Taxes Receivable, Net**General Fund \$ 1,091,310**Reconciliation of Collections and Credits with Revenues:**

Ad valorem taxes - General Fund	\$ 51,516,392
Reconciling items:	
Interest and penalties	(355,691)
Discoveries related to prior years	(30,234)
Abatements related to prior years	57
2% discount allowed	582,984
Taxes written off	69,979
Collection of taxes previously written off	(13,625)
Miscellaneous adjustments	(22,103)
Total collections and credits	<u>\$ 51,747,759</u>

LINCOLN COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2014

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
County Wide:					
Property taxed at current year's rate	\$ 8,587,226,421	\$ 0.598	\$ 51,351,614	\$ 46,222,915	\$ 5,128,699
Late list penalties	-		48,882	48,882	-
Total original levy	<u>8,587,226,421</u>		<u>51,400,496</u>	<u>46,271,797</u>	<u>5,128,699</u>
Discoveries:					
Current year taxes	<u>38,207,525</u>		<u>228,481</u>	<u>185,379</u>	<u>43,102</u>
Abatements and Discounts	<u>(12,937,291)</u>		<u>(77,365)</u>	<u>(36,114)</u>	<u>(41,251)</u>
Total property valuation	<u>\$ 8,612,496,655</u>				
Net Levy			51,551,612	46,421,062	5,130,550
Uncollected taxes at June 30, 2014			<u>980,961</u>	<u>829,428</u>	<u>151,533</u>
Current Year's Taxes Collected			<u>\$ 50,570,651</u>	<u>\$ 45,591,634</u>	<u>\$ 4,979,017</u>
Current Levy Collection Percentage			<u>98.10%</u>	<u>98.21%</u>	<u>97.05%</u>

LINCOLN COUNTY, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2014****Secondary Market Disclosures:****Assessed Valuation:**

Assessment Ratio (1)	<u>100%</u>
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Real property	\$ 7,078,679,554
Personal property	565,094,475
Public service companies	354,997,816
Registered vehicles	<u>613,724,810</u>
Total assessed valuation	<u>\$ 8,612,496,655</u>

Tax rate per \$100 (2)	<u>\$ 0.598</u>
------------------------	-----------------

Levy (includes discoveries, releases, and abatements) (3)	<u>\$ 51,551,612</u>
---	----------------------

In addition to the County-wide rate, the County levies taxes on behalf of several fire districts	<u>\$ 6,544,270</u>
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(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, 2014**
Secondary Market Disclosures:**Assessed Valuation:**

Assessment Ratio (1)	<u>100%</u>
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Real property	\$ 2,380,673,283
Personal property	95,719,011
Public service companies	6,874,691
Registered vehicles	<u>153,267,821</u>
Total Assessed Valuation	<u>\$ 2,636,534,806</u>

Tax Rate per \$100 (2)	<u><u>\$ 0.1144</u></u>
------------------------	-------------------------

Levy (includes discoveries, releases, and abatements) (3)	<u><u>\$ 3,016,196</u></u>
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(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.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 18,771,801	\$ 19,783,230	\$ 19,429,598	\$ 23,939,226	\$ 20,388,761	\$ 25,451,479	\$ 50,294,495	\$ 52,215,432	\$ 54,900,961	\$ 54,146,520
Restricted	-	-	-	-	-	-	-	13,918,975	14,386,979	9,177,119
Unrestricted	(36,676,975)	(63,149,458)	(75,109,725)	(76,836,707)	(72,813,944)	(84,710,471)	(87,582,889)	(104,678,297)	(102,811,082)	(91,146,787)
Total governmental activities net position	<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>	<u>\$ (33,523,142)</u>	<u>\$ (27,823,148)</u>
Business-type activities										
Net investment in capital assets	\$ 36,885,842	\$ 41,920,528	\$ 49,158,040	\$ 54,035,788	\$ 59,892,883	\$ 59,902,755	\$ 61,285,375	\$ 57,936,188	\$ 50,496,688	\$ 53,989,857
Unrestricted	12,404,362	9,621,361	11,470,000	11,997,461	7,016,581	6,288,801	3,629,961	8,595,720	6,854,093	4,384,501
Total business-type activities net position	<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>	<u>\$ 57,350,781</u>	<u>\$ 58,374,358</u>
Primary government										
Net investment in capital assets	55,657,643	61,703,758	68,587,638	77,975,014	80,281,644	85,354,234	111,579,870	110,151,620	105,397,649	108,136,377
Restricted	-	-	-	-	-	-	-	13,918,975	14,386,979	9,177,119
Unrestricted	(24,272,613)	(53,528,097)	(63,639,725)	(64,839,246)	(65,797,363)	(78,421,670)	(83,952,928)	(96,082,577)	(95,956,989)	(86,762,286)
Total primary government net position	<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>	<u>\$ 23,827,639</u>	<u>\$ 30,551,210</u>

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 7,104,402	\$ 8,021,461	\$ 8,792,178	\$ 7,838,749	\$ 14,596,135	\$ 15,587,341	\$ 10,434,240	\$ 15,226,309	\$ 14,220,070	\$ 15,128,230
Public safety	16,173,103	17,514,812	20,408,731	23,430,338	23,753,716	24,480,904	24,782,004	24,982,363	25,701,983	26,685,171
Environmental protection	104,494	91,252	-	-	-	-	-	-	-	-
Economic and physical development	1,266,878	1,138,483	1,456,144	1,892,385	3,326,492	2,135,200	2,120,590	2,201,122	1,808,417	3,610,352
Human services	17,870,817	19,037,216	20,527,745	21,226,794	19,029,439	18,392,778	19,559,449	18,298,851	18,773,508	18,738,888
Culture and recreation	1,584,772	1,614,685	1,607,435	1,691,147	1,882,197	2,004,323	2,218,417	2,209,728	2,380,555	2,360,608
Education	22,437,377	49,001,212	34,525,949	20,859,917	23,989,368	30,238,363	23,306,217	20,731,065	20,801,271	19,863,983
Interest on long term debt	3,340,655	4,047,733	5,045,424	4,907,325	5,258,614	5,408,907	6,604,596	8,423,957	4,251,585	3,941,948
Total governmental activities	69,882,498	100,466,854	92,363,606	81,846,655	91,835,961	98,247,816	89,025,513	92,073,395	87,937,389	90,329,180
Business-type activities:										
Landfill	2,735,135	3,429,851	3,546,096	5,345,843	5,880,066	4,594,260	5,038,688	2,087,537	4,309,839	4,234,410
Water and Sewer	3,166,677	3,547,451	3,651,448	6,526,756	7,437,335	6,864,685	7,194,130	7,999,309	7,409,355	8,378,593
East Lincoln County water and sewer	2,142,314	2,214,001	2,242,434	263,982	240,057	215,190	199,921	162,434	136,426	94,001
Total business activities	8,044,126	9,191,303	9,439,978	12,136,581	13,567,458	11,674,135	12,432,739	10,249,280	11,855,620	12,707,004
Total primary government expenses	77,926,624	109,658,157	101,803,584	93,983,236	105,393,419	109,921,951	101,458,252	102,322,675	99,793,009	103,036,184
Program Revenues										
Governmental activities										
Charges for services:										
General government	895,388	926,068	1,048,260	1,114,334	1,645,146	1,478,645	1,471,098	1,590,384	1,569,745	1,758,889
Public safety	3,493,321	3,782,402	4,068,481	4,536,817	4,566,789	4,294,060	5,133,736	4,424,537	4,665,583	4,750,346
Human services	4,065,761	3,971,525	4,818,526	3,881,436	3,888,397	4,175,651	3,679,433	3,118,534	2,753,487	2,486,344
Culture and recreation	127,405	140,744	124,266	2,100	2,950	2,517	1,047	21,337	20,134	20,461
Operating grants and contributions:										
General government	325,191	877,850	730,421	1,033,216	933,098	884,019	1,022,821	965,069	1,031,533	1,545,665
Public safety	131,689	508,995	602,610	364,292	393,051	736,783	711,154	755,636	677,364	507,169
Economic and physical development	-	137,198	4,000	4,000	410,726	4,850	15,120	260,283	112,909	9,255
Human services	7,871,944	7,253,373	7,786,889	8,252,407	9,093,058	9,084,230	10,646,933	10,034,395	9,960,365	10,393,912
Education	691,737	886,900	1,481,317	1,219,535	1,334,250	1,821,162	942,883	820,381	116,456	112,836
Capital grants and contributions:										
General government	100,838	23,212	-	132,720	993,870	1,444,381	20,583,014	508,081	1,288,253	1,143,064
Public safety	-	-	-	-	-	-	-	-	55,295	-
Human services	-	-	162,635	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	809,283	1,036,450
Total governmental activities program revenues	17,703,274	18,508,267	20,827,405	20,540,857	23,261,335	23,926,298	44,207,239	22,498,637	23,060,407	23,764,381

