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## LINCOLN COUNTY, NORTH CAROLINA

### STATEMENT OF NET ASSETS JUNE 30, 2007

	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Assets:</b>			
Cash and cash equivalents	\$ 32,045,873	\$ 16,747,228	\$ 48,793,101
Taxes receivable (net)	1,350,666	120,351	1,471,017
Accounts receivable (net)	845,023	152,196	997,219
Due from other governments	4,983,555	218,563	5,202,118
Internal balances	763,175	(763,175)	-
Inventories	-	-	-
Cash and cash equivalents-restricted	-	-	-
Other assets	-	294,442	294,442
Capital assets, nondepreciable	3,730,105	7,976,570	11,706,675
Capital assets- depreciable, net	22,021,608	56,069,922	78,091,530
<b>Total assets</b>	<b>65,740,005</b>	<b>80,816,097</b>	<b>146,556,102</b>
<b>Liabilities:</b>			
Accounts payable and other accrued liabilities	4,424,883	511,633	4,936,516
Unearned revenue	200,382	-	200,382
Customer deposits	-	83,493	83,493
<b>Long-term Liabilities:</b>			
Premium on long term debt, net	-	116,600	116,600
Due in less than one year	7,839,777	2,300,931	10,140,708
Due in more than one year	108,955,090	17,175,400	126,130,490
<b>Total liabilities</b>	<b>121,420,132</b>	<b>20,188,057</b>	<b>141,608,189</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	19,429,598	49,158,040	68,587,638
Restricted	-	-	-
Unrestricted	(75,109,725)	11,470,000	(63,639,725)
<b>Total net assets</b>	<b>\$ (55,680,127)</b>	<b>\$ 60,628,040</b>	<b>\$ 4,947,913</b>

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

**Exhibit A**

<b>Component Units</b>	
<b>Lincoln County ABC Board</b>	<b>Lincolnton- Lincoln County Airport Authority</b>
\$ 107,982	\$ 493,154
-	-
-	106,784
-	-
-	-
140,423	45,890
-	112,666
-	-
181,213	1,788,905
470,123	4,558,161
<b>899,741</b>	<b>7,105,560</b>
96,402	37,167
-	-
-	-
-	-
20,541	59,012
576,582	626,050
<b>693,525</b>	<b>722,229</b>
54,213	5,662,004
47,785	-
104,218	721,327
<b>\$ 206,216</b>	<b>\$ 6,383,331</b>

**LINCOLN COUNTY, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

<b>Program Revenues</b>					
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Functions/Programs</b>					
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
General government	\$ 8,792,178	\$ 1,048,260	\$ 730,421	\$ -	-
Public safety	20,408,731	4,068,481	602,610	-	-
Economic and physical development	1,456,144	-	4,000	-	-
Human services	20,527,745	4,818,526	7,786,889	-	-
Cultural and recreational	1,607,435	124,266	-	162,635	-
Education	34,525,949	-	1,481,317	-	-
<b>Debt Service:</b>					
Interest and fees	5,045,424	-	-	-	-
Total governmental activities	<u>92,363,606</u>	<u>10,059,533</u>	<u>10,605,237</u>	<u>162,635</u>	
<b>Business-Type Activities:</b>					
Landfill	3,546,096	2,818,251	-	520,895	-
Water and Sewer	3,651,448	7,061,869	-	1,114,045	-
East Lincoln County water and sewer	2,242,434	3,397,520	-	1,142,295	-
Total business type activities	<u>9,439,978</u>	<u>13,277,640</u>	<u>-</u>	<u>2,777,235</u>	
Total primary government	<u>\$ 101,803,584</u>	<u>\$ 23,337,173</u>	<u>\$ 10,605,237</u>	<u>\$ 2,939,870</u>	
<b>Component Unit:</b>					
Lincoln County ABC Authority	\$ 1,453,665	\$ 1,594,259	\$ -	\$ -	-
Lincolnton-Lincoln County Airport Authority	1,066,910	682,844	112,666	344,706	-
Total component unit	<u>\$ 2,520,575</u>	<u>\$ 2,277,103</u>	<u>\$ 112,666</u>	<u>\$ 344,706</u>	
<b>General Revenues:</b>					
Ad valorem taxes					
Local option sales tax					
Utility franchise tax					
Real estate transfer tax					
Other taxes and licenses					
Unrestricted intergovernmental					
Investment earnings					
Gain (loss) on disposal of capital assets					
Total general revenues and transfers					
<b>Change in net assets</b>					
Net assets - beginning					
Net assets - ending					

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

**Exhibit B**

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>		<b>Component Units</b>	
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Lincolnton- Lincoln County ABC Board</b>
\$ (7,013,497)	\$ -	\$ (7,013,497)	\$ -
(15,737,640)	-	(15,737,640)	-
(1,452,144)	-	(1,452,144)	-
(7,922,330)	-	(7,922,330)	-
(1,320,534)	-	(1,320,534)	-
(33,044,632)	-	(33,044,632)	-
<u>(5,045,424)</u>	<u>-</u>	<u>(5,045,424)</u>	<u>-</u>
<u>(71,536,201)</u>	<u>-</u>	<u>(71,536,201)</u>	<u>-</u>
 -	 (206,950)	 (206,950)	 -
 -	 4,524,466	 4,524,466	 -
 -	 2,297,381	 2,297,381	 -
 -	 6,614,897	 6,614,897	 -
 <u>(71,536,201)</u>	 <u>6,614,897</u>	 <u>(64,921,304)</u>	 <u>-</u>
 -	 -	 -	 140,594
 -	 -	 -	 73,306
 -	 -	 -	 140,594
 -	 -	 -	 73,306
 40,282,791	 1,701,604	 41,984,395	 -
 15,791,771	 -	 15,791,771	 -
 274,422	 -	 274,422	 -
 1,146,496	 -	 1,146,496	 -
 476,624	 -	 476,624	 -
 462,986	 -	 462,986	 -
 2,624,428	 769,650	 3,394,078	 1,265
 <u>(1,837,216)</u>	 <u>-</u>	 <u>(1,837,216)</u>	 <u>-</u>
 <u>59,222,302</u>	 <u>2,471,254</u>	 <u>61,693,556</u>	 <u>1,265</u>
 <u>(12,313,899)</u>	 <u>9,086,151</u>	 <u>(3,227,748)</u>	 <u>141,859</u>
 <u>(43,366,228)</u>	 <u>51,541,889</u>	 <u>8,175,661</u>	 <u>64,357</u>
 <u>\$ (55,680,127)</u>	 <u>\$ 60,628,040</u>	 <u>\$ 4,947,913</u>	 <u>\$ 206,216</u>
			 <u>\$ 6,383,331</u>

