

# New Hanover County North Carolina



*photo by Brett Cottrell*

Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2012

The cover photo, taken in Airlie Gardens near the Bradley Creek Pier, boasts of beautiful majestic oak trees draped with Spanish Moss. The Adirondack chairs beneath the trees offer a tranquil and inviting spot to relax and enjoy the view. This photo was taken by Brett Cottrell with New Hanover County.



# **Comprehensive Annual Financial Report**

**New Hanover County, North Carolina  
For The Fiscal Year Ended June 30, 2012**

**Ted Davis, Jr., Chairman  
Board of Commissioners**

**Chris Coudriet  
County Manager**

**Avril M. Pinder, CPA  
Finance Director**

**Prepared by  
New Hanover County Finance Department  
[www.nhcgov.com](http://www.nhcgov.com)**



**NEW HANOVER COUNTY, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2012**

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## **Our Vision For New Hanover County**

*A vibrant, prosperous, diverse coastal community  
committed to building a sustainable future for  
generations to come.*

## **Mission Statement**

*New Hanover County is committed to progressive  
public policy, superior service, courteous contact,  
judicious exercise of authority, and sound fiscal  
management to meet the needs and concerns  
of our citizens today and tomorrow.*

The New Hanover County  
Board of Commissioners  
June 2012

## BOARD OF COMMISSIONERS



**Ted Davis, Jr.**  
Chairman



**Jonathan Barfield, Jr.**  
Vice-Chairman



**Brian M. Berger**  
Commissioner



**Jason R. Thompson, Jr.**  
Commissioner



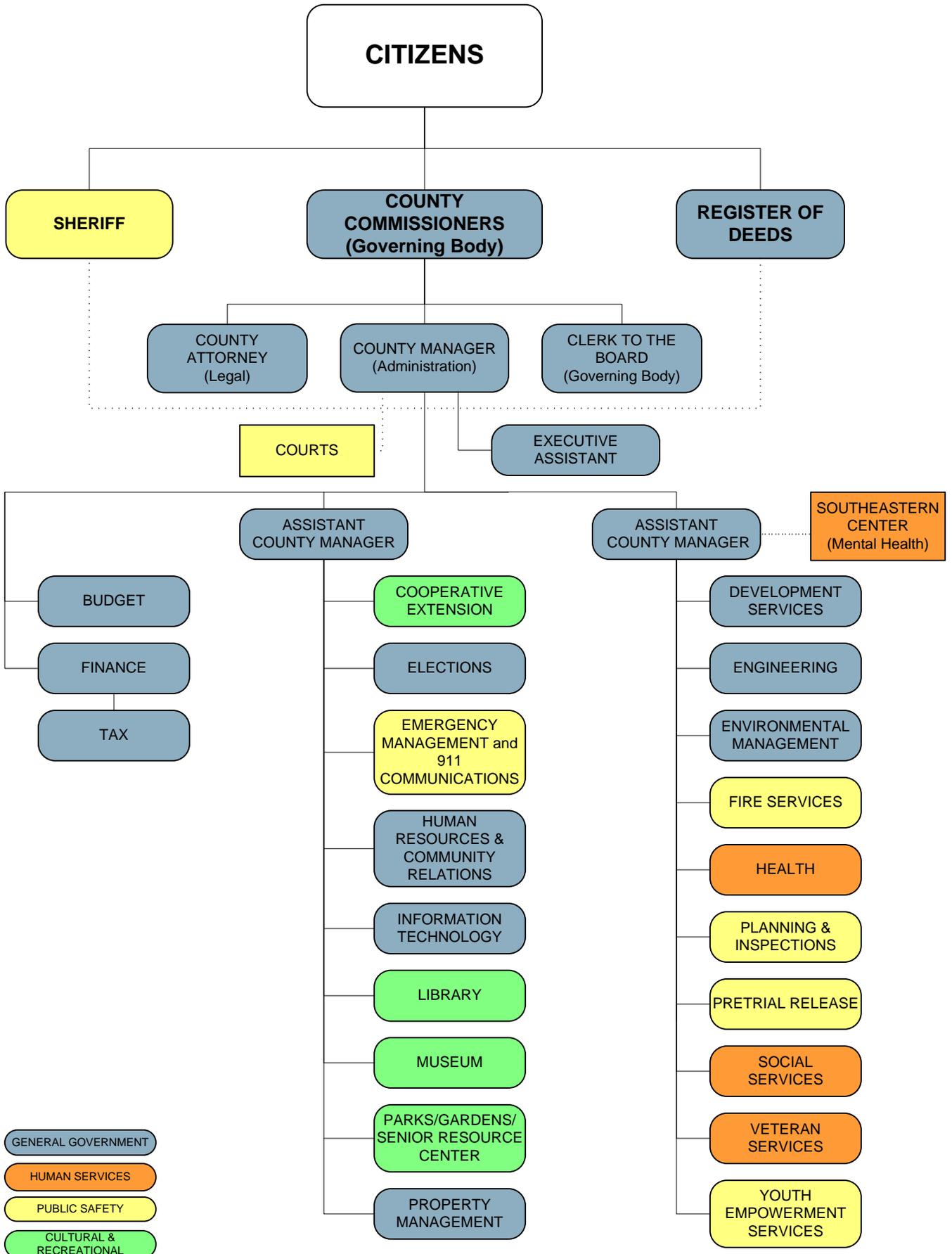
**Richard G. Catlin**  
Commissioner

## OTHER ELECTED OFFICIALS

**Jennifer H. MacNeish**  
*Registrar*

**Edward J. McMahon**  
*Sheriff*

# NEW HANOVER COUNTY ORGANIZATIONAL CHART





## NEW HANOVER COUNTY FINANCE DEPARTMENT

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LISA H. WURTZBACHER  