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Landfill	2,793,556	2,711,745	2,818,251	2,926,931	2,994,637	2,987,950	3,208,740	3,720,626	3,547,567	3,708,037
Charge for service - Water and Sewer	5,036,157	5,765,962	7,061,869	9,150,036	7,564,083	6,951,482	7,288,758	7,524,847	7,493,520	7,673,169
Charge for service - East Lincoln Sewer District	2,087,237	2,330,721	3,397,520	-	-	-	-	-	-	-
Capital grants and contributions - Landfill	-	-	520,895	-	-	-	-	-	-	-
Capital grants and contributions - Water	553,730	686,465	1,114,045	3,449,828	1,973,895	505,880	139,913	78,841	346,610	834,730
Capital grants and contributions - Sewer District	477,480	677,198	1,142,295	-	-	-	-	-	-	-
Total business-type activities program revenues	10,948,160	9,460,346	13,236,624	15,526,795	12,532,615	10,445,312	10,637,411	11,324,314	11,387,697	12,215,936
Total primary government program revenues	28,651,434	27,968,613	34,064,029	36,067,652	35,793,950	34,371,610	54,844,650	33,822,951	34,448,104	35,980,317
Net (Expense)/Revenue										
Governmental activities	(52,179,224)	(81,958,587)	(71,536,201)	(61,305,798)	(68,574,625)	(74,321,518)	(44,818,274)	(69,574,757)	(64,876,982)	(66,564,799)
Business-type activities	2,904,034	2,950,788	6,614,897	3,390,214	(1,024,843)	(1,228,823)	(1,795,328)	1,075,034	(467,923)	(1,319,307)
Total primary government net (expense)/revenue	(49,275,190)	(79,007,799)	(64,921,304)	(57,915,584)	(69,599,468)	(75,550,341)	(46,613,602)	(68,499,723)	(65,344,905)	(67,884,106)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	36,774,263	38,185,874	40,282,791	43,830,954	53,625,181	54,718,453	54,568,588	54,905,801	56,026,606	57,879,585
Local option sales tax	13,184,746	14,312,428	15,791,771	16,360,401	13,803,138	10,913,165	10,369,667	11,785,721	12,224,284	13,071,926
Utility franchise tax	180,808	186,985	274,422	318,899	321,802	273,740	231,349	238,690	233,252	228,408
Real estate transfer tax	850,318	1,155,158	1,146,496	1,005,843	514,599	531,807	387,864	534,686	697,046	737,628
Other taxes and licenses	525,573	445,617	476,624	494,670	746,779	646,101	639,076	365,652	431,955	430,687
Unrestricted intergovernmental	427,161	446,783	462,986	472,872	456,991	294,812	500,722	479,922	289,491	317,328
Investment earnings	772,131	2,016,573	2,624,428	1,604,805	662,836	109,631	91,606	87,795	75,727	162,391
Transfers	-	(251,884)	-	-	-	-	-	-	-	(563,160)
Gain (loss) on disposal of capital assets	-	-	(1,837,216)	-	(1,084,403)	-	-	(79,006)	(80,631)	-
Total governmental activities:	52,715,000	56,497,534	59,222,302	64,088,444	69,046,923	67,487,709	66,788,872	68,319,261	69,897,730	72,264,793
Business-type activities:										
Property taxes	1,806,680	1,547,152	1,701,604	1,302,839	557,775	472,991	487,936	495,073	878,437	931,496
Investment earnings	342,074	704,796	769,650	712,156	258,880	37,924	31,172	46,465	55,390	19,989
Transfers	-	251,884	-	-	1,084,403	-	-	-	-	563,160
Gain (loss) on disposal of capital asset	-	-	-	-	-	-	-	-	(9,647,031)	-
Total business-type activities	2,148,754	2,503,832	2,471,254	2,014,995	1,901,058	510,915	519,108	541,538	(8,713,204)	1,514,645
Total primary government	54,863,754	59,001,366	61,693,556	66,103,439	70,947,981	67,998,624	67,307,980	68,860,799	61,184,526	73,779,438

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Change in Net Position										
Governmental activities	535,776	(25,461,053)	(12,313,899)	2,782,646	472,298	(6,833,809)	21,970,598	(1,255,496)	5,020,748	5,020,748
Prior period adjustment	281,085	-	-	-	-	-	-	-	-	-
Business-type activities	5,052,788	5,454,620	9,086,151	5,405,209	876,215	(717,908)	(1,276,220)	1,616,572	(9,181,127)	(9,181,127)
Prior period adjustment	(400,000)	(3,202,935)	-	-	-	-	-	-	-	-
Total primary government	<u>\$ 5,469,649</u>	<u>\$ (23,209,368)</u>	<u>\$ (3,227,748)</u>	<u>\$ 8,187,855</u>	<u>\$ 1,348,513</u>	<u>\$ (7,551,717)</u>	<u>\$ 20,694,378</u>	<u>\$ 361,076</u>	<u>\$ (4,160,379)</u>	<u>\$ (4,160,379)</u>

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

	Fiscal Year				
	2005	2006	2007	2008	2009
General Fund					
Reserved for:					
State statute	\$ 6,300,551	\$ 6,142,499	\$ 7,325,570	\$ 6,184,221	\$ 4,642,450
Unreserved					
Undesignated	14,040,465	12,218,849	11,136,446	10,239,759	15,686,057
Total General Fund	\$ 20,341,016	\$ 18,361,348	\$ 18,462,016	\$ 16,423,980	\$ 20,328,507
All Other Governmental Funds					
Reserved for:					
State statute	\$ 472,524	\$ 546,305	\$ 614,753	\$ 625,717	\$ 545,926
Unreserved, reported in:					
Capital projects funds	9,473,672	30,550,999	11,406,471	4,431,429	13,070,660
Special revenue funds	1,443,006	1,918,943	3,529,121	4,449,812	6,458,680
Total all other governmental funds	\$ 11,389,202	\$ 33,016,247	\$ 15,550,345	\$ 9,506,958	\$ 20,075,266