## LINCOLN COUNTY, NORTH CAROLINA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	<b>General Fund</b>	<b>School Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 15,015,539	\$ 8,769,811	\$ 8,260,523	\$ 32,045,873
Taxes receivable (net)	1,216,166	-	134,500	1,350,666
Accounts receivable (net)	785,972	-	59,051	845,023
Due from other governments	4,579,345	376,314	27,896	4,983,555
Due from other funds	1,960,253	-	555,702	2,515,955
Total assets	<u>\$ 23,557,275</u>	<u>\$ 9,146,125</u>	<u>\$ 9,037,672</u>	<u>\$ 41,741,072</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and other accrued liabilities	\$ 1,927,719	\$ 2,397,621	\$ 99,543	\$ 4,424,883
Due to other funds	1,750,992	-	1,788	1,752,780
Deferred revenue	1,416,548	-	134,500	1,551,048
Total liabilities	<u>5,095,259</u>	<u>2,397,621</u>	<u>235,831</u>	<u>7,728,711</u>
<b>Fund Balances:</b>				
<b>Reserved:</b>				
State statute	7,325,570	-	614,753	7,940,323
Unreserved	11,136,446	6,748,504	-	17,884,950
<b>Reported in Nonmajor:</b>				
Capital project funds	-	-	4,657,967	4,657,967
Special revenue funds	-	-	3,529,121	3,529,121
Total fund balances	<u>18,462,016</u>	<u>6,748,504</u>	<u>8,801,841</u>	<u>34,012,361</u>
Total liabilities and fund balances	<u>\$ 23,557,275</u>	<u>\$ 9,146,125</u>	<u>\$ 9,037,672</u>	
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.				25,751,713
Long-term liabilities, unfunded pension obligations, and compensated absences are not due and payable in the current period and therefore not reported in the funds.				(116,794,867)
Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year end.				<u>1,350,666</u>
Net assets of governmental activities, per Exhibit A				<u>\$ (55,680,127)</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, 2007

	General	School Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Ad valorem taxes	\$ 37,089,449	\$ -	\$ 3,183,964	\$ 40,273,413
Local option sales taxes	15,791,771	-	-	15,791,771
Other taxes and licenses	1,508,226	-	389,316	1,897,542
Unrestricted intergovernmental revenues	462,986	-	-	462,986
Restricted intergovernmental revenues	8,280,381	-	1,725,572	10,005,953
Permits and fees	2,262,340	-	-	2,262,340
Sales, service and rents	7,797,193	-	-	7,797,193
Miscellaneous	696,703	-	206,558	903,261
Investment earnings	1,271,139	945,264	408,025	2,624,428
<b>Total revenues</b>	<b>75,160,188</b>	<b>945,264</b>	<b>5,913,435</b>	<b>82,018,887</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	7,115,181	-	-	7,115,181
Public safety	16,343,235	-	3,604,867	19,948,102
Economic and physical development	1,456,413	-	-	1,456,413
Human services	20,233,571	-	-	20,233,571
Cultural and recreational	1,487,686	-	-	1,487,686
Education	15,671,351	-	-	15,671,351
Capital outlay	-	18,854,598	2,844,037	21,698,635
<b>Debt Service:</b>				
Principal repayments	6,727,757	-	-	6,727,757
Interest	5,045,425	-	-	5,045,425
<b>Total expenditures</b>	<b>74,080,619</b>	<b>18,854,598</b>	<b>6,448,904</b>	<b>99,384,121</b>
<b>Revenues over (under) expenditures</b>	<b>1,079,569</b>	<b>(17,909,334)</b>	<b>(535,469)</b>	<b>(17,365,234)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(11,397,598)	-	(10,418,697)	(21,816,295)
Transfers in	10,418,697	-	11,397,598	21,816,295
<b>Total other financing sources (uses)</b>	<b>(978,901)</b>	<b>-</b>	<b>978,901</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>100,668</b>	<b>(17,909,334)</b>	<b>443,432</b>	<b>(17,365,234)</b>
Fund balance, beginning of year	18,361,348	24,657,838	8,358,409	51,377,595
<b>Fund balance, end of year</b>	<b>\$ 18,462,016</b>	<b>\$ 6,748,504</b>	<b>\$ 8,801,841</b>	<b>\$ 34,012,361</b>

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 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

**Amounts reported for governmental activities in the statement of activities are different because:**

Net change in fund balances - total governmental funds	\$ (17,365,234)
Capital outlays are reported as expenditures in the governmental fund statement. However, in the statement of activities, capital outlay is not an expense, rather it is an increase in capital assets.	2,206,666
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental fund statements.	(1,783,021)
The sale of capital assets is reported as a revenue in the governmental fund statements without subtracting the net book value of the capital assets sold.	(2,141,193)
The value of contributed capital assets is reflected as revenue in the statement of activities	162,635
Expenses related to compensated absences and law enforcement officers separation allowance that do not require current financial resources are not reported as expenditures in the governmental fund statement.	(130,888)
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	9,378
Principal repayments are reported as expenditures in the governmental fund statement. However, in the statement of activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>6,727,758</u>
Change in net assets of governmental activities	\$ <u>(12,313,899)</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, 2007**

	Original Budget	Final Budget	Actual	Variance With Final Budget Over/Under
<b>Revenues:</b>				
Ad valorem taxes	\$ 35,934,346	\$ 37,488,172	\$ 37,089,449	\$ (398,723)
Local option sales taxes	14,316,000	15,760,070	15,791,771	31,701
Other taxes and licenses	956,900	1,406,900	1,508,226	101,326
Unrestricted intergovernmental revenues	431,000	431,000	462,986	31,986
Restricted intergovernmental revenues	8,335,173	8,766,452	8,280,381	(486,071)
Permits and fees	1,828,622	1,904,622	2,262,340	357,718
Sales, service and rents	7,969,015	8,532,726	7,797,193	(735,533)
Miscellaneous	253,825	553,275	696,703	143,428
Investment earnings	500,000	989,000	1,271,139	282,139
Total revenues	<u>70,524,881</u>	<u>75,832,217</u>	<u>75,160,188</u>	<u>(672,029)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	7,223,165	7,965,315	7,115,181	850,134
Public safety	15,596,955	16,614,352	16,343,235	271,117
Economic and physical development	1,734,411	1,935,363	1,456,413	478,950
Human services	21,889,273	22,626,880	20,233,571	2,393,309
Cultural and recreational	1,815,365	1,983,058	1,487,686	495,372
Education	15,671,351	15,671,351	15,671,351	-
<b>Debt Service:</b>				
Principal	6,962,051	6,962,051	6,727,757	234,294
Interest and fees	5,226,542	5,135,642	5,045,425	90,217
Total expenditures	<u>76,119,113</u>	<u>78,894,012</u>	<u>74,080,619</u>	<u>4,813,393</u>
<b>Revenues over (under) expenditures</b>	<u>(5,594,232)</u>	<u>(3,061,795)</u>	<u>1,079,569</u>	<u>4,141,364</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(10,984,298)	(11,779,315)	(11,397,598)	381,717
Transfers in	10,847,633	10,847,633	10,418,697	(428,936)
Fund balance appropriated	5,730,897	3,993,477	-	(3,993,477)
Total other financing sources (uses)	<u>5,594,232</u>	<u>3,061,795</u>	<u>(978,901)</u>	<u>(4,040,696)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>100,668</u>	<u>\$ 100,668</u>
Fund balance, beginning of year			<u>18,361,348</u>	
Fund balance, end of year			<u>\$ 18,462,016</u>	