Finance Director

BARBARA D. MCCLURE  
Assistant Finance Director

October 25, 2012

### **Honorable Chairman, Members of the Board of Commissioners, New Hanover County Manager, and Residents of the County of New Hanover, North Carolina**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) on the operations of New Hanover County for the fiscal year ended June 30, 2012.

Laws of the State of North Carolina, along with policies of the North Carolina Local Government, require that all local governments in the State publish a comprehensive set of financial statements annually. The financial statements included in this report conform to generally accepted accounting principles as promulgated by the Government Accounting Standards Board (GASB).

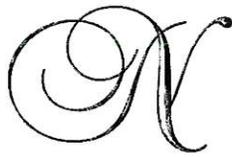
Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rest with the County. We believe that the data, as presented, is accurate in all material respects; that its presentation fairly shows the financial position and the results of the County's operations as measured by the financial activity of its various funds; and that the included disclosures will provide the reader with an understanding of the County's financial affairs.

Martin Starnes & Associates, a firm of licensed certified public accountants, has audited the County's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit concluded that the County's financial statements for the fiscal year June 30, 2012, are fairly presented in conformity with GAAP.

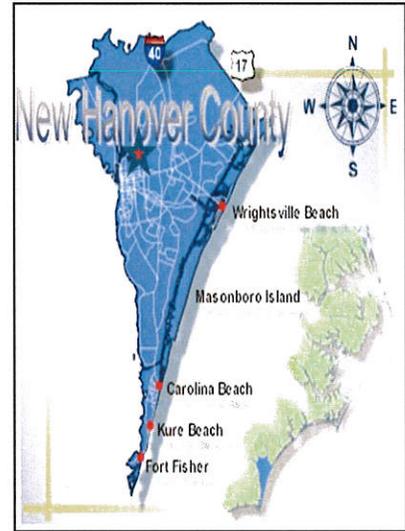
Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

In addition to the funds of the County, the government-wide financial statements include the discrete presentation of four legally separate entities: The New Hanover County Airport Authority, New Hanover Regional Medical Center, New Hanover County Alcohol Beverage Control Board and the New Hanover County Tourism Development Authority.