	Fiscal Year			
	2011	2012	2013	2014
General Fund				
Non-spendable				
Prepays	\$ 412,743	\$ 588,275	\$ 616,277	\$ 630,872
Restricted				
Stabilization for State statute	4,425,101	4,642,158	5,380,254	8,046,523
Restricted, all other	46,046	48,767	50,322	39,044
Committed	-	-	-	-
Assigned	2,881,150	2,050,429	2,105,045	2,202,711
Unassigned	11,342,260	11,895,426	11,644,483	12,687,339
Total General Fund	\$ 19,107,300	\$ 19,225,055	\$ 19,796,381	\$ 23,606,489
All other governmental funds				
Restricted				
Stabilization for State statute	\$ 495,726	\$ 690,235	\$ 53,821	\$ 238,438
Restricted, all other	603,986	338,169	441,368	619,600
Committed	3,496,614	2,436,170	1,613,295	749,985
Total all other governmental funds	\$ 4,596,326	\$ 3,464,574	\$ 2,108,484	\$ 1,608,023
Capital project funds				
Restricted				
Stabilization for State statute	540,662	15,898	3,032,244	233,514
Restricted, all other	1,523,768	821,143	821,523	6,115,000
Committed	1,225,391	1,232,123	-	-
Unassigned	-	-	(3,627,036)	(3,428,193)
Total capital project funds	\$ 3,289,821	\$ 2,069,164	\$ 226,731	\$ 2,920,321
Special revenue funds				
Restricted				
Restricted, all other	11,368,364	8,183,748	5,428,970	3,951,663
Unassigned	(201,780)	-	-	-
Total special revenue funds	\$ 11,166,584	\$ 8,183,748	\$ 5,428,970	\$ 3,951,663

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Ad valorem taxes	\$ 36,512,355	\$ 38,564,953	\$ 40,273,413	\$ 43,831,868	\$ 53,306,067	\$ 54,655,457	\$ 54,810,341	\$ 49,019,309	\$ 55,825,088	\$ 58,162,842
Local option sales taxes	13,184,746	14,312,428	15,791,771	16,360,401	13,803,138	10,913,165	10,369,667	11,785,721	12,224,284	13,071,926
Other taxes and licenses	1,556,699	1,787,760	1,897,542	1,819,412	1,583,180	1,451,648	1,258,289	859,857	1,362,253	1,396,723
Unrestricted intergovernmental revenues	427,161	446,783	462,986	472,872	456,991	294,812	500,722	479,922	289,491	317,328
Restricted intergovernmental revenues	8,887,514	9,334,631	10,005,953	10,005,506	12,071,547	13,135,650	12,693,675	11,113,384	12,950,384	13,123,144
Permits and fees	1,722,771	1,816,283	2,262,340	2,250,774	1,460,117	1,280,703	1,143,681	1,336,428	1,553,264	1,808,245
Sales, service, and rents	6,853,660	7,004,456	7,797,193	7,176,094	7,911,950	8,016,111	7,971,588	7,264,115	6,881,299	6,244,150
Investment earnings	772,131	2,016,573	2,624,428	1,604,805	658,773	107,649	88,420	973,684	64,404	157,173
Miscellaneous	435,690	528,126	903,261	1,007,343	1,102,712	880,474	1,139,064	70,272	1,138,844	1,625,197
Total revenues	70,352,727	75,811,993	82,018,887	84,529,075	92,354,475	90,735,669	89,975,447	82,902,692	92,289,311	95,906,728
Expenditures										
General government	6,689,600	7,180,315	7,115,181	6,973,330	6,680,816	6,805,984	7,288,803	7,596,084	7,758,943	7,783,862
Public safety	16,243,710	17,291,813	19,948,102	22,973,155	24,414,534	25,211,834	25,839,073	19,566,218	26,760,653	27,363,121
Economic and physical development	1,284,830	1,121,760	1,456,413	1,891,301	2,560,826	2,141,124	2,130,806	2,216,098	1,824,298	1,620,028
Human services	17,592,440	18,751,492	20,233,571	21,030,957	19,932,951	19,486,941	20,796,790	20,259,280	20,368,292	20,025,104
Cultural and recreational	1,429,794	1,518,568	1,487,686	1,567,316	1,828,106	1,991,265	2,076,511	2,057,344	2,190,042	2,263,800
Education	13,464,100	14,375,502	15,671,351	17,109,628	17,742,846	18,421,240	18,421,240	17,742,846	18,043,320	18,386,184
Capital outlay	10,810,331	36,797,703	21,698,635	8,523,119	12,481,380	15,117,985	8,452,355	-	7,436,995	7,594,533
Debt service:										
Principal	4,658,421	5,724,576	6,727,757	7,743,368	7,872,139	8,770,711	8,970,463	9,116,549	9,037,158	10,202,473
Interest	3,319,690	4,021,663	5,045,425	4,907,326	5,258,614	5,408,907	6,604,596	4,935,755	4,251,585	3,841,493
Total expenditures	75,492,916	106,783,392	99,384,121	92,719,500	98,772,212	103,355,991	100,580,637	83,490,174	97,671,286	99,080,598
Excess of revenues over (under) expenditures	(5,140,189)	(30,971,399)	(17,365,234)	(8,190,425)	(6,417,737)	(12,620,322)	(10,605,190)	(587,482)	(5,381,975)	(3,173,870)
Other Financing Sources (Uses)										
Transfers in	6,550,828	21,737,558	21,816,295	22,881,375	13,131,113	9,451,904	10,679,484	4,835,242	3,617,444	3,244,510
Transfers (out)	(6,550,828)	(21,989,442)	(21,816,295)	(22,881,375)	(13,235,823)	(9,451,904)	(10,679,484)	(4,490,310)	(3,617,444)	(3,244,510)
Bonds and installment financing issued	17,000,000	60,220,000	-	109,002	20,990,000	28,027,000	27,005,000	30,255,000	-	15,440,691
Bond premium	34,005	76,730	-	-	5,282	204,331	1,330,062	2,868,507	-	-
Advance refunding payments to trustee	-	(9,400,000)	-	-	-	(18,284,623)	(17,300,000)	(32,763,202)	-	(7,740,891)
Miscellaneous other financing uses	(20,966)	(26,070)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	17,013,039	50,618,776	-	109,002	20,890,572	9,946,708	11,035,062	705,237	-	7,699,800
Net change in fund balances	\$ 11,872,850	\$ 19,647,377	\$ (17,365,234)	\$ (8,081,423)	\$ 14,472,835	\$ (2,673,614)	\$ 429,872	\$ 117,755	\$ (5,381,975)	\$ 4,525,930
Debt service as a percentage of non-capital expenditures	10.97%	9.35%	12.12%	14.46%	13.99%	14.12%	15.84%	20.03%	16.72%	17.55%

Table 5
Lincoln County
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property			Less (1) Tax Exempt Real Property	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					
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%
2013	6,069,664,351	789,290,541	336,637,941	409,512,321	627,250,127	572,370,853	348,054,638	8,333,756,130	0.598	7,982,525,029	104.40%
2014	6,360,853,481	795,884,052	338,903,200	416,961,179	613,724,810	565,094,475	354,997,816	8,612,496,655	0.598	8,371,057,943	102.88%

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 North Carolina 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.