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

## LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2007

	Enterprise Funds			
	East Lincoln County			
	Landfill Fund	Water and Sewer Fund	Water and Sewer District Fund	Total
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 6,854,123	\$ 6,184,518	\$ 3,708,587	\$ 16,747,228
Taxes receivable (net)	112,288	-	8,063	120,351
Accounts receivable (net)	51,815	80,163	20,218	152,196
Due from other governments	91,279	64,091	63,193	218,563
Due from other funds	-	1,195,489	926,143	2,121,632
Other assets	-	277,960	16,482	294,442
Total current assets	<u>7,109,505</u>	<u>7,802,221</u>	<u>4,742,686</u>	<u>19,654,412</u>
<b>Capital Assets:</b>				
Non-depreciable capital assets	400,367	2,827,715	4,748,488	7,976,570
Depreciable capital assets, net	<u>7,444,647</u>	<u>27,782,451</u>	<u>20,842,824</u>	<u>56,069,922</u>
Total noncurrent assets	<u>7,845,014</u>	<u>30,610,166</u>	<u>25,591,312</u>	<u>64,046,492</u>
Total assets	<u>14,954,519</u>	<u>38,412,387</u>	<u>30,333,998</u>	<u>83,700,904</u>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts payable and other accrued liabilities	102,140	349,544	59,949	511,633
Due to other funds	202,662	2,571,833	110,312	2,884,807
Customer deposits	-	83,493	-	83,493
Current portion of compensated absences	4,900	7,100	1,600	13,600
Current portion of long-term debt	-	1,442,331	845,000	2,287,331
Total current liabilities	<u>309,702</u>	<u>4,454,301</u>	<u>1,016,861</u>	<u>5,780,864</u>
<b>Noncurrent Liabilities:</b>				
Accrued landfill closure/postclosure care costs	4,450,850	-	-	4,450,850
Premium on long-term debt, net	-	116,600	-	116,600
Compensated absences	44,200	64,893	14,336	123,429
Long-term debt	-	5,396,121	7,205,000	12,601,121
Total noncurrent liabilities	<u>4,495,050</u>	<u>5,577,614</u>	<u>7,219,336</u>	<u>17,292,000</u>
Total liabilities	<u>4,804,752</u>	<u>10,031,915</u>	<u>8,236,197</u>	<u>23,072,864</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	7,845,014	23,771,714	17,541,312	49,158,040
Unrestricted	<u>2,304,753</u>	<u>4,608,758</u>	<u>4,556,489</u>	<u>11,470,000</u>
Total net assets	<u>\$ 10,149,767</u>	<u>\$ 28,380,472</u>	<u>\$ 22,097,801</u>	<u>\$ 60,628,040</u>

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

## LINCOLN COUNTY, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Enterprise Funds</b>			
	<b>East Lincoln County</b>			
	<b>Landfill Fund</b>	<b>Water and Sewer Fund</b>	<b>Water and Sewer District Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>				
Charges for services	\$ 507,710	\$ 6,554,518	\$ 1,440,658	\$ 8,502,886
Water and sewer taps	-	493,185	1,927,743	2,420,928
Other operating revenues	12,542	14,166	29,119	55,827
Total operating revenues	<u>520,252</u>	<u>7,061,869</u>	<u>3,397,520</u>	<u>10,979,641</u>
<b>Operating Expenses:</b>				
Water treatment and distribution	-	2,355,239	-	2,355,239
Pumping station	-	9,247	-	9,247
Landfill operations	3,129,610	-	-	3,129,610
Water and sewer district	-	-	1,278,181	1,278,181
Depreciation	470,868	907,572	679,710	2,058,150
Total operating expenses	<u>3,600,478</u>	<u>3,272,058</u>	<u>1,957,891</u>	<u>8,830,427</u>
<b>Operating income (loss)</b>	<b>(3,080,226)</b>	<b>3,789,811</b>	<b>1,439,629</b>	<b>2,149,214</b>
<b>Nonoperating Revenues (Expenses):</b>				
Ad valorem taxes	-	-	1,701,604	1,701,604
Availability fee	2,151,528	-	-	2,151,528
Investment earnings	365,680	217,333	186,637	769,650
White goods disposal tax	28,802	-	-	28,802
Tire disposal tax	73,716	-	-	73,716
Sales and use tax refund	54,382	45,803	-	100,185
Miscellaneous	43,953	-	-	43,953
Interest and fees	-	(425,193)	(284,543)	(709,736)
Total nonoperating revenues (expenses)	<u>2,718,061</u>	<u>(162,057)</u>	<u>1,603,698</u>	<u>4,159,702</u>
<b>Income (loss) before transfers and contributions</b>	<b>(362,165)</b>	<b>3,627,754</b>	<b>3,043,327</b>	<b>6,308,916</b>
Capital contribution	<u>520,895</u>	<u>1,114,045</u>	<u>1,142,295</u>	<u>2,777,235</u>
<b>Change in net assets</b>	<b>158,730</b>	<b>4,741,799</b>	<b>4,185,622</b>	<b>9,086,151</b>
Net assets - beginning	<u>9,991,037</u>	<u>23,638,673</u>	<u>17,912,179</u>	<u>51,541,889</u>
Net assets - ending	<b><u>\$ 10,149,767</u></b>	<b><u>\$ 28,380,472</u></b>	<b><u>\$ 22,097,801</u></b>	<b><u>\$ 60,628,040</u></b>

*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, 2007**

	<b>Enterprise Funds</b>			
	<b>Landfill Fund</b>	<b>Water and Sewer Fund</b>	<b>East Lincoln County Water and Sewer District Fund</b>	<b>Total</b>
<b>Operating Activities:</b>				
Cash received from customers	\$ 535,911	\$ 7,109,374	\$ 3,353,926	\$ 10,999,211
Cash received from other operating revenues	12,542	14,166	29,119	55,827
Cash paid for goods and services	(986,648)	(1,273,402)	(1,356,940)	(3,616,990)
Cash paid on behalf of employees	(1,484,673)	(1,002,919)	(688,623)	(3,176,215)
Net cash provided by (used in) operating activities	<u>(1,922,868)</u>	<u>4,847,219</u>	<u>1,337,482</u>	<u>4,261,833</u>
<b>Noncapital Financing Activities:</b>				
Loans to other funds	205,360	467,353	(600,986)	71,727
Other non-operating	2,352,381	45,803	1,701,604	4,099,788
Net cash provided (used) by noncapital financing activities	<u>2,557,741</u>	<u>513,156</u>	<u>1,100,618</u>	<u>4,171,515</u>
<b>Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(874,674)	(1,305,221)	(2,269,801)	(4,449,696)
Debt principal paid	-	(1,334,336)	(865,000)	(2,199,336)
Capital contributions	-	-	130,605	130,605
Interest and fees paid	-	(483,492)	(284,543)	(768,035)
Net cash used by capital and related financing activities	<u>(874,674)</u>	<u>(3,123,049)</u>	<u>(3,288,739)</u>	<u>(7,286,462)</u>
<b>Investing Activities:</b>				
Interest on investments	365,680	217,333	186,637	769,650
Net cash provided by investing activities	<u>365,680</u>	<u>217,333</u>	<u>186,637</u>	<u>769,650</u>
Net increase (decrease) in cash and cash equivalents/investments	125,879	2,454,659	(664,002)	1,916,536
<b>Cash and Cash Equivalents/Investments:</b>				
Beginning of year	6,728,244	3,729,859	4,372,589	14,830,692
End of year	<u>\$ 6,854,123</u>	<u>\$ 6,184,518</u>	<u>\$ 3,708,587</u>	<u>\$ 16,747,228</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, 2007**

**Reconciliation of Operating Income (Loss) to Net Cash  
Provided by (used in) Operating Activities:**

Operating income (loss)