## PROFILE OF THE COUNTY OF NEW HANOVER

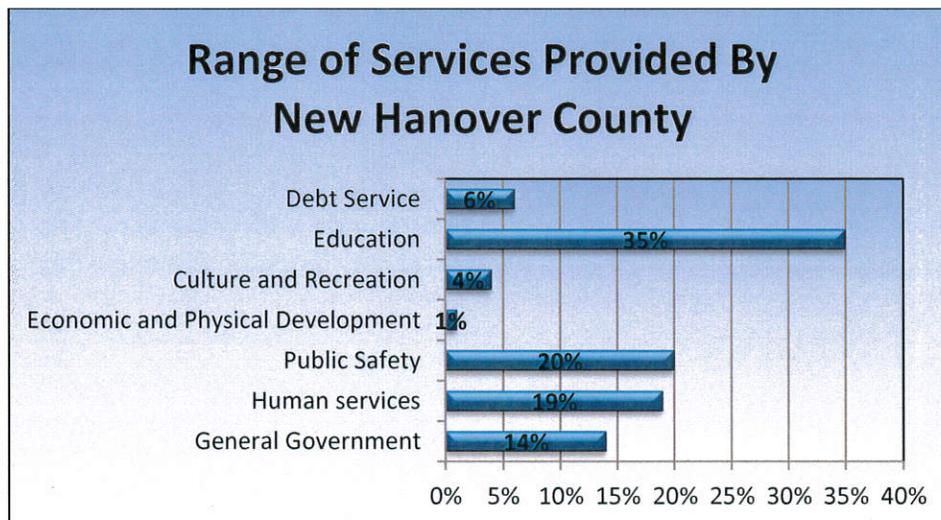


New Hanover County, established in 1729, is located in the tidewater section of Southeastern North Carolina. It is set between the Atlantic Ocean and the Cape Fear River. The surrounding terrain is low lying, with an average elevation of less than 40 feet and the highest elevation approximately 75 feet above sea level. The County is the second smallest in the state with land area totaling approximately 198 square miles, and the most densely populated with a population of approximately 209,000. The City of Wilmington, the County seat and the largest city, is centrally located in the County. Other incorporated municipalities in the County are Wrightsville Beach, Carolina Beach and Kure Beach.



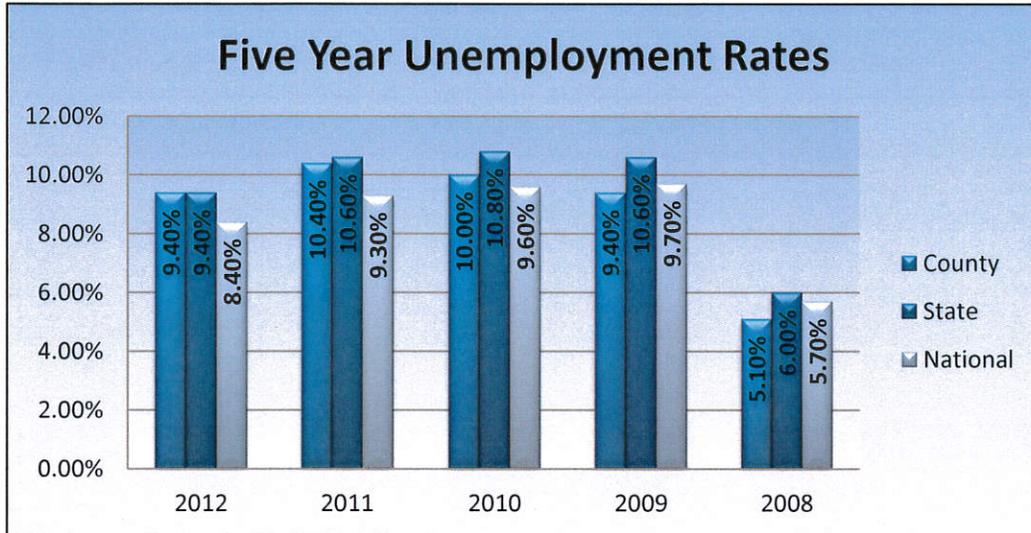
The County utilizes a County Manager form of government with five Commissioners who serve four year staggered terms. The Chairman is elected by the Commissioners each year for a one year term. The County Manager, County Attorney, and the Clerk to the Board are appointed by, and serve at the pleasure of the County Commissioners. Commissioners hold policy-making and legislative authority. They are also responsible for adopting the annual budget. The County Manager is the chief executive officer and prepares and recommends the annual budget in addition to being responsible for implementing policies, managing daily operations and appointing the department heads.

The County provides its citizens with a wide range of services including human services, public safety, economic and physical development, culture and recreation and environmental protection. However, the majority of the annual budget consists of public safety, human services and education expenditures. The County also extends financial support to certain agencies and commissions to assist their efforts in serving citizens.



## ECONOMIC CONDITION AND OUTLOOK

The County began to feel the effects of an economic recovery in fiscal year 2012. During fiscal year 2012, the County experienced a decrease of 1% in its area unemployment rate.



The housing market is getting stronger giving local builders a boost. According to a report released from the National Association of Home Builders, a 15 percent gain brought the pace of new housing construction to the highest levels recorded since July of 2008. The recent increase in housing sales is credited to low mortgages rates and a drop in unemployment.

Area retail sales rebounded sharply and have continued to grow through the first half of 2012. Retail sales are up 10.2 percent in New Hanover County compared to 6 percent statewide.