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

	Fiscal Year									
	2005(1)	2006	2007	2008	2009(1)	2010	2011	2012(1)	2013	2014
Lincoln County	0.6200	0.6100	0.6100	0.6100	0.5700	0.57000	0.57000	0.5980	0.5980	0.5980
<u>Municipality Rates</u>										
Lincolnton (2)	0.5600	0.5600	0.5600	0.5600	0.5600	0.56000	0.56000	0.5600	0.5600	0.5600
<u>Special District</u>										
East Lincoln Water and Sewer District (3)	0.1300	0.1100	0.1100	0.0750	0.0200	0.01750	0.01750	0.0290	0.0355	0.0359
<u>Fire Districts (4)</u>										
Alexis	0.0500	0.0650	0.0850	0.1450	0.1142	0.10500	0.11000	0.1100	0.1100	0.1100
Boger City	0.0500	0.0500	0.0500	0.0700	0.0700	0.07000	0.07500	0.0925	0.0925	0.0925
Crouse	0.0500	0.0500	0.0600	0.0600	0.0600	0.06000	0.06000	0.0609	0.0609	0.0609
Denver	0.0450	0.0500	0.0790	0.1150	0.0981	0.09675	0.09675	0.1099	0.1099	0.1099
East Lincoln	0.0450	0.0600	0.0650	0.0650	0.0606	0.06060	0.06060	0.0680	0.0785	0.0785
Howards Creek	0.0500	0.0500	0.0500	0.0500	0.0700	0.10000	0.10000	0.1050	0.1050	0.1150
North Brook	0.0500	0.0500	0.0500	0.0600	0.0600	0.06000	0.06000	0.0600	0.0350	0.0800
North 321	0.0350	0.0350	0.0350	0.0350	0.0350	0.03500	0.03500	0.0350	0.0600	0.3500
Pumpkin Center	0.0500	0.0500	0.0650	0.1000	0.0951	0.09510	0.09510	0.0951	0.0951	0.0938
South Fork	0.0500	0.0500	0.0500	0.0500	0.0776	0.09100	0.09100	0.0910	0.0910	0.1236
Union	0.0500	0.0500	0.0650	0.0650	0.0750	0.07500	0.07500	0.0750	0.0900	0.0900

Notes:

- (1) Real property was revalued on January 1, 2004, 2008, and 2011, 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.

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

Taxpayer	Type of Business	Fiscal Year 2014			Fiscal Year 2005		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy Corp.	Utility	\$ 260,348,880	1	3.35%	\$ 297,692,139	1	5.48%
The Timken Company	Bearing manufacturer	76,225,803	2	0.98%	89,272,408	2	1.64%
Julius Blum, Inc.	Furniture hardware manufacturer	72,371,354	3	0.93%	44,533,275	3	0.82%
Cataler North America Corp.	Auto parts manufacturer	62,640,907	4	0.80%	30,615,956	5	
Wal-Mart Stores East LP	Retail	33,341,993	5	0.43%			
Rutherford Electric Membership	Utility	31,330,364	6	0.40%	23,321,851	6	0.43%
TKC LIV LLC	Real estate/mfg	28,166,436	7	0.36%			
Actavis Mid Atlantic	Pharmaceuticals	23,679,745	8	0.30%			
Bellsouth Corp.	Utility	21,397,692	9	0.27%	31,312,383	4	0.58%
1000 E Powell Dr LLC	Real estate/mfg	16,845,925	10	0.21%			
T & T Investments	Real estate	-					
Cochrane Furniture Co., Inc.	Furniture manufacturer	-			12,707,935	7	0.23%
Robert Bosch Tool Corp	Tool manufacturer	-			12,375,840	8	0.23%
Lowes Home Center Inc	Textile manufacturer	-			11,204,162	9	0.21%
					9,172,607	10	0.17%
Totals		\$ 626,349,099		8.03%	\$ 562,208,556		10.35%

Source: Lincoln County Tax Department

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

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Collected within the Fiscal Year of the Levy			Collections in Subsequent Years	Total Collections to Date	
		Total Adjusted Levy	Percentage of Original Levy			Amount	Percentage of Adjusted Levy
			Amount				
2005	\$ 34,643,901	\$ 49,123	\$ 34,693,024	\$ 33,537,294	\$ 1,108,058	\$ 34,645,352	\$ 47,672
2006	35,554,969	(14,335)	35,540,634	34,697,002	783,950	35,480,952	59,682
2007	37,196,591	154,642	37,351,233	36,499,544	783,850	37,283,394	67,839
2008	39,495,597	260,891	39,756,488	38,884,020	789,918	39,673,938	82,550
2009	48,397,102	144,571	48,541,673	47,330,210	1,120,577	48,450,787	90,886
2010	48,978,334	323,666	49,302,000	48,202,295	1,011,859	49,214,154	87,846
2011	49,168,763	152,177	49,320,940	48,295,770	895,283	49,191,053	129,887
2012	49,318,299	19,177	49,337,476	48,213,572	884,511	49,098,083	239,393
2013	49,575,234	563,425	50,138,659	48,908,152	833,352	49,741,504	397,155
2014	51,400,496	151,116	51,551,612	50,570,651	-	50,570,651	980,961
							\$ 2,183,871

Source: Lincoln County Tax Department

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

Fiscal Year	Governmental Activities				Business-type Activities							Percentage of Personal Income (1)
	General		Installment Loans	Capital Leases	General		State		Total		Per Capita (1)	
	Obligation Bonds				Obligation Bonds	Clean Water Loan	Installment Loans	Primary Government				
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
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	4.95%		
2013	89,020,000	19,405,757	-	-	2,135,000	1,000,000	20,370,950	131,931,707	1,659	4.49%		
2014	84,425,797	24,753,975	-	-	1,605,000	750,000	19,351,064	130,885,836	*	*		

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 2013 personal income not available to calculate fiscal year 2014.

* Information not yet available.

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

Fiscal Year	General Bonded Debt Outstanding			Percentage of Personal Income(1)	Percentage of Actual Taxable Value of Property(2)	Per Capita(1)
	General Obligation Bonds	Total				
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		4.09%	1.22%	1,316
2012	98,675,000	98,675,000		4.01%	1.19%	1,248
2013	91,155,000	91,155,000		3.10%	1.14%	1,146
2014	86,030,797	86,030,797		*	1.00%	*

Notes: Details regarding the County's outstanding debt can be found in the Notes to the Financial Statements.

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

(2) See Table 5 for property value data.

* Information not yet available.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed Value of Property	\$ 5,627,935	\$ 5,811,431	\$ 6,114,992	\$ 6,509,962	\$ 8,490,268	\$ 8,634,483	\$ 8,644,971	\$ 8,242,244	\$ 8,333,756	\$ 8,612,496
Debt Limit, 8% of Assessed Value (Statutory Limitation)	450,235	464,914	489,199	520,797	679,221	690,759	691,598	659,380	666,700	689,000
Amount of Debt Applicable to Limit										
Gross debt	92,985	139,051	130,124	120,202	131,832	150,082	149,585	143,193	131,932	130,886
Debt outstanding for water and sewer purposes	16,118	17,088	14,888	12,601	11,113	26,317	25,085	25,730	23,506	21,321
Total net debt applicable to limit	76,867	121,963	115,235	107,601	120,719	123,765	124,499	117,463	108,426	109,565
Legal debt margin	\$ 373,367	\$ 342,952	\$ 373,964	\$ 413,196	\$ 558,503	\$ 566,994	\$ 567,098	\$ 541,917	\$ 558,275	\$ 579,435
Total net debt applicable to the limit as a percentage of debt limit	17.07%	26.23%	23.56%	20.66%	17.77%	17.92%	18.00%	17.81%	16.26%	15.90%

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.

Table 12
Lincoln County
Direct and Overlapping Governmental Activities Debt
As of June, 2014

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Cities:			
City of Lincoln (1)	\$ -	100.00%	\$ -
Direct - Lincoln County			109,179,772
Total direct and overlapping debt			<u>\$ 109,179,772</u>

(1) Source: City of Lincoln Finance Department

Table 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)
2005	69,532	\$ 1,681,231	\$ 24,692	11,480	6.10%	22,710
2006	70,914	1,868,000	28,591	11,666	5.70%	30,578
2007	73,107	2,044,532	30,303	12,056	5.00%	31,356
2008	74,405	2,215,799	32,418	12,193	4.80%	34,693
2009	74,552	2,459,872	32,912	11,792	7.50%	24,536
2010	75,718	2,537,929	33,375	11,984	13.60%	13,921
2011	80,134	2,589,120	33,029	11,790	12.70%	13,121
2012	79,026	2,901,233	36,580	11,509	10.50%	13,149
2013	79,512	2,936,860	36,973	11,627	8.80%	13,219
2014	79,740	*	*	*	6.70%	15,465

* 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.