	<b>Enterprise Funds</b>			
	<b>Landfill Fund</b>	<b>Water and Sewer Fund</b>	<b>East Lincoln County Water and Sewer District Fund</b>	<b>Total</b>
Operating income (loss)	\$ (3,080,226)	\$ 3,789,811	\$ 1,439,629	\$ 2,149,214
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>				
Depreciation	470,868	907,572	679,710	2,058,150
<b>Change in Assets and Liabilities:</b>				
(Increase) decrease in receivables	13,260	(14,455)	(536)	(1,731)
(Increase) decrease in due from other governments	14,941	(6,967)	(15,698)	(7,724)
(Increase) decrease in other assets	-	83,093	1,759	84,852
Increase (decrease) in accounts payable	32,801	77,591	(768,133)	(657,741)
Increase (decrease) in customer deposits	-	8,711	-	8,711
Increase (decrease) in landfill closure/postclosure care cost	619,539	-	-	619,539
Increase (decrease) in compensated absences payable	5,949	1,863	751	8,563
Total adjustments	<u>1,157,358</u>	<u>1,057,408</u>	<u>(102,147)</u>	<u>2,112,619</u>
Net cash provided by (used in) operating activities	\$ (1,922,868)	\$ 4,847,219	\$ 1,337,482	\$ 4,261,833
<b>Noncash Investing, Capital, and Financing Activities:</b>				
Contributed depreciable assets, net of accumulated depreciation	\$ -	\$ 1,114,045	\$ 1,011,690	\$ 2,125,735

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

**LINCOLN COUNTY, NORTH CAROLINA****STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2007**

	<u>Agency</u> <u>Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	<u>\$ 461,091</u>
Total assets	<u>\$ 461,091</u>
 <b>Liabilities:</b>	
Intergovernmental payable	<u>\$ 461,091</u>
Total liabilities	<u>\$ 461,091</u>

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

# **LINCOLN COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

### **1. Summary of Significant Accounting Policies**

The accounting policies of Lincoln County and its component units conform to generally accepted accounting principles as they apply 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 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. The following discretely presented component units are reported in separate columns in the County's government-wide financial statements in order to emphasize that they are legally separate from the County. The blended component units, although they are legally separate entities, are in substance, part of the County's operations.

#### **Component Units**

#### **Blended Component Unit**

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

#### **Discretely Presented Component Units**

#### **Lincoln County ABC Board**

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

# **LINCOLN COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

### **Lincolnton-Lincoln County Airport Authority**

The Lincolnton-Lincoln County Airport Authority (the “Airport Authority”) is a public body created under the laws of the State of North Carolina. The County provides a significant level of support to the Airport Authority through an operating subsidy, an operating lease, capital grants and support services. Those support services include the County’s finance officer acting in a similar capacity for the Airport Authority. The Airport Authority, which has a June 30 year end, is presented as if it were a proprietary fund. Complete financial statements for the Airport Authority may be obtained at 115 West Main Street, Lincolnton, NC 28092.

### **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.

#### **B. Basis of Presentation**

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

# LINCOLN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

**Fund Financial Statements:** 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. Nonoperating revenues, such as subsidies and investment 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 except those that are required to be accounted for in another fund.

**School Capital Projects Fund** – This fund is used to account for the construction and renovation of public schools.

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 Capital Reserve Fund, the Fire Districts Fund, the Law Enforcement Fund, the Federal Law Enforcement Fund, and the Emergency Telephone Systems Fund.

**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).

The County reports all of its enterprise funds as major:

**Lincoln County has the following Enterprise Funds: the Landfill Fund, the Water and Sewer Fund and the East Lincoln County Water and Sewer Fund.** In addition, the Water and Sewer Capital Fund is consolidated with the Water and Sewer Fund. The East Lincoln County Water and Sewer Capital Projects Fund is consolidated with the East Lincoln County 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.

# **LINCOLN COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

The County reports the following fund types:

**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 three 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 within the County; 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.

### **C. Measurement Focus and Basis of Accounting**

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

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. 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 nonoperating revenues and expenses.

## **LINCOLN COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Lincoln County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2006 through February 2007 apply to the fiscal year ended June 30, 2007. Uncollected taxes which were billed during this period are shown as a receivable on these financial statements.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. 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 assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

## **LINCOLN COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

#### **D. Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, the special revenue (excluding the Capital Reserve Fund), and the enterprise funds. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the Capital Reserve Fund, which is a special revenue fund type. Project ordinances are adopted for the Water and Sewer Capital Fund and the East Lincoln County Water and Sewer Capital Projects Fund, which are enterprise fund capital projects. A project ordinance is also adopted for the General Capital Projects Fund and the School Capital Projects Fund, which are governmental fund capital projects. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for the general fund, the departmental level for the special revenue and enterprise funds and at the object level for the capital project funds. The balances in the Capital Reserve Fund will be appropriated when transferred to a capital projects fund in accordance with the project ordinance adopted for the reserve. The County Manager is authorized by the budget ordinance to transfer appropriations between departments within a fund up to \$20,000; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$20,000 must be approved by the governing board. During the year, some amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

#### **E. Assets, Liabilities and Fund Equity**

##### **1. Deposits and Investments**

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

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

The County's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market fund, 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.

# **LINCOLN COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

### **2. Cash and Cash Equivalents**

The County pools money from several funds 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.

### **3. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2006. As allowed by State law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

### **4. Allowances for Doubtful Accounts**

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

### **5. Capital Assets**

Purchased or constructed capital assets are recorded at original cost or estimated historical cost. Donated assets are listed at the market value at the date of donation. Minimum capitalization costs are \$5,000 for all asset categories. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The County capitalizes interest costs which are incurred during the construction period of capital assets.

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

# **LINCOLN COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

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

	<u>Years</u>
Buildings	25-50
Infrastructure	30-50
Furniture and office equipment	5-20
Equipment	7-15
Vehicles	6

### **6. Long-Term Obligations**

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

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

The County's long-term debt for the water districts and landfill 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.

### **7. Compensated Absences**

The vacation policy of the County provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. In the County's governmental proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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

# LINCOLN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

### 8. Net Assets / Fund Balances

#### Net Assets

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

#### Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

The governmental fund types classify fund balances as follows:

#### Reserved:

**Reserved by State Statute** - portion of fund balance, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which are not offset by deferred revenues.

#### Unreserved:

**Designated for subsequent year's expenditures** - portion of total fund balance available for appropriation which has been designated for the adopted 2007-2008 budget ordinance.

Unreserved fund balance had the following designations at June 30, 2007:

<b>Designated For Subsequent Year's Expenditures:</b>	
<b>General Fund</b>	\$ 5,024,278

**Undesignated** - portion of total fund balance available for appropriation which is uncommitted at year-end.

# **LINCOLN COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

### **F. 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.

### **G. Other**

#### **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.

## **2. Detail Notes on All Funds**

### **A. Assets**

#### **1. Deposits**

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agent in the County's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in the entity'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 with 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 State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution

# LINCOLN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County does not have a policy regarding custodial credit risk for deposits.

At June 30, 2007 the County's deposits had a carrying amount of \$7,363,968 and a bank balance of \$8,299,386. Of the bank balance, \$232,472 was covered by federal depository insurance, and \$8,066,914 by collateral held under the Pooling Method.

### 2. Investments

At June 30, 2007 the County's investment balances were as follows:

Investment Type	Fair Value	Months	6-12 Months	Less Than 6 1-3 Years
NC Capital Management Trust- Cash Portfolio	\$ 41,063,483	n/a	n/a	n/a
NC Capital Management Trust- Term Portfolio	720,531	\$ -	\$ 720,531	\$ -
US Government Agencies	106,210	106,210	-	-
Total investments	\$ 41,890,224	\$ 106,210	\$ 720,531	\$ -

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

**Credit Risk.** State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County had no formal policy on specifically managing credit risk. As of June 30, 2007, the County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2007. 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 Statutes 159-30 as amended. The County's investments in US Government Agencies are rated AAA by Standard & Poor's.