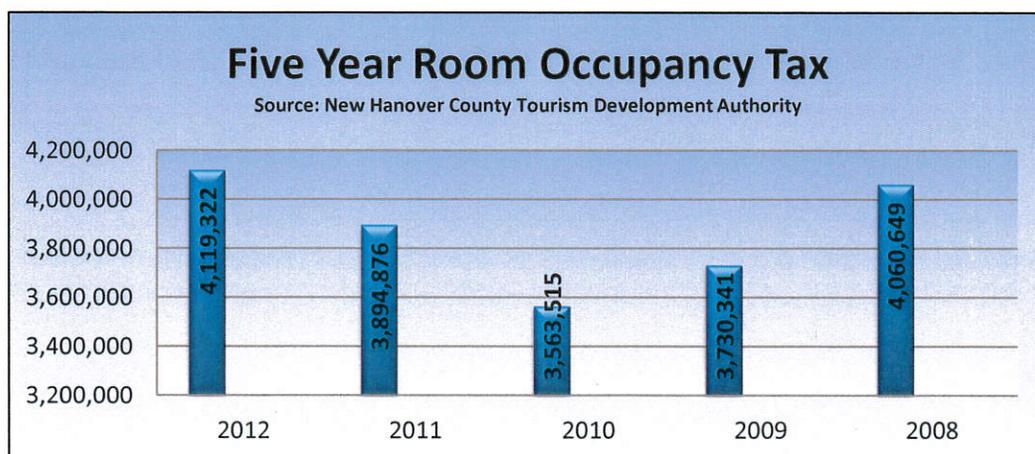
New Hanover County continues to attract a diverse base of employers, including manufacturing, retail, pharmaceutical, and healthcare. The County's top ten employers make up only 22.21 percent of the total employment within the County.

Employer	2012		
	Employees	Rank	Percentage of Total County Employment
New Hanover Regional Medical Center	4,738	1	4.90%
New Hanover County Board of Education	3,666	2	3.79%
Wal-Mart Stores, Inc.	2,592	3	2.68%
General Electric	2,100	4	2.17%
University of NC at Wilmington	1,898	5	1.96%
New Hanover County	1,574	6	1.63%
PPD, Inc.	1,500	7	1.55%
Verizon Wireless	1,346	8	1.39%
Progress Energy	1,070	9	1.11%
Corning Incorporated	1,000	10	1.03%

**Sources:** Wilmington Chamber of Commerce, N.C. Commerce Economic Development

Tourism in the area has demonstrated a steady recovery since 2010 and continues to be a bright spot in our local economy. When tourism is strong, local jobs are created and local citizens are employed.

The news of record room occupancy tax collections follows on the heels of the release of the state's "2011 Economic Impact of Travel on North Carolina Counties" study which reveals that economic impact from domestic travel in New Hanover County in 2011 was estimated at \$425.84 million, representing a 6.2% increase over prior year.



The County maintains a diverse taxpayer base, with its top ten taxpayers representing 3.52% of its total taxpayer base. This diversity is one of the many reasons the County has remained strong, financially, in this economy.

Top Ten Taxpayers			Percentage of Total County Taxable Assessed
Taxpayer	Taxable Assessed Value	Rank	Value
General Electric Company	295,282,009	1	0.86%
Progress Energy (CP&L)	277,606,162	2	0.81%
Corning Inc.	221,664,226	3	0.65%
Celanese Corporation	80,728,456	4	0.24%
BellSouth Telecommunications	65,933,702	5	0.19%
Arteva Specialties	59,474,463	6	0.17%
River Ventures	55,803,840	7	0.16%
Wal-Mart	50,981,353	8	0.15%
Centro Independence LLC	50,442,138	9	0.15%
Global Nuclear Fuel Americas LLC	46,996,981	10	0.14%
<b>Total</b>	<b>1,204,913,330</b>		<b>3.52%</b>

Source: New Hanover County Tax Department

**Health Care**



New Hanover Regional Medical Center (NHRMC) is a level-two trauma center for the region and a not-for-profit health system. As the eighth largest hospital in the state, it specializes in many areas of health care including cardiology, neurology, community wellness and rehabilitation. As a teaching and regional referral center, NHRMC offers specialty medical and surgical care.

The hospital employs more than 5,400 people. In 2010, New Hanover Regional began to expand its physician group, acquiring several local doctors and practices. New Hanover Regional Medical Center also runs Cape Fear Hospital, a rehabilitation hospital, a behavioral health hospital, Zimmer Cancer Center, the Betty H. Cameron Women's and Children's Hospital and has an affiliation agreement with Pender Memorial Hospital. New Hanover Regional officials also have invested outside their main campus, with medical offices at Brunswick Forest and a diagnostic center in Porters Neck.