- (1) <http://www.osbm.state.nc.us>
- (2) <http://www.bea.gov/Table/1Table.cfm?ReqID=70&step=1&isuri=1&acrdn=5>
- (4) http://www.ncesc1.com/pmi/rates/PressReleases/County/NR_June2012CountyRateRelease_M.pdf

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

Employer	Product or Service	2014			2005		
		Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Lincoln County Schools	Education	1,582	1	4.00%	1,386	1	3.89%
Lincoln County Government	County government	751	2	1.90%	482	7	1.35%
Wal-Mart Stores, Inc.	Discount stores	730	3	1.84%	315	11	0.88%
Carolinas Medical Center	Medical care	652	4	1.65%	467	9	1.31%
RSI Home Products	Vanities and marble counter tops	625	5	1.58%	500	5	1.40%
The Timken Company	Tapered roller bearings	531	6	1.34%	639	2	1.79%
Julius Blum, Inc.	Cabinet and furniture hardware	372	7	0.94%	410	10	1.15%
Actavis Corp.	Pharmaceuticals	330	8	0.83%	190	19	0.53%
Lowes	Home improvements	270	9	0.68%	125	28	0.35%
Cataler North America	Automobile components	264	10	0.67%			
VT LeeBoy, Inc.	Asphalt paving equipment	237	11	0.60%	140	26	0.39%
Mohican Mills	Lace and tricot goods	207	12	0.52%	500	4	1.40%
Wireway/Husky	Wire Partitions, Pallet Racks	198	13				
State of North Carolina	Various government agencies	190	14	0.48%	241	14	0.68%
Robert Bosch Tool Corporation	Tools manufacturer and distributor	162	15	0.41%	476	8	1.34%
Actega	Water Base Inks & Coatings,UV Inks	148	16				
United Technologies	Security devices	138	17	0.35%			
McMurray Fabrics, Inc.	Specialty fabrics	114	18	0.29%	100	33	0.28%
Total Civilian Labor Force for the County		39,584			35,607		

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

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Governing body	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Administration and finance	11.5	10.5	11.0	12.0	13.0	13.2	13.2	13.2	13.2	17.2
Management information systems	5.0	6.0	6.0	6.0	7.0	7.0	7.0	7.0	8.0	8.0
Elections	3.0	2.0	3.0	3.0	3.5	3.75	3.75	3.8	3.8	3.8
Tax	22.5	22.5	20.0	24.5	26.0	27.8	24.75	24.0	25.0	25.0
Register of Deeds	10.0	9.5	9.5	9.5	8.5	8.4	8.0	8.0	8.0	8.0
Public buildings	16.5	17.5	17.5	17.5	14.5	14.5	13.4	13.4	13.4	13.4
Public safety										
Sheriff	91.0	103.0	100.0	117.0	128.0	128.0	126.14	128.0	128.0	130.0
Communications	21.5	22.0	22.0	21.5	24.0	21.4	22.5	22.5	22.5	22.5
Jail	35.5	40.5	41.0	41.0	42.5	43.4	43.4	43.4	43.4	43.4
Emergency management	3.0	4.0	6.0	6.0	4.0	2.0	2.0	2.0	2.0	2.0
Ambulance services	58.0	61.5	64.0	65.0	81.0	82.0	76.25	76.3	76.3	78.3
Fire marshal	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0	2.0	2.0
Planning and Inspections	16.0	20.0	23.0	24.0	20.0	18.0	18.0	18.0	18.0	19.0
Animal control	6.0	6.5	7.0	7.0	10.0	11.0	10.75	11.0	11.0	13.0
Economic and physical development										
Sanitation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cooperative extension	1.5	1.5	1.5	1.5	1.5	1.6	1.6	1.6	1.6	1.6
Soil and water conservation	2.0	2.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Human services										
Health	69.5	67.5	72.0	75.0	85.0	81.5	78.4	78.4	78.4	74.4
Social services	99.0	106.0	111.0	111.0	122.0	121.7	121.7	121.7	121.7	125.7
Veterans service	1.0	1.0	1.5	1.5	1.5	1.0	1.0	1.0	2.0	2.0
Juvenile crime prevention	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5
Office on aging	8.5	12.0	6.0	5.5	6.5	6.5	6.5	6.5	5.5	5.5
Transportation			10.5	11.5	14.0	17.5	22.37	22.4	22.4	22.4

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Cultural and recreational										
Recreation	17.0	18.0	11.0	15.0	26.5	30.6	29.7	29.7	29.7	29.7
Library	16.5	16.0	14.0	17.5	17.5	17.3	16.33	16.4	16.4	16.4
Historical coordinator	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Water/sewer (business activity)										
Water and Sewer Fund	27.0	28.0	34.0	42.0	43.0	43.0	42.6	42.6	42.6	38.6
East Lincoln Sewer District	7.0	8.0	8.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Landfill	29.5	30.5	39.0	41.0	48.0	48.6	43.6	43.6	43.6	43.6
Total	580.0	618.0	644.5	681.5	752.5	757.2	740.4	741.9	744.0	751.0

Source: County Personnel Office

Note: This table 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 table, 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.

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Management information systems										
Work orders	3,168	3,259	3,889	3,804	3,798	4,870	5,571	5,604	5,679	4,110
Elections										
Registered voters	42,923	43,955	44,471	47,306	49,218	49,899	49,959	53,240	51,728	52,544
Votes cast in general elections	189	18,700	877	36,066	1,421	n/a	23,427	36,892	1,943	6,905
(votes odd years city even county wide)										
Tax										
Number of land records created	930	1,081	959	936	1,144	126	140	250	n/a	73
Number of ownership transfers - real estate/mfg. homes	5,947	6,499	7,114	6,679	6,118	2,411	4,293	3,995	n/a	3,671
Number of tax bills created - real/personal	62,476	65,243	67,167	66,168	69,202	68,330	68,499	68,400	n/a	70,635
Number of tax bills created - registered vehicles	83,135	89,016	85,666	89,394	89,224	87,540	85,796	84,814	n/a	n/a
Register of Deeds										
Total documents recorded	20,125	21,414	20,645	19,179	15,066	13,427	12,042	n/a	14,589	12,566
Deeds recorded	4,252	4,714	4,489	3,905	2,706	2,666	2,382	n/a	2,747	3,029
Marriage licenses issued	473	492	484	488	471	505	514	n/a	497	537
Births occurring	375	455	481	485	523	424	346	n/a	413	438
Deaths occurring	443	475	472	518	486	474	452	n/a	494	500
Certified copies issued	5,220	5,211	5,935	5,344	5,300	4,991	4,759	n/a	4,929	4,918
Public safety										
Arrests	2,154	2,869	3,618	3,265	3,213	2,928	2,975	3,979	4,205	4,607
Civil papers served	9,404	11,058	11,753	13,036	13,255	13,715	12,311	12,586	12,591	11,755
Jail bookings	6,150	4,805	3,750	3,942	3,622	3,516	3,584	3,773	4,198	4,138
Average daily jail population	100	117	112	110	125	123	134	133	136	134
Communications total calls	49,261	81,234	87,361	106,576	110,305	93,074	89,575	94,480	76,336	106,520
Building permits issued	2,396	2,512	2,560	1,795	1,884	2,238	3,035	3,019	2,616	n/a
Building inspections conducted	30,578	31,356	34,693	24,536	13,921	13,121	13,131	13,149	13,219	15,465
Emergency medical calls answered	8,889	9,635	12,020	14,331	14,394	15,367	16,002	16,763	18,679	17,517
Emergency patients transported	5,089	5,436	7,194	7,249	7,868	7,994	8,143	8,213	8,718	8,241
Number of firemen and officers	400	400	450	476	500	500	500	450	564	450
Number of fire calls answered	1,900	1,900	2,486	2,955	3,000	3,000	3,000	6,348	7,300	8,203
Number of fire marshal inspections	300	450	400	1,250	1,300	1,300	1,300	1,750	2,000	1,750
Animals entering shelter	3,262	3,512	3,240	3,969	2,611	4,779	4,235	4,163	3,883	3,309
Animals euthanized	2,824	2,772	2,445	2,577	1,555	2,601	2,485	2,271	2,107	1,114
Economic and physical development										
Cooperative extension client contacts	25,069	25,099	31,950	33,984	50,055	49,206	69,149	63,688	73,990	50,790
Soil and water conservation										
Clients assisted	2,320	2,435	2,700	2,673	3,183	3,634	3,658	3,750	3,713	3,752
Funds land owners received from Federal and State programs	253,463	581,611	226,815	284,656	443,203	233,644	176,714	346,154	496,530	247,227