**Concentration of Credit Risk.** The County places no limit on the amount that the County may invest in any one issuer.

## **LINCOLN COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

#### **3. Property Tax – Use-Value Assessment on Certain Lands**

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

<b>Year Levied</b>	<b>Tax</b>	<b>Interest</b>	<b>Total</b>
2004	703,899	167,176	871,075
2005	1,132,456	167,037	1,299,493
2006	1,176,097	67,625	1,243,722
2007	1,197,766	-	-
<b>Total</b>	<b>\$ 4,210,218</b>	<b>\$ 401,838</b>	<b>\$ 3,414,290</b>

# LINCOLN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

### 4. Receivables

Receivables at Exhibit A at June 30, 2007 were as follows:

	Accounts	Taxes	Due from other Governments	Total
<b>Governmental Activities:</b>				
General	\$ 1,411,757	\$ 1,867,166	\$ 4,579,345	\$ 7,858,268
Other Governmental	59,051	134,500	404,210	597,761
Total receivables	<u>1,470,808</u>	<u>2,001,666</u>	<u>4,983,555</u>	<u>8,456,029</u>
Allowance for doubtful accounts	(625,785)	(651,000)	-	(1,276,785)
 Total governmental activities	 <u>845,023</u>	<u>1,350,666</u>	<u>4,983,555</u>	<u>7,179,244</u>
 <b>Business-type Activities:</b>				
Solid Waste	\$ 83,323	\$ 161,634	\$ 91,279	\$ 336,236
Water and Sewer	152,427	53,278	127,284	332,989
Total receivables	<u>235,750</u>	<u>214,912</u>	<u>218,563</u>	<u>669,225</u>
Allowance for doubtful accounts	(83,554)	(94,561)	-	(178,115)
 Total business-type activities	 <u>152,196</u>	<u>120,351</u>	<u>218,563</u>	<u>491,110</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 2,705,364
Sales tax refund	772,540
Other Governmental agencies	1,724,214
 	 <u>5,202,118</u>

# LINCOLN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

### 5. Capital Assets

A summary of changes in the County's governmental capital assets are as follows:

	<u>June 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2007</u>
<b>By Asset Type:</b>					
<b>Nondepreciable Assets:</b>					
Land	\$ 1,794,703	\$ -	\$ (146,803)	\$ -	\$ 1,647,900
Construction in progress	2,345,600	981,074	(1,244,469)	-	2,082,205
<b>Depreciable Assets:</b>					
Buildings	20,917,851	162,635	(5,600)	(58,600)	21,016,286
Other improvements	4,517,147	-	-	(1,044,385)	3,472,762
Equipment	7,586,716	678,518	(1,492,279)	(414,261)	6,358,694
Vehicles and other equipment	5,249,344	547,074	(154,211)	(173,212)	5,468,995
	<u>42,411,361</u>	<u>2,369,301</u>	<u>(3,043,362)</u>	<u>(1,690,458)</u>	<u>40,046,842</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	(6,250,352)	(454,297)	5,600	18,913	(6,680,136)
Other improvements	(1,015,247)	(163,419)	-	613,958	(564,708)
Equipment	(4,551,681)	(498,811)	1,287,853	368,289	(3,394,350)
Vehicles and other equipment	(3,287,455)	(666,494)	129,611	168,403	(3,655,935)
Total accumulated depreciation	<u>(15,104,735)</u>	<u>\$ (1,783,021)</u>	<u>\$ 1,423,064</u>	<u>\$ 1,169,563</u>	<u>(14,295,129)</u>
Capital assets, net	<u>\$ 27,306,626</u>				<u>\$ 25,751,713</u>

# LINCOLN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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

**Governmental Activities:**

General government	\$ 438,950
Public safety	920,377
Economic and physical development	20,122
Human services	296,215
Cultural and recreational	<u>107,357</u>
Total	<u>\$ 1,783,021</u>

**Business-type Activities:**

Landfill	\$ 470,868
Water and Sewer	907,572
East Lincoln County Water and Sewer	<u>679,710</u>
Total	<u>\$ 2,058,150</u>

### 6. Proprietary Capital Assets

The capital assets of the Landfill Fund at June 30, 2007 are as follows:

	<u>June 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2007</u>
<b>By Asset Type:</b>					
<b>Nondepreciable Assets:</b>					
Land	\$ 400,367	\$ -	\$ -	\$ -	\$ 400,367
Construction in progress	-	468,240	(468,240)	-	-
<b>Depreciable Assets:</b>					
Buildings and structures	531,543	-	-	58,600	590,143
Improvements	10,194,058	468,240	-	1,044,385	11,706,683
Machinery, equipment and vehicles	<u>3,752,969</u>	<u>406,434</u>	<u>(31,000)</u>	<u>587,473</u>	<u>4,715,876</u>
	<u>14,878,937</u>	<u>1,342,914</u>	<u>(499,240)</u>	<u>1,690,458</u>	<u>17,413,069</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and structures	(117,458)	(11,934)	-	(18,913)	(148,305)
Improvements	(5,708,672)	(159,938)	-	(613,958)	(6,482,568)
Machinery, equipment and vehicles	<u>(2,132,494)</u>	<u>(298,996)</u>	<u>31,000</u>	<u>(536,692)</u>	<u>(2,937,182)</u>
Total accumulated depreciation	<u>(7,958,624)</u>	<u>\$ (470,868)</u>	<u>\$ 31,000</u>	<u>\$ (1,169,563)</u>	<u>\$ (9,568,055)</u>
Capital assets, net	<u>\$ 6,920,313</u>				<u>\$ 7,845,014</u>

# LINCOLN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

The capital assets of the Water and Sewer Fund at June 30, 2007 are as follows:

	<u>June 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2007</u>
<b>By Asset Type:</b>				
<b>Nondepreciable Assets:</b>				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in progress	1,655,119	1,162,596	-	2,817,715
<b>Depreciable Assets:</b>				
Buildings and structures	7,580,837	-	-	7,580,837
Improvements	97,835	-	-	97,835
Water lines	28,579,455	1,114,045	-	29,693,500
Machinery, equipment and vehicles	2,066,290	142,625	(3,900)	2,205,015
	<u>39,989,536</u>	<u>2,419,266</u>	<u>(3,900)</u>	<u>42,404,902</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and structures	(2,128,827)	(151,489)	-	(2,280,316)
Improvements	(69,264)	(4,371)	-	(73,635)
Water lines	(6,968,274)	(678,497)	-	(7,646,771)
Machinery, equipment and vehicles	(1,724,699)	(73,215)	3,900	(1,794,014)
Total accumulated depreciation	<u>(10,891,064)</u>	<u>\$ (907,572)</u>	<u>\$ 3,900</u>	<u>\$ (11,794,736)</u>
Capital assets, net	<u>\$ 29,098,472</u>			<u>\$ 30,610,166</u>

## LINCOLN COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

The capital assets of the East Lincoln County Water and Sewer Fund at June 30, 2007 are as follows:

	<u>June 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2007</u>
<b>By Asset Type:</b>				
<b>Nondepreciable Assets:</b>				
Land	\$ 280,000	\$ -	\$ -	\$ 280,000
Construction in progress	2,198,687	2,269,801	-	4,468,488
<b>Depreciable Assets:</b>				
Buildings and structures	16,444,093	-	-	16,444,093
Improvements	141,195	-	-	141,195
Water lines	7,207,065	1,011,690	-	8,218,755
Machinery, equipment and vehicles	<u>1,743,141</u>	<u>-</u>	<u>-</u>	<u>1,743,141</u>
	<u>28,014,181</u>	<u>3,281,491</u>	<u>-</u>	<u>31,295,672</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and structures	(3,197,069)	(329,665)	-	(3,526,734)
Improvements	(29,008)	(7,060)	-	(36,068)
Water lines	(973,231)	(197,536)	-	(1,170,767)
Machinery, equipment and vehicles	<u>(825,342)</u>	<u>(145,449)</u>	<u>-</u>	<u>(970,791)</u>
Total accumulated depreciation	<u>(5,024,650)</u>	<u>\$ (679,710)</u>	<u>\$ -</u>	<u>\$ (5,704,360)</u>
Capital assets, net	<u>\$ 22,989,531</u>			<u>\$ 25,591,312</u>

# LINCOLN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

### B. Liabilities

#### 1. Payables

Payables at Exhibit A at June 30, 2007 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 1,402,530	\$ 525,189	\$ -	\$ 1,927,719
Other Governmental	<u>2,497,164</u>	<u>-</u>	<u>-</u>	<u>2,497,164</u>
Total governmental activities	<u>\$ 3,899,694</u>	<u>\$ 525,189</u>	<u>\$ -</u>	<u>\$ 4,424,883</u>
<b>Business-type Activities:</b>				
Solid Waste	\$ 82,052	\$ 20,088	\$ -	\$ 102,140
Water and Sewer	<u>156,644</u>	<u>13,887</u>	<u>238,962</u>	<u>409,493</u>
Total business-type activities	<u>\$ 238,696</u>	<u>\$ 33,975</u>	<u>\$ 238,962</u>	<u>\$ 511,633</u>

#### 2. Pension Plan Obligation

##### Local Governmental Employees' Retirement System

###### Plan Description

Lincoln County contributes to the statewide 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. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

# LINCOLN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

### **Funding Policy**

Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.91% and 4.78%, respectively, 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, 2007, 2006, and 2005 were \$954,919, \$912,960, and \$806,556, respectively. The contributions made by the County equaled the required contributions for each year.

### **Law Enforcement Officers' Special Separation Allowance**

#### **Plan 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 .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Plan does not issue a separate stand-alone financial report.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2006, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	87
Total	95

#### **Summary of Significant Accounting Policies**

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

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

# LINCOLN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

### Contributions

The County is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2005 actuarial valuation using the projected unit, credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 5.9% to 9.8% per year. Both item (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

### Annual Pension Cost and Net Pension Obligation

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

Employer annual required contribution	\$ 74,954
Interest on net pension obligation	26,822
Adjustment to annual required contribution	<u>(22,140)</u>
Annual pension cost	79,636
Employer contributions made for fiscal year ending 6/30/07	<u>72,668</u>
Increase (decrease) in net pension obligation	6,968
Net pension obligation July 1	<u>369,959</u>
Net pension obligation June 30	<u><u>\$ 376,927</u></u>

### Three-Year Trend Information:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	71,493	39.48%	340,256
6/30/2006	78,612	62.22%	369,959
6/30/2007	79,636	91.25%	376,927

### Supplemental Retirement Income Plan for Law Enforcement Officers

#### Plan Description

The County contributes to the Supplemental Retirement Income Plan ("Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 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 THE YEAR ENDED JUNE 30, 2007**

### **Funding Policy**

Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2007 were \$181,561, which consisted of \$152,863 from the County and \$28,698 from the law enforcement officers.

### **Registers of Deeds' Supplemental Pension Fund**

#### **Plan Description**

Lincoln County contributes to the Registers of Deeds' Supplemental Pension Fund ("Fund"), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any 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.

#### **Funding Policy**

On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven- percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2007, the County's required and actual contributions were \$25,740.

#### **Other Post Employment Benefits**

According to a County resolution, Lincoln County provides post-retirement health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the County. The County pays the full cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the County's group rates. Currently, 69 retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2007, the County made payments for postretirement health benefit premiums of \$279,703. The County obtains health care coverage through private insurers.

# **LINCOLN COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

### **Other Employee Benefits**

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (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. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2007, the County made contributions to the State for death benefits of \$22,399. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.11% and 0.14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

### **3. Closure and Postclosure Care Costs - Landfill Facility**

The County's new landfill consists of Phases I through VIII. Cells have been constructed in Phase I, II and III accordingly. State and federal laws and regulations require the County to place a final cover on its landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure 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 postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$4,450,850 reported as landfill closure and postclosure care liability at June 30, 2007 represents a cumulative amount reported to-date based on the use of 61.5 percent of Phase I through III's estimated capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$2,786,305 as the remaining estimated capacity of Phase I through III is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2007. The County expects to close Phases I through III in the year 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

# **LINCOLN COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

### **4. Deferred / Unearned Revenues**

The balance in deferred revenues on the fund statements at June 30, 2007 is composed of the following elements:

	<b>Deferred Revenue</b>	<b>Unearned Revenue</b>
Prepaid taxes not yet earned (General)	\$ 200,382	\$ 200,382
Taxes receivable, net (General)	1,216,166	-
Taxes receivable, net (Special Revenue)	134,500	-
	<hr/> <b>\$ 1,551,048</b>	<hr/> <b>\$ 200,382</b>

### **5. Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, including floods. The County participates in three 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 \$150 million for any one occurrence, general liability coverage of \$2 million per occurrence, workers' compensation coverage up to statutory limits, and hospitalization insurance for employees. 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 \$500,000 per occurrence for property coverage, and single occurrence losses of \$750,000 for workers' compensation. 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 coverage the NFIP.

The County has obtained blanket crime coverage of \$250,000 covering all County employees. In addition, the County provides fidelity bonding for the finance director, tax collector, sheriff, register of deeds, and the county manager in amounts exceeding those required by state statutes.

### **6. Claims and Judgments**

At June 30, 2007, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

# **LINCOLN COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

### **7. Long-Term Obligations**

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

The County's general obligation bonds at June 30, 2007 are comprised of the following individual issues:

#### **Governmental Activities:**

#### **Governmental Funds**

\$3,000,000 1998 School Building bonds due in annual installments of \$125,000 to \$400,000 through June 1, 2017; interest rates from 4.20% to 4.40%; interest payments due June 1 and December 1	\$ 2,000,000
\$8,510,000 1999 School Refunding bonds due in annual installments of \$285,000 to \$955,000 through June 1, 2013; interest rates from 3.50% to 4.30%; interest payments due June 1 and December 1	5,120,000
\$7,500,000 2000 School Building bonds due in annual installments of \$250,000 to \$1,000,000 through June 1, 2018; interest rates from 5.00% to 5.20%; interest payments due June 1 and December 1; Partially refunded October 1, 2005. Final payment due 2010; interest at 5.10%	750,000
\$19,500,000 2002 School Building bonds due in annual installments of \$600,000 to \$2,400,000 through June 1, 2020; interest rates from 4.25% to 4.75%; interest payments due June 1 and December 1	\$ 16,500,000