In 2012, *U.S. News & World Report* ranked New Hanover Regional Medical Center among the Best Hospitals in North Carolina and the Coastal Plain area as well as recognizing NHRMC as high-performing in several areas: cardiology and heart surgery, gastroenterology, orthopedics and pulmonology.

New Hanover County is also home to the new VA “Super Clinic.” This 85,000 square foot clinic is scheduled to open in December 2012, with primary care and mental health services as the first phase. Other specialties such as radiology, podiatry, cardiology, and dentistry will be added later, based on the needs of the veterans in the area.



## **Manufacturing**

Governor Bev Perdue announced in 2012 that North Carolina ranked number four in CNBC's annual survey of America's Top States for Business. According to CNBC's report, North Carolina placed third in the Workforce category, and also ranked high in Technology and Transportation.

North Carolina has finished in the top 10 in all six years of CNBC's business rankings. In its rankings, CNBC scored the states on more than 51 measures of competitiveness based on the cost of doing business, workforce, quality of life, economy, transportation and infrastructure, technology and innovation, education, business friendliness, access to capital and cost of living.

The County is home to several large manufacturing facilities. North Carolina is the only southern state to rank in the top 10 for cost-efficient manufacturing, according to a study published by the American Institute for Economic Research.

Titan America, doing business as Carolina Cement, selected the County as the site for a new cement plant along the Cape Fear River. They are currently in the process of obtaining the required environmental permits. The plant is estimated to create 160 jobs.

GE Hitachi Nuclear Energy is part of the General Electric complex in Castle Hayne that employs 2,100 people. Recently, Global Laser Enrichment (GLE) announced receipt of its license from the U.S. Nuclear Regulatory Commission to build a groundbreaking laser enrichment facility on the 1,600-acre site of the global headquarters in Wilmington, North Carolina. A proposed uranium enrichment plant in that complex will use new technology - laser isotope separation - to produce fuel for nuclear power plants. The project is estimated to cost \$1 billion and create 900 jobs.

## **Hollywood East - Film**

New Hanover County is home to Screen Gems Studio, the largest television and movie studio outside of the state of California. The studio is comprised of 10 stages, ranging in size from about 7,200 square feet to more than 37,000 square feet. Screen Gems Studio remains a busy functioning TV and movie production facility, but also serves as a popular tourist attraction for visitors to the area.



For the first time in its history, all 10 sound stages at Wilmington's EUE / Screen Gems Studios are dedicated to one production, "Iron Man 3" starring Downey and Paltrow. The movie "marks the single-largest film production in our state's history," said Johnny Griffin, director of the Wilmington Regional Film Commission.

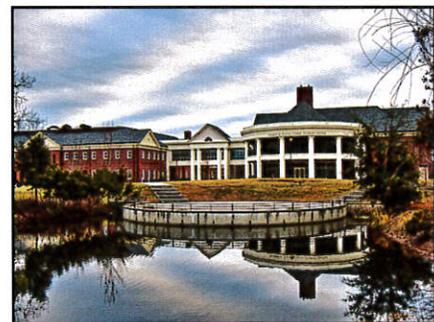
Two years ago, the North Carolina General Assembly passed a large incentive package allowing a 25 percent tax credit to production companies spending more than \$250,000 in the state. This led to the resurgence of the filming industry last year with the filming of "The Hunger Games." Then "Iron Man 3" and other high-profile projects, including Aniston's "We're the Millers," the Nicholas Sparks film "Safe Haven," NBC's "Revolution," Showtime's "Homeland," and ABC's "The Bachelorette."

This year, more than 35 productions will be filmed in 30 North Carolina counties, which translate into more than \$300 million spent in the state and the creation of more than 15,000 jobs, including more than 3,300 skilled crew positions. North Carolina has already surpassed 2011's record numbers for film and television production spending in the state, the North Carolina Film Office reported July 25.

## **Education**

The County is home to the University of North Carolina Wilmington (UNCW), the only public university in Southeastern North Carolina. Currently, UNCW has around 13,000 students enrolled and nearly 500 full-time faculty members.

The school offers fifty-two bachelor's degrees, thirty-six master's degrees and doctoral degrees in marine biology and educational leadership and administration.



The University of North Carolina Wilmington is again ranked one of the "Best Values" among public universities in the nation and number two in North Carolina, according to *Kiplinger's* 2012 rankings.

