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LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS JUNE 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Assets:			
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
Total assets	<u>65,740,005</u>	<u>80,816,097</u>	<u>146,556,102</u>
Liabilities:			
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
Long-term Liabilities:			
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
Total liabilities	<u>121,420,132</u>	<u>20,188,057</u>	<u>141,608,189</u>
Net Assets:			
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)
Total net assets	<u>\$ (55,680,127)</u>	<u>\$ 60,628,040</u>	<u>\$ 4,947,913</u>

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

Exhibit A

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

LINCOLN COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Primary Government				
Governmental Activities:				
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	-
Debt Service:				
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>
Business-Type Activities:				
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>
Component Unit:				
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>

General Revenues:
 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

Change in net assets
 Net assets - beginning

 Net assets - ending

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

Exhibit B

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Lincoln County ABC Board	Lincolnton-Lincoln County Airport Authority
\$ (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)	-	-
(5,045,424)	-	(5,045,424)	-	-
(71,536,201)	-	(71,536,201)	-	-
-	(206,950)	(206,950)	-	-
-	4,524,466	4,524,466	-	-
-	2,297,381	2,297,381	-	-
-	6,614,897	6,614,897	-	-
(71,536,201)	6,614,897	(64,921,304)	-	-
-	-	-	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	27,914
(1,837,216)	-	(1,837,216)	-	(9,492)
59,222,302	2,471,254	61,693,556	1,265	18,422
(12,313,899)	9,086,151	(3,227,748)	141,859	91,728
(43,366,228)	51,541,889	8,175,661	64,357	6,291,603
\$ (55,680,127)	\$ 60,628,040	\$ 4,947,913	\$ 206,216	\$ 6,383,331

LINCOLN COUNTY, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General Fund</u>	<u>School Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
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>
Liabilities and Fund Balances:				
Liabilities:				
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>
Fund Balances:				
Reserved:				
State statue	7,325,570	-	614,753	7,940,323
Unreserved	11,136,446	6,748,504	-	17,884,950
Reported in Nonmajor:				
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
Revenues:				
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
Total revenues	<u>75,160,188</u>	<u>945,264</u>	<u>5,913,435</u>	<u>82,018,887</u>
Expenditures:				
Current:				
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
Debt Service:				
Principal repayments	6,727,757	-	-	6,727,757
Interest	5,045,425	-	-	5,045,425
Total expenditures	<u>74,080,619</u>	<u>18,854,598</u>	<u>6,448,904</u>	<u>99,384,121</u>
Revenues over (under) expenditures	<u>1,079,569</u>	<u>(17,909,334)</u>	<u>(535,469)</u>	<u>(17,365,234)</u>
Other Financing Sources (Uses):				
Transfers out	(11,397,598)	-	(10,418,697)	(21,816,295)
Transfers in	10,418,697	-	11,397,598	21,816,295
Total other financing sources (uses)	<u>(978,901)</u>	<u>-</u>	<u>978,901</u>	<u>-</u>
Net change in fund balances	100,668	(17,909,334)	443,432	(17,365,234)
Fund balance, beginning of year	<u>18,361,348</u>	<u>24,657,838</u>	<u>8,358,409</u>	<u>51,377,595</u>
Fund balance, end of year	<u>\$ 18,462,016</u>	<u>\$ 6,748,504</u>	<u>\$ 8,801,841</u>	<u>\$ 34,012,361</u>

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

LINCOLN COUNTY, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES 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
Revenues:				
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>
Expenditures:				
Current:				
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	-
Debt Service:				
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>
Revenues over (under) expenditures	<u>(5,594,232)</u>	<u>(3,061,795)</u>	<u>1,079,569</u>	<u>4,141,364</u>
Other Financing Sources (Uses):				
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>
Net change in fund balances	<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			Total
	Landfill Fund	Water and Sewer Fund	East Lincoln County Water and Sewer District Fund	
Assets:				
Current Assets:				
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>
Capital Assets:				
Non-depreciable capital assets	400,367	2,827,715	4,748,488	7,976,570
Depreciable capital assets, net	7,444,647	27,782,451	20,842,824	56,069,922
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>
Liabilities:				
Current Liabilities:				
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>
Noncurrent Liabilities:				
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>
Net Assets:				
Invested in capital assets, net of related debt	7,845,014	23,771,714	17,541,312	49,158,040
Unrestricted	2,304,753	4,608,758	4,556,489	11,470,000
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

	Enterprise Funds			
	Landfill Fund	Water and Sewer Fund	East Lincoln County Water and Sewer District Fund	Total
Operating Revenues:				
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	520,252	7,061,869	3,397,520	10,979,641
Operating Expenses:				
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	3,600,478	3,272,058	1,957,891	8,830,427
Operating income (loss)	(3,080,226)	3,789,811	1,439,629	2,149,214
Nonoperating Revenues (Expenses):				
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)	2,718,061	(162,057)	1,603,698	4,159,702
Income (loss) before transfers and contributions	(362,165)	3,627,754	3,043,327	6,308,916
Capital contribution	520,895	1,114,045	1,142,295	2,777,235
Change in net assets	158,730	4,741,799	4,185,622	9,086,151
Net assets - beginning	9,991,037	23,638,673	17,912,179	51,541,889
Net assets - ending	\$ 10,149,767	\$ 28,380,472	\$ 22,097,801	\$ 60,628,040

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

	Enterprise Funds			Total
	Landfill Fund	Water and Sewer Fund	East Lincoln County Water and Sewer District Fund	
Operating Activities:				
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	(1,922,868)	4,847,219	1,337,482	4,261,833
Noncapital Financing Activities:				
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	2,557,741	513,156	1,100,618	4,171,515
Capital and Related Financing Activities:				
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	(874,674)	(3,123,049)	(3,288,739)	(7,286,462)
Investing Activities:				
Interest on investments	365,680	217,333	186,637	769,650
Net cash provided by investing activities	365,680	217,333	186,637	769,650
Net increase (decrease) in cash and cash equivalents/investments	125,879	2,454,659	(664,002)	1,916,536
Cash and Cash Equivalents/Investments:				
Beginning of year	6,728,244	3,729,859	4,372,589	14,830,692
End of year	\$ 6,854,123	\$ 6,184,518	\$ 3,708,587	\$ 16,747,228

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

	Enterprise Funds			Total
	Landfill Fund	Water and Sewer Fund	East Lincoln County Water and Sewer District Fund	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:				
Operating income (loss)	\$ (3,080,226)	\$ 3,789,811	\$ 1,439,629	\$ 2,149,214
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Depreciation	470,868	907,572	679,710	2,058,150
Change in Assets and Liabilities:				
(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	<u>\$ (1,922,868)</u>	<u>\$ 4,847,219</u>	<u>\$ 1,337,482</u>	<u>\$ 4,261,833</u>
Noncash Investing, Capital, and Financing Activities:				
Contributed depreciable assets, net of accumulated depreciation	<u>\$ -</u>	<u>\$ 1,114,045</u>	<u>\$ 1,011,690</u>	<u>\$ 2,125,735</u>

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

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

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