## **LINCOLN COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

#### **General Obligation Indebtedness (continued)**

##### **Governmental Activities:**

##### **Governmental Funds**

\$9,000,000 2002A School Building bonds due in annual installments of \$400,000 to \$1,050,000 through June 1, 2021; interest rates from 3.00% to 5.00%; interest payments due June 1 and December 1	\$ 7,400,000
\$5,107,034 2004 School Refunding bonds due in annual installments of \$370,751 to \$996,854 through June 1, 2011; interest rates from 3.00% to 5.00%; interest payments due June 1 and December 1	2,212,229
\$17,000,000 2004 School Building bonds due in annual installments of \$725,000 to \$2,100,000 through June 1, 2023; interest rates from 3.00% to 4.25%; interest payments due June 1 and December 1	15,550,000
\$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	9,355,000
\$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	<u>26,800,000</u>
Total serviced by governmental activities	<u>\$ 85,687,229</u>

# LINCOLN COUNTY, NORTH CAROLINA

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

### **General Obligation Indebtedness (continued)**

### **Business-type Activities:**

## Proprietary Funds

## Water and Sewer Fund

\$1,590,000 2003A Water Refunding bonds due in annual installments of \$65,000 to \$220,000 through June 1, 2012; interest rates from 2.00% to 3.25%; interest payments due June 1 and December 1

\$ 775,000

\$5,292,966 2004 Water Refunding bonds due in annual installments of \$384,249 to \$1,033,146 through June 1, 2011; interest rates from 3.00% to 5.00%; interest payments due June 1 and December 1

2,292,771

## **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

1,000,000

\$5,520,000 2004 Sanitary Sewer Refunding bonds due in annual installments of \$75,000 to \$540,000 through June 1, 2017; interest rates from 2.00% to 3.40%; interest payments due June 1 and December 1

4,550,000

### Total serviced by business-type activities

8,617,771

### Total general obligation bonds

\$ 94,305.000

# LINCOLN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

### **General Obligation Indebtedness (continued)**

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

#### **Governmental Activities:**

##### **Governmental Funds**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 5,213,373	\$ 3,667,522	\$ 8,880,895
2009	5,207,622	3,469,637	8,677,259
2010	5,180,483	3,257,556	8,438,039
2011	5,140,751	3,048,234	8,188,985
2012	5,175,000	2,841,689	8,016,689
2013-2017	25,885,000	10,987,513	36,872,513
2018-2022	25,860,000	5,307,464	31,167,464
2023-2024	8,025,000	486,563	8,511,563
	<b><u>\$ 85,687,229</u></b>	<b><u>\$ 33,066,178</u></b>	<b><u>\$ 118,753,407</u></b>

#### **Business-type Activities:**

##### **Water and Sewer Fund**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 1,131,627	\$ 119,798	\$ 1,251,425
2009	742,378	77,308	819,686
2010	574,517	44,239	618,756
2011	554,249	23,008	577,257
2012	65,000	2,113	67,113
	<b><u>\$ 3,067,771</u></b>	<b><u>\$ 266,466</u></b>	<b><u>\$ 3,334,237</u></b>

#### **Business-type Activities:**

##### **East Lincoln County Water and Sewer District**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 595,000	\$ 177,995	\$ 772,995
2009	585,000	162,733	747,733
2010	575,000	146,420	721,420
2011	565,000	130,158	695,158
2012	555,000	113,320	668,320
2013-2017	2,500,000	295,732	2,795,732
2018-2019	175,000	9,501	184,501
	<b><u>\$ 5,550,000</u></b>	<b><u>\$ 1,035,859</u></b>	<b><u>\$ 6,585,859</u></b>
Total general obligation bonds	<b><u>\$ 94,305,000</u></b>	<b><u>\$ 34,368,503</u></b>	<b><u>\$ 128,673,503</u></b>

# **LINCOLN COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

### **\$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, 2007 is \$2,500,000.

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

#### **Business-type Activities:**

#### **East Lincoln Water and Sewer District**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 250,000	\$ 85,750	\$ 335,750
2009	250,000	77,175	327,175
2010	250,000	68,600	318,600
2011	250,000	60,025	310,025
2012	250,000	51,450	301,450
2013-2017	<u>1,250,000</u>	<u>128,625</u>	<u>1,378,625</u>
	<u>\$ 2,500,000</u>	<u>\$ 471,625</u>	<u>\$ 2,971,625</u>

# LINCOLN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

### Installment Purchases

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, 2007 are comprised of the following individual agreements:

#### Governmental Activities:

##### General Fund:

\$600,000 2001 contract for construction of economic development sewer line due in semi-annual installments of \$30,000 plus interest at 4.69% through May 11, 2011	\$ 240,000
\$12,199,719 2003 Certificates of Participation (COPS) issued to refund installment purchase contracts for jail, social services, and library buildings as well as \$2,700,000 additional funds for school construction; due in annual installments from \$164,552 to \$1,215,858 through May 15, 2018; interest rates from 2.00% to 4.50%; interest payments due November 15 and May 15	7,185,449
\$780,000 2005 contract for computer system for sheriff's department due in monthly installment payments of \$14,309 including interest at 3.21% through May 29, 2010	477,465
\$2,000,000 2005 Qualified Zone Academy installment purchase contract for school building improvements due September 15, 2021. The contract requires fifteen annual sinking fund installments of \$104,315 to be invested. If investment earnings do not result as projected, the County will pay the amount required for the total funds to equal \$2,000,000 on September 15, 2021.	2,000,000
\$19,645,000 2006 Certificates of Participation (COPS) issued to construct a new middle school; due in annual installments from \$980,000 to \$985,000 through June 1, 2027; interest rates from 4.00% to 5.00%; interest payments due December 1 and June 1	<u>19,645,000</u>
Total governmental activities	\$ <u>29,547,914</u>

# LINCOLN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

### Business-type Activities:

#### Water and Sewer Fund:

\$1,145,281 2003 Certificates of Participation (COPS) issued to refund installment purchase contract for water plant sludge de-watering project; due in annual installments from \$15,448 to \$128,732 through May 15, 2018; interest rates from 2.00% to 4.50% ; interest payments due November 15 and May 15	\$ 674,551
\$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	341,857
\$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	459,203
\$2,694,538 Federal Revolving Loan issued for water system improvements; due in annual installments of \$158,502 through May 1, 2024; interest at 2.66%; interest payments due November 1 and May 1	<u>2,295,068</u>
Total business-type activities	<u>3,770,679</u>
Total installment purchase contracts	<u>\$ 33,318,593</u>

# **LINCOLN COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

The future minimum payments as of June 30, 2007 for the installment purchase contracts are as follows:

### **Governmental Activities:**

#### **Governmental Funds**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 2,506,404	\$ 1,228,996	\$ 3,735,400
2009	2,543,570	1,122,991	3,666,561
2010	2,571,167	1,018,462	3,589,629
2011	1,950,038	918,901	2,868,939
2012	1,405,522	838,725	2,244,247
2013-2017	6,606,661	3,250,083	9,856,744
2018-2022	7,064,552	1,844,493	8,909,045
2023-2027	4,900,000	661,500	5,561,500
	<b>\$ 29,547,914</b>	<b>\$ 10,884,151</b>	<b>\$ 40,432,065</b>

### **Business-type Activities:**

#### **Water and Sewer Fund**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 310,704	\$ 272,326	\$ 583,030
2009	313,706	99,486	413,192
2010	317,139	89,127	406,266
2011	273,370	78,965	352,335
2012	227,885	70,556	298,441
2013-2017	1,100,378	256,063	1,356,441
2018-2022	957,488	111,743	1,069,231
2023-2024	270,009	10,773	280,782
	<b>\$ 3,770,679</b>	<b>\$ 989,039</b>	<b>\$ 4,759,718</b>