For 2012, UNCW is ranked 15<sup>th</sup> nationally, a significant leap from the 27<sup>th</sup> spot, which it held in both 2011 and 2010. In North Carolina, *Kiplinger's* ranks UNCW as the second best value in public education for 2012, behind only the University of North Carolina at Chapel Hill. UNCW moved up from third place in the state last year, and *Kiplinger's* has rated UNCW in the top five public universities in N.C. since 2003.

With over 27,000 students enrolling in classes every year, Cape Fear Community College is the fifth largest community college in the state and is a major economic development partner in southeastern North Carolina. To accommodate this growth, taxpayers recently invested \$164 million dollars to provide additional facilities. Construction is currently underway on a 139,000 square foot Humanities and Fine Arts building for the CFCC main campus.



## Tourism



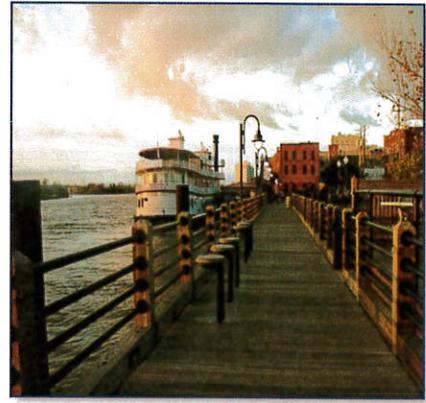
From the historic downtown river district to three exquisite island beaches, Carolina Beach, Kure Beach, and Wrightsville Beach. The County's beaches provide miles of unspoiled beauty and are one of the areas' most popular tourist attractions. The County's beaches offer a unique combination of barrier islands and inland waterways. Kure Beach is also home to the North Carolina Aquarium at Fort Fisher.

The historic waterfront of downtown Wilmington offers other options for visitors with its vast array of unique stores and restaurants. From the waterfront, visitors can also view the USS North Carolina, another popular area attraction, which resides just across the Cape Fear River.



New Hanover County is also home to many beautiful parks and gardens. The Parks and Gardens division manages parks, sporting areas, public spaces and county owned properties totaling over 1,300 acres. Included in this system is Airlie Gardens, a historic landmark that encompasses 67 acres of southern landscaping featuring azaleas, camellias, and the historic 467 year old Arlie Oak and the world renowned Minnie Evans' tribute garden.

In 2011, the economic impact of tourism in New Hanover County was estimated at \$425 million, a 7% increase from 2010. Travel and tourism also generated \$39.50 million in state and local tax receipts. The release of the state's "2011 Economic Impact of Travel on North Carolina Counties" study revealed that Tourism in New Hanover County provided more than 5,100 jobs and supported a payroll of \$94.44 million. The "2011 Economic Impact of Travel on North Carolina Counties" study prepared by the U.S Travel Association also shows that tourism provided more than 5,000 jobs in New Hanover County. New Hanover ranks as number 9th among North Carolina's 100 counties in tourism expenditures.



### **Convention Center**



In its second year of operation, the Convention Center held 113 events with over 66,000 attendees. The 45% growth compared to last year is significant. In addition, the center generated 3,774 room nights for area hotels.

For the current Fiscal Year 2012-13, the Convention Center expects to increase the number of events held at the center, as well as the number of hotel room nights it generates for surrounding hotels. So far, the center has more than 100 events tentatively or definitely booked, including nine conventions. The annual number of attendees is projected to be more than 75,000.

The Convention Center has also earned a number of awards since opening, including the Convention South 2011 New & Renovated Meeting Site Readers Choice Award. The Center is LEED certified, meaning it is a "green" or environmentally-friendly building.

<b>Convention Center</b>			
Event Types	FYE 2011	FYE 2012	% Growth
Convention/TS/Conference	7	9	29%
Public Shows	11	12	9%
Meetings/Other	19	32	68%
Banquets	36	60	66%
<b>TOTALS</b>	<b>73</b>	<b>113</b>	<b>55%</b>
Attendance	45,616	66,400	45%
Total Room Nights	3,068	3,774	12%
Repeat Users	0	17	
<b>Sources:</b> Wilmington Convention Center			

## **Transportation**

New Hanover County's transportation infrastructure has an incredibly positive effect on the local economy due to its access by highway, rail, seaport, and air. This creates an optimal business climate for businesses looking to relocate in the area.

### *The Road System*

The County is served by Interstate 40, the third longest major west–east Interstate Highway in the United States. In addition, U.S. highways 17, 74, 76, 117, and 421 connect New Hanover County to all major cities in the area.

### *The Rail System*

CSX Corporation is one of the nation's leading transportation suppliers. The company's rail business provides rail-based transportation services including traditional rail service and the transport of intermodal containers and trailers to New Hanover County.