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Human services										
Health Department patient visits										
Adult health	895	1,007	4,108	4,972	4,922	4,091	3,790	2,684	2,568	3,108
Child health	249	236	1,189	1,219	1,514	1,160	1,115	1,083	1,075	1,103
Family planning	1,075	1,025	4,586	4,932	5,892	6,842	4,836	4,723	3,935	4,357
Immunizations/flu	4,611	4,372	4,719	2,961	3,362	5,076	2,285	1,144	1,014	1,352
Maternal health	718	506	2,012	1,296	1,831	1,851	1,125	374	750	940
Primary care	6,394	6,109	7,192	7,251	7,225	7,225	6,052	5,899	4,172	3,355
Sexually transmitted diseases	225	228	1,619	2,178	2,588	3,054	2,748	2,562	1,924	2,296
Tuberculosis	131	203	236	626	602	652	324	477	494	294
Case management (child service & maternity care) (discontinued 3/11)	2,216	2,342	2,946	1,972	2,398	2,005	1,748	-	-	-
Lab services (in-house)	12,663	12,786	12,750	12,375	12,452	9,898	10,895	9,536	8,153	8,237
Lab services (referred)	4,748	4,224	4,679	5,063	4,797	4,116	4,356	4,030	3,863	4,121
WIC (women infants and children)	20,074	20,684	22,749	23,269	24,715	24,180	24,345	24,490	24,864	23,381
Home health (unduplicated patients)	445	358	396	379	525	406	365	504	567	518
Environmental health										
Food and lodging permits	64	96	100	62	70	71	68	77	39	26
Food, lodging, and institutional inspections				782	796	834	859	1,257	802	842
Sewage system permits	756	780	834	841	377	302	273	349	317	433
Sewage system finals	543	464	491	375	271	208	164	213	168	235
Water samples	134	220	165	250	344	294	258	308	284	83
New well permits (began 7/1/07)				189	145	96	102	137	68	107
Wells inspected (water for sampling)	66	80	45	123	177	120	-	-	-	-
New well sitings (discontinued 7/1/07)	406	540	524	-	-	-	-	-	-	-
Swimming pools	25	35	30	31	37	25	31	31	27	32
Lead investigations	2	-	1	1	2	-	-	-	-	-
Complaint investigations				62	118	121	56	175	75	94
Social Services cases (may contain duplicates)										
Child and adult protective services										
Children in foster care	85	116	133	126	108	108	116	109	97	73
Work first cases	58	71	109	97	76	53	56	62	78	82
NC health choice cases	182	167	161	150	160	133	128	121	119	113
Medicaid cases	623	566	617	626	666	756	826	817	866	n/a
Food stamp cases	6,244	6,814	7,104	7,437	8,027	8,952	8,966	9,098	9,163	9,584
Food stamp cases	2,186	2,568	2,732	2,487	3,657	4,372	5,244	5,654	4,922	5,481
Child support cases	2,516	2,599	2,733	2,809	2,823	2,863	2,765	2,920	2,919	2,842
Transportation clients served	-	280	524	632	667	2,444	2,900	3,810	2,966	2,206
Transportation trips provided	-	-	-	-	38,507	38,506	40,367	46,883	49,938	76,920

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Cultural and recreational										
Recreation (shelter and facility reservations)										
Library volumes in collection	109,413	128,856	126,319	133,498	134,854	137,971	148,408	142,853	144,907	143,880
Library circulation	321,761	315,578	325,699	329,072	323,544	326,429	308,342	280,413	285,669	283,041
Water/sewer (business activity)										
Number of water customers	8,075	8,657	9,169	9,583	9,585	9,584	9,730	9,901	10,165	10,680
Average daily water production	2,300,000	2,460,000	2,640,000	2,402,250	2,296,000	2,910,000	2,800,000	2,620,000	2,790,000	2,619,000
Number of sewer customers	2,502	2,879	3,220	3,538	3,660	3,699	3,812	3,843	4,027	3,851
Average daily sewage treatment	523,000	548,000	617,750	610,333	700,000	729,000	780,000	880,000	825,000	799,250
Landfill										
Tons of waste sanitary landfill	52,013	45,435	45,091	44,680	45,508	48,496	46,692	43,093	38,766	39,008
Tons of waste demolition landfill	16,097	10,351	10,787	7,809	11,264	12,796	16,131	18,282	12,342	9,283
Tons of recyclables	1,424	1,440	1,678	1,870	1,848	2,175	2,187	2,048	2,423	2,537
Tons of whitegoods	1,583	1,502	1,872	1,184	968	1,023	800	1,125	1,411	1,616
Tons of tires	1,310	1,267	1,678	1,371	1,185	1,281	1,209	1,280	1,064	1,069

*Reported on calendar year basis

Source: Various County Departments

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Buildings	22	22	22	22	22	22	24	24	25	25
Public safety										
Law enforcement stations	3	3	3	3	3	3	3	3	3	3
Patrol units	53	53	67	71	77	77	77	77	77	79
Jail capacity	168	168	168	168	168	168	168	168	168	168
Emergency medical stations	3	3	3	3	5	6	7	7	7	9
Emergency medical apparatus	18	17	18	20	22	23	23	24	24	24
Fire department stations	11	11	11	13	15	15	15	16	17	18
Economic and physical development										
Human services										
Number of transportation vehicles	14	12	12	13	12	15	18	19	19	21
Cultural and recreational										
Number of libraries	3	3	3	3	3	3	3	3	3	3
Number of county parks										
Developed	2	2	2	2	4	4	4	5	5	6
Undeveloped	2	2	2	2	1	1	1	1	1	0
Park acreage:										
Developed	37	37	37	37	115	115	115	149	149	265
Undeveloped	54	54	54	54	116	116	116	116	116	0
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	265	270	279	285	300	315	336	313	313	322
Number of wastewater plants	1	1	1	1	1	2	2	2	1	1
Miles of sanitary sewer	78	82	86	90	100	155	155	171	171	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

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

Independent Auditor's Report

To the Board of Commissioners
Lincoln County
Lincolnton, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lincoln County, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Lincoln County's basic financial statements, and have issued our report thereon dated December 9, 2014. The financial statements of the Lincoln County ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency 2014-001 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002.

Lincoln County's Responses to Findings

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 9, 2014

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

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

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Lincoln County
Lincolnton, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Lincoln County, North Carolina's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Lincoln County's major Federal programs for the year ended June 30, 2014. Lincoln County's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lincoln County's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Lincoln County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Lincoln County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Lincoln County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lincoln County's internal control over compliance with the types of requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 9, 2014

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

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

Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Lincoln County
Lincolnton, North Carolina

Report on Compliance for Each Major State Program

We have audited Lincoln County, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Lincoln County's major State programs for the year ended June 30, 2014. Lincoln County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lincoln County's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Lincoln County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, Lincoln County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Lincoln County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lincoln County's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 9, 2014

LINCOLN COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? X Yes No
- Are any significant deficiencies identified not considered to be material weaknesses? Yes X None reported

Non-compliance material to financial statements noted?