# LINCOLN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

**A summary of changes in long-term obligations follows:**

	<u>June 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2007</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 90,935,156	\$ -	\$ 5,247,927	\$ 85,687,229	\$ 5,213,373
Installment purchases	31,027,745	- -	1,479,831	29,547,914	2,506,404
Unfunded pension obligation	369,959	6,968	- -	376,927	- -
Compensated absences	1,058,877	767,993	644,073	1,182,797	120,000
<b>Total</b>	<b>\$ 123,391,737</b>	<b>\$ 774,961</b>	<b>\$ 7,371,831</b>	<b>\$ 116,794,867</b>	<b>\$ 7,839,777</b>
<b>Business-Type Activities:</b>					
General obligation bonds	\$ 10,394,845	\$ -	\$ 1,777,074	\$ 8,617,771	\$ 1,726,627
State Bond loan	2,750,000	- -	250,000	2,500,000	250,000
Installment purchases	3,942,943	- -	172,264	3,770,679	310,704
Compensated absences	128,466	55,780	47,215	137,031	13,600
Accrued landfill closure/ postclosure care costs	3,831,311	619,539	- -	4,450,850	- -
<b>Total</b>	<b>\$ 21,047,565</b>	<b>\$ 675,319</b>	<b>\$ 2,246,553</b>	<b>\$ 19,476,331</b>	<b>\$ 2,300,931</b>

Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

At June 30, 2007, Lincoln County had a legal debt margin of \$373,964,209.

### **Conduit Debt Obligations**

Lincoln County Industrial Facility and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as by letters of credit and are payable solely from payments received from the private businesses involved. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, there were four series of industrial revenue bonds outstanding, with an aggregate principal amount payable of approximately \$7,695,000.

# LINCOLN COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

### C. Interfund Balances and Activity

Due To / Due From:	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 1,960,253	\$ -
Special Revenue Fund (Emergency Telephone)	-	1,788
Enterprise (Water and Sewer) Fund	-	1,645,690
Enterprise (E. Lincoln Water and Sewer) Fund	-	110,312
Enterprise (Landfill) Fund	-	202,463
Special Revenue (Capital Reserve) Fund	555,702	-
Enterprise (Water and Sewer) Fund	1,195,290	-
General Fund	-	1,750,992
Enterprise (E. Lincoln Water and Sewer) Fund	926,143	-
Enterprise (Water and Sewer) Fund	-	926,143
Enterprise (Water and Sewer) Fund	199	-
Enterprise (Landfill) Fund	- <hr style="width: 100px; margin-left: 0; border: 0; border-top: 1px solid black;"/>	199 <hr style="width: 100px; margin-left: 0; border: 0; border-top: 1px solid black;"/>
Totals	<u>\$ 4,637,587</u>	<u>\$ 4,637,587</u>

Amounts were primarily due to the allocation of activity between the governmental and business-type activities and resources utilized for capital outlay from the capital reserve funds.

Transfers	<u>From</u>	<u>To</u>	<u>Purpose</u>
<b>Transfers From / To Other Funds:</b>			
Special Revenue (Capital Reserve) Fund	\$ 10,418,697	\$ -	Debt service transfer
General Fund	10,418,697		
General Fund	11,397,598	-	
Special Revenue (Capital Reserve) Fund	- <hr style="width: 100px; margin-left: 0; border: 0; border-top: 1px solid black;"/>	10,245,004 <hr style="width: 100px; margin-left: 0; border: 0; border-top: 1px solid black;"/>	Local option sales tax transfer
Capital Project (General Capital) Fund	- <hr style="width: 100px; margin-left: 0; border: 0; border-top: 1px solid black;"/>	1,152,594 <hr style="width: 100px; margin-left: 0; border: 0; border-top: 1px solid black;"/>	Resources for construction
Total transfers - intrafund	<u>\$ 21,816,295</u>	<u>\$ 21,816,295</u>	

# **LINCOLN COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

### **3. Summary Disclosure of Significant Contingencies**

#### **Federal and State Assisted Programs**

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. Based on prior experience, management believes such disallowances, if any, will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

#### **Management Estimates**

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

### **4. Related Organization**

#### **Lincoln Medical Center, Inc.**

Lincoln Medical Center, Inc. is a public hospital operated by a not-for-profit corporation. The County confirms the appointment of the board of trustees for the hospital; however, the County is not financially accountable for the hospital. The County has also issued revenue bonds for improvement of the hospital's facilities. The proceeds of the bonds were used to renovate existing hospital facilities, construct additional hospital facilities and purchase medical equipment. Since a reorganization of the hospital as a 501 c (3) organization, sufficient funds have been placed with an escrow agent to retire the existing revenue bonds as they become due. As part of the reorganization, the hospital obtained additional financing in order to renovate existing hospital facilities and to construct an addition to the hospital. If the hospital should default on the bonds, the County could assume operation of the hospital or contact with another party to manage the hospital. The County is in no way obligated for any debt issued by the hospital.

### **5. Joint Venture**

The County, in conjunction with Gaston and Cleveland Counties, participates in the Gaston/Lincoln/Cleveland Mental Health, Development Disabilities, and Substance Abuse Authority (dba Pathways). Pathways is governed by a 16-member board of directors (5 from Gaston County, 5 from Lincoln County and 6 from Cleveland County). The board of commissioners of each county appoints one of its own members to the Authority's board. Each of those board members in turn appoints the additional members of the Pathways' board and these appointees, in consultation with the other commissioners, appoint the balance of the members from his/her respective county. Pathways manages a comprehensive array of services to children, adolescents, and adults with mental health, substance abuse, and developmental disabilities needs. Service delivered is offered by numerous providers throughout the three county area. Pathways receives the majority of its financial support through State and Federal sources, as well as direct payments by clients and insurers for services rendered. The County has an ongoing financial responsibility to supplement these funds and for the year ended June 30, 2007 provided \$279,980 in support of Pathways' services. Additionally, the

## **LINCOLN COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

County remitted \$12,796 to Pathways from alcohol rehabilitation tax. The County does not have an equity interest in Pathways; therefore, no equity interest has been reflected in the financial statements at June 30, 2007. Complete financial statements for Pathways may be obtained from Pathways' administrative offices at 901 South New Hope Road, Gastonia, N.C. 28054.

#### **6. 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 fees of \$16,337 to the Council during the fiscal year ended June 30, 2007.

The County's Board of Commissioners appoints two of the Gaston College trustees. The County provided funding of \$101,840 for operations and \$250,000 for building construction for the year ended June 30, 2007.

The County's Board of Commissioners appoints one of the Lake Norman Commission Board of Directors. The County provided funding of \$36,000 for the year ended June 30, 2007.

The County's Board of Commissioners appoints one of the Mountain Island Lake Commission Board of Directors. The County provided funding of \$2,029 for the year ended June 30, 2007.

## LINCOLN COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

#### 7. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Food Stamp Program	\$ 6,889,606	\$ -
Medical Assistance	38,126,978	18,750,035
Temporary Assistance to Needy Families	457,972	-
Child Care TANF	224,425	
Low Income Energy Assistance	198,511	-
State/County Domiciliary Care	-	507,062
Special Supplemental Food Program for Women, Infants, and Children	965,262	-
IV-E Foster Care	99,946	27,695
IV-E Adoption Subsidy	193,613	53,904
CWS Adoption Subsidy	-	170,331
State Foster Home	-	39,529
 Totals	 <u>\$ 47,156,313</u>	 <u>\$ 19,548,556</u>