### *Port of Wilmington*

The Port of Wilmington is strategically located on the U.S. East Coast. New Hanover County is home to one of the few South Atlantic ports with readily available berths and storage areas for containers and cargo.

The NC State Ports Authority posted increased cargo movement and operating revenues for the fiscal year ending June 30 compared to last year. Top-line revenues

continue to recover following the economic downturn with a 7 percent increase year over year, realizing a net profit for the fiscal year.

“New business within our bulk division, our ability to diversify our cargo interests, and our continued cost containment measures have placed NC Ports in our strongest financial position since 2008,” said Jeff Strader, interim Executive Director, NC State Ports Authority.

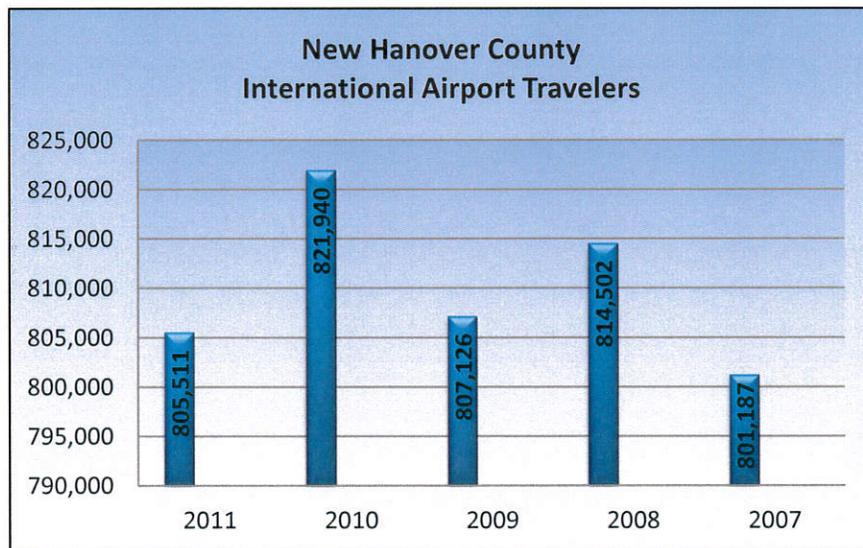


An aggressive capital program has positioned the Port of Wilmington in a new class of service to the maritime transportation industry. Recent and ongoing improvement to regional and national highway networks make surface transportation supporting the Port of Wilmington superior to neighboring ports. CSX Transportation provides daily service for boxcar, tanker and general cargo services. Approximately \$6.4 billion in annual economic contribution to North Carolina are associated with the goods moving through the Port of Wilmington. The port directly or indirectly is responsible for over 65,000 jobs across North Carolina.

*New Hanover County International Airport*



New Hanover County International Airport sometimes known as Wilmington International Airport (ILM) is one of the most dynamic, hospitable, progressive international airports in the Carolinas. The airport is the 4<sup>th</sup> largest in the State and offers non-stop flights to 6 major cities including: New York, Atlanta, Philadelphia, Washington DC, Charlotte and Orlando-Sanford. Located midway on the East Coast, over 805,000 travelers passed through the airport last year.



## **MAJOR INITIATIVE**

### **Citizen Interaction**



The County continued “Citizens in Action, New Hanover County Citizens Academy”, which was offered to citizens who wanted to learn about the operations involved in the variety of services provided by the County. The students met weekly to learn about a particular department and to tour various County facilities.

### **Strategic Plan**

On June 20, 2011 New Hanover County adopted its first strategic plan in nearly two decades. Part of this planning process was to establish a shared vision and a mission statement that the County could get behind. Our mission is that we are committed to progressive public policy, superior service, courteous contact, judicious exercise of authority, and sound fiscal management to meet the needs and concerns of our citizens today and tomorrow. The work by the Board began the path forward in decision-making for the next five years.

## **FINANCIAL POLICIES**

### **Internal Control**

In developing and evaluating the County’s accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: the safeguarding of assets against loss from unauthorized use or disposition; and second the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: the cost of a control should not exceed the benefits likely to be derived; and second the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the County’s internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### **Budgetary Process**

The annual budget serves as the base for the County’s financial planning and control. Budgets are developed on a departmental basis by expenditure function within a fund. The budgets display all of the County’s financial operations including funding for various agencies outside of County organizational structure. The County Manager submits the annual balanced budget to the Board of Commissioners before June each year. In accordance with North Carolina Statutes, the governing board shall adopt a budget no later than July 1. The annual budget is adopted on the modified accrual basis of accounting, and is an integral part of the County’s accounting system and daily operations.

Departments  
prepare budgets  
by expenditure  
function

The overall budget  
displays all financial  
operations including  
outside agencies

County Manager  
submits balanced  
budget to County  
Commissioners  
before June

Governing  
Board adopts  
budget by July 1  
of Fiscal Year

## INDEPENDENT AUDIT

North Carolina General Statutes require an annual independent audit of all local government units in the State. Martin Starnes & Associates, CPAs, P.A., a firm of independent certified public accountants, has audited the financial records of the County and their opinion has been included in this report. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County are free of material misstatement. Their audit was made in accordance with generally accepted auditing standards and, included examining on a test basis, evidence supporting the amounts and disclosures in the basic financial statements as well as assessing the accounting principles used and significant estimates made by management. Their opinion concluded that the accompanying financial statements for fiscal year ended June 30, 2012 have been prepared in conformity with generally accepted accounting principles and supported the issuance of an unqualified opinion.

## AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This was the thirty-first consecutive year that the County has achieved this prestigious award.



In addition, New Hanover County received the GFOA's Distinguished Budget Presentation Award for its annual budget document for Fiscal Year 2011-2012. This marks the twenty-first consecutive fiscal year the County has received this companion award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and as a communication tool.

At its annual meeting this past July, the National Association of Counties (NACo) awarded New Hanover County a Meritorious Award for its flu series. This was one of a very few awards presented, and NHC-TV was selected from more than 300 entries from across the country.

New Hanover County also received the prestigious Savvy Award from the City-County Communications and Marketing Association for its Elementary Civics Program. The Savvy Awards competition recognizes outstanding local government achievements in communications, public-sector marketing and citizen-government relationships. The Savvies salute skilled and effective city, county, agency or district professionals who have creatively planned and carried out successful innovations in communications and marketing.



## ACKNOWLEDGEMENTS

The preparation of this report would not be possible without the efforts of the entire staff of the Finance Department. We would like to recognize the dedicated members of the Finance Department for their ongoing work as well as their specific efforts in the preparation of this 2012 CAFR:

Amy Bradshaw  
Lena Butler  
Debbie Grymes  
Jette' Lawrence  
Cynthia Meadows  
Beverly Thomas

Barbara Brooks  
Lori Colon  
Teresa Hewett  
Teresa Lettley  
Katrina Morris

Linda Brothers  
Kellie Daughtry  
Charlene Larkins  
JD Limberger  
Lyn Sanders

We would also like to recognize the cooperation of each department as we work together to serve all the citizens of New Hanover County. Additional thanks are due to the County Manager's Office and the Board of Commissioners for their continued guidance and support in planning and conducting the County's financial operations.

Respectfully submitted,

Lisa H. Wurtzbacher  
Finance Director

Barbara D. McClure  
Assistant Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

New Hanover County  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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



*Linda C. Danison*

President

*Jeffrey R. Enow*

Executive Director



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

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

## INDEPENDENT AUDITORS' REPORT

Board of County Commissioners  
New Hanover County  
Wilmington, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of New Hanover County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of New Hanover County's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the New Hanover County Airport Authority, the New Hanover Regional Medical Center or the New Hanover County ABC Board, which are discretely presented component units and represents 99.78 percent, 99.66 percent, and 99.50 percent, respectively of the assets, net assets, and revenues of the discretely presented component units. . We also did not audit the financial statements of Airlie Gardens Foundation, Inc., which is a blended component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and, our opinion, insofar as it relates to the amounts included in the aggregate discretely presented components units for the New Hanover County Airport Authority, the New Hanover Regional Medical Center and the New Hanover County ABC Board and in the blended component unit financials for Airlie Gardens Foundation, Inc., are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the New Hanover County ABC Board and the New Hanover County Tourism Development Authority (discretely presented component units) and the financial statements of Airlie Gardens Foundation, Inc., a blended component unit, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2012, on our consideration of New Hanover County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of New Hanover County, North Carolina as a whole. The introductory section, combining and individual fund financial statements, budget and actual schedules, other supplemental schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and the other supplemental schedules are the responsibility of management and were derived from and relate directly to the

underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
October 25, 2012



## Management's Discussion and Analysis

As management of New Hanover County, we offer readers of New Hanover County's financial statements this narrative overview and analysis of the financial activities of New Hanover County for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the transmittal letter beginning on **page ix** and the County's financial statements, which follow this narrative.

### Financial Highlights