 X Yes No

Federal Awards

Internal control over major Federal programs:

- Material weaknesses identified? Yes X No
- Are any significant deficiencies identified not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for major Federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

 Yes X No

Identification of major Federal programs:

<u>Federal Program/Cluster Name</u>	<u>CFDA#</u>
Medicaid Cluster	93.778, 93.775, 93.777
Children's Health Insurance Program - NC Health Choice	93.767

Dollar threshold used to distinguish between Type A and Type B Programs:

\$2,037,710

Auditee qualified as low-risk auditee?

 Yes X No

LINCOLN COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Auditor's Results (continued)

State Awards

Internal control over major State programs:

- Material weaknesses identified? _____ Yes X No
- Are any significant deficiencies identified not considered to be material weaknesses? _____ Yes X No

Type of auditor's report issued on compliance for major State programs

Unmodified

Any findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

_____ Yes X No

Identification of major State programs:

Program Name

Medicaid Cluster

Children's Health Insurance Program -
NC Health Choice

Special Assistance for Adults

CWS Adoption Subsidy & Vendor Payments

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

2. Findings Related to the Audit of the Basic Financial Statements

Finding 2014-001 Expenditures Exceeded Appropriations

Criteria: General Statutes require that all money received and expended by a local government should be included in the budget ordinance. The Statutes require that funds be appropriated before incurring the obligation for funds and that amounts be pre-audited prior to disbursements being made. These requirements imply the County has a responsibility to design a system to monitor its compliance with the budget ordinance and the General Statutes pertaining to local government finance.

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

Cause: Inadequate budget monitoring by management. The County expended more than appropriated because budget amendments were not utilized to account for collections of ad valorem taxes in excess of budgeted amounts, and the subsequent remittance of those taxes to local fire departments, due to oversight in the budget process.

Effect: Budget amendments were not submitted to and approved by the Board during the current year causing the County to be over-expended in the Fire Districts Fund.

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

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

Name of Contact Person: Deanna Rios, Finance Director

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

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

2. Findings Related to the Audit of the Basic Financial Statements (continued)

Finding 2014-002 Deficit Fund Equity

Criteria: North Carolina General Statutes preclude units from having funds that operate in a deficit.

Condition: In the current year, there was a violation of the General Statutes regarding deficit fund equity.

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

Effect: The County was in violation of North Carolina General Statutes.

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

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

Name of Contact Person: Dianna Rios, Finance Director

Management's Response: Management will evaluate charges related to the East Lincoln County Water and Sewer District Fund and will take measures to ensure charges cover costs. Future transfers from the Water and Sewer Fund will be used to offset the deficit in the Water and Sewer Capital Fund.

3. Findings and Questioned Costs Related to the Audit of Federal Awards

None

4. Findings and Questioned Costs Related to the Audit of State Awards

None

LINCOLN COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

2013-001: Repeated as 2014-001, for the Fire Districts Fund.

2013-002: Corrected.

2013-003: Corrected.

2013-004: Repeated as 2014-002.

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Fed. (Direct &</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
Federal Awards:				
<u>U.S. Dept. of Agriculture</u>				
<u>Food and Nutrition Service</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Social Services:				
Administration:				
<u>Supplemental Nutrition Assist. Program Cluster</u>				
State Administrative Matching Grants for				
Supplemental Nutrition Assistance Program	10.561		\$ 451,124	\$ -
Supplemental Nutrition Assistance Fraud Admin	10.561		26,882	-
Total Supplemental Nutrition Assistance Cluster			478,006	-
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Public Health:				
<u>Child Nutrition Cluster</u>				
AGRI-SFP Food Program Meal	10.559		1,456	-
Total Supplemental Child Nutrition Cluster			1,456	-
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Public Health:				
Administration:				
Special Supplemental Nutrition Program for				
Women, Infants, & Children (WIC)	10.557		350,094	-
Direct Benefit Payments:				
Special Supplemental Nutrition Program for				
Women, Infants, & Children (WIC)	10.557		1,163,860	-
Total U.S. Department of Agriculture			1,993,416	-
<u>U.S. Dept. of Justice</u>				
<u>Office of Community Oriented Policing Services</u>				
State Criminal Alien Assistance Program	16.606		4,832	-
Total U.S. Dept. of Justice			4,832	-
<u>U.S. Dept. of Transportation</u>				
Passed-through the N.C. Department of Transportation				
Airport Improvement Program	20.106		691,841	-
Formula Grant for Rural Areas- Admin	20.509	36233.114.3.1	29,964	1,873
Formula Grant for Rural Areas- Admin	20.509	36233.114.4.1	122,539	7,681
Formula Grant for Rural Areas- Admin	20.509	36233.114.3.3	153,525	19,190
Total U.S. Dept. of Transportation			997,869	28,744
<u>U. S. Department of Homeland Security</u>				
Passed-through N.C. Dept. of Public Safety:				
Division of Emergency Management				
Disaster Grants - Public Assistance (Presidentially declared				
disasters)	97.036		9,872	-
Total U. S. Department of Homeland Security			9,872	-

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
<u>U. S. Department of Housing and Urban Development</u>				
Passed-through N.C. Department of Commerce:				
CDBG-State-Administered CDBG Cluster				
Community Development Block Grant	14.228		71,632	-
Total CDBG State - Admin CDGB Cluster			71,632	-
 Total U. S. Department of Housing and Urban Development			71,632	-
<u>U.S. Dept. of Health & Human Services</u>				
<u>Administration for Community Living</u>				
<u>Division of Social Services</u>				
Passed-through Centralina Council Governments				
<u>Aging Cluster: (2)</u>				
Special Programs for the Aging - Title III B				
Access	93.044		99,276	16,809
In-Home	93.044		19,837	236,782
Title III C1 (Nutrition Services)	93.045		79,900	4,704
Total Aging Cluster			199,013	258,295
 USDA Supplement	10.570		8,793	-
National Family Caregiver Support, Title III E	93.052		27,594	1,840
Special Programs for the Aging, Title III, Part D Disease				
Prevention and Health Promotion Services	93.043		2,549	150
Total Division of Social Services			237,949	260,285
 Passed-through the N.C. Dept. of Health and Human Services:				
Division of Social Services:				
<u>Foster Care and Adoption Cluster: (2)</u>				
Administration:				
IV-E Adoption Training	93.659		3,343	(6,604)
IV-E Optional Adoption Training	93.659		12,009	-
IV-E Adoption/Off Training	93.659		768	-
IV-E Child Protective Services	93.658		107,818	71,148
IV-E Admin Foster Care	93.658		1,204	-
IV-E Foster Care TRN	93.658		3,244	-
IV-E Foster Care/Off TRN	93.658		223,980	-
Direct Benefit Payments:				
IV-E Admin County Paid to CCI	93.658		36,674	18,337
IV-E Family Foster Max	93.658		102	-
IV-E Foster Care	93.658		135,491	35,315
IV-E Foster Care In Excess	93.658		697	790
IV-E Max Level III	93.658		20,699	-
IV-E Adoption Subsidy & Vendor	93.659		304,271	86,188
Total Foster Care and Adoption Cluster			850,300	205,174

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
Temporary Assistance for Needy Families Cluster:				
Administration:				
Temporary Assistance for Needy Families (TANF)/ Work First	93.558		154,638	-
Temporary Assistance for Needy Families (TANF)/ Work First Se	93.558		704,743	-
Direct Benefit Payments:				
Temporary Assistance for Needy Families (TANF)/ Work First				
Payments & Penalties	93.558		271,408	(28)
Total Temporary Assistance for Needy Families Cluster			1,130,789	(28)
Administration:				
Chafee Foster Care Independence Program	93.674		7,492	1,873
Social Services Block Grant	93.667		127,243	14,941
Permanency Planning - Families for Kids	93.645		62,036	-
Low Income Home Energy Assistance	93.568		48,430	-
Child Support Enforcement	93.563		497,671	-
Promoting Safe and Stable Families	93.556		20,672	-
Foster Care	93.658		56,536	-
Child Support Enforcement-ESC	93.563		128	-
Child Support Enforcement-Federal	93.563		2,661	-
Direct Benefit Payments:				
Chafee Foster Care Independence Program	93.674		17,159	-
Low Income Energy Assistance Payments	93.568		212,000	-
Crisis Intervention Program	93.568		246,046	-
Total Division of Social Services			3,279,163	16,814
Division of Aging:				
Division of Social Services:				
Administration:				
Social Services Block Grant CPS TANF to SSBG	93.667		110,319	-
Social Services Block Grant In-Home Services	93.667		8,685	-
Social Services Block Grant In-Home Services over 60	93.667		1,186	1,591
Social Services Block Grant Adult Protective Services	93.667		35,401	-
Total Division of Aging			155,591	1,591
Subsidized Child Care Program Cluster: (2)				
<u>Child Care Development Fund Cluster</u>				
Division of Social Services:				
Child Care Development Fund-Administration	93.596		74,298	-
Division of Child Development:				
Child Care and Development Fund -- Discretionary	93.575		586,768	-
Child Care and Development Fund -- Mandatory	93.596		357,656	-
Child Care and Development Fund -- Match	93.596		504,981	223,040
Total Child Care and Development Fund Cluster			1,523,703	223,040
Temporary Assistance for Needy Families (TANF)	93.558		329,583	-
Foster Care Title IV-E	93.658		17,091	8,953
Smart Start			-	93
State Appropriations			-	61,831
TANF-MOE			-	176,185
Subsidized Child Care Program Cluster			1,870,377	470,102

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Fed. (Direct &</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
<u>Center for Medicare and Medicaid Services</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Medicaid Cluster:				
Division of Medical Assistance:				
Administration:				
Medical Assistance Program:				
Adult Care Home (Case Management) and (Specialist)	93.778		29,784	7,187
State County Special Assistance	93.778		21,315	-
Medical Assistance Expansion	93.778		89,032	11,122
Medical Assistance Admin	93.778		782,734	-
Medical Transportation Admin	93.778		73,411	-
Medical Transportation Service	93.778		6,278	3,206
Direct Benefit Payments:				
Medical Assistance Program	93.778		56,435,118	30,729,285
Total Medicaid Cluster			57,437,672	30,750,800
Children's Health Insurance Program - North Carolina Health Choice				
Administration	93.767		21,916	2,689
Direct Benefit Payments	93.767		1,654,655	521,988
<u>Administration of Children and Families</u>				
Passed-through the N.C. Dept. of Health and Human Services				
Temporary Assistance for Needy Families	93.558		5,196	-
Social Services Block Grant	93.667		-	500
Total N.C. Office of Emergency Medical Services			5,196	500
<u>Health Resources and Service Administration</u>				
Passed-through the N.C. Dept. of Health and Human Services				
Division of Public Health				
Maternal and Child Health Services Block Grant	93.994		58,356	43,891
Total N.C. Office of Emergency Medical Services			58,356	43,891
<u>Office of Population Affairs</u>				
Passed-through the N.C. Dept. of Health and Human Services				
Office of Population Affairs				
Family Planning Services	93.217		23,985	-
Total N.C. Office of Emergency Medical Services			23,985	-
<u>Center for Disease Control and Prevention</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Public Health:				
Public Health Emergency Preparedness	93.069		33,114	-
Immunization Cooperative Agreements	93.268		18,560	-
Breast and Cervical Cancer Screening	93.744		1,420	-
Cooperative Agreements for State-Based Comprehensive				
Breast and Cervical Cancer Early Detection Programs	93.919		37,301	5,100
Preventative Health and Health Services Block Grant	93.991		10,783	-
Total Division of Public Health			101,178	5,100
Total U.S. Dept. of Health and Human Services			64,846,038	32,073,760
Total federal awards			\$ 67,923,659	\$ 32,102,504

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Fed. (Direct &</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
State Awards:				
<u>N.C. Dept. of Agriculture and Consumer Services</u>				
Division of Soil & Water				
N.C. Agriculture Cost Share Funds				26,583
State Administrative Match Funds				3,600
Total N.C. Dept. of Agriculture and Consumer Services				<u>30,183</u>
<u>N.C. Dept. of Health and Human Services</u>				
Division of Social Services				
Passed through Centralina Council of Governments				
DCD Smart Start				77,114
AFDC Incent/Program Integrity				383
CWS Adopt Subsidy & Vendor Payments				315,898
F/C At Risk Maximization				4,428
SC/SA Domiciliary Care Payment				447,664
SFHF Maximization				36,674
State Foster Home				89,205
Total N.C. Dept. of Health and Human Services				<u>971,366</u>
Division of Public Health				
Food and Lodging				11,356
Environmental Health				4,000
General Aid to Counties				100,520
General Communicable Disease Control				12,488
Rick Reduction/Health Promotion				6,286
Women's Health Service Fund				3,929
Maternal Health (HMHC)				2,412
School Nurse Funding Initiative				150,000
TB Medical Service				787
Tuberculosis				1,825
Division of Aging and Adult Services				
Administration:				
Senior Center General				3,892
Total Division of Public Health				<u>297,495</u>
Total N. C. Department of Health and Human Services				<u>1,268,861</u>

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Fed. (Direct &</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
<u>N.C. Dept. of Public Safety</u>				
Division of Juvenile Justice				
Juvenile Crime Prevention Programs				
Equine Assisted Skill Building				6,885
Administration				10,644
CIS Strengthening Families				27,689
Juvenile Mediation				10,000
CIS Gives Back				32,989
CIS After School Program				39,816
Drug & Alcohol Counseling				13,750
Family Centered Treatment				17,850
Multisystemic Therapy				181,249
Total Division of Juvenile Justice				340,872
Division of Crime Control and Public Safety				
EMPG Grant				13,894
SEP Grant				35,000
Total Division of Crime Control and Public Safety				48,894
Total N.C. Department of Public Safety				389,766
<u>N.C. Dept. of Environmental and Natural Resources</u>				
Division of Waste Management				
Electronics Management				5,257
Scrap Tire Fund - SWMGT				13,867
Total N.C. Dept. of Environmental and Natural Resources				19,124
<u>N.C. Dept. of Public Instruction</u>				
Public School Building Capital Fund				
Lottery Proceeds				1,036,450
Total N.C. Department of Public Instruction				1,036,450
<u>N.C. Dept. of Transportation</u>				
Work First		DOT-16CL	17,975	
Program (EDTAP)		DOT-16CL	74,522	
ROAP Rural General Public Transportation		DOT-16CL	103,573	
Total N.C. Dept. of Transportation			196,070	
<u>N.C. Dept. of Cultural Resources</u>				
State Aide for Library				112,836
EZ literacy/lifelong learning grant				49,999
LSTA Project Technology Grant				19,143
Total N.C. Dept. of Cultural Resources				181,978
<u>N.C. Dept. of Insurance</u>				
SHIIP Grant				5,445
Total N.C. Dept. of Insurance				5,445
<u>N.C. Dept. of Administration</u>				
Total State awards				3,127,877
Total federal and State awards			\$ 67,923,659	\$ 35,230,381

LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures
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Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Basis of Presentation

- 1 The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Lincoln County and is presented on the *modified accrual basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the county's basic financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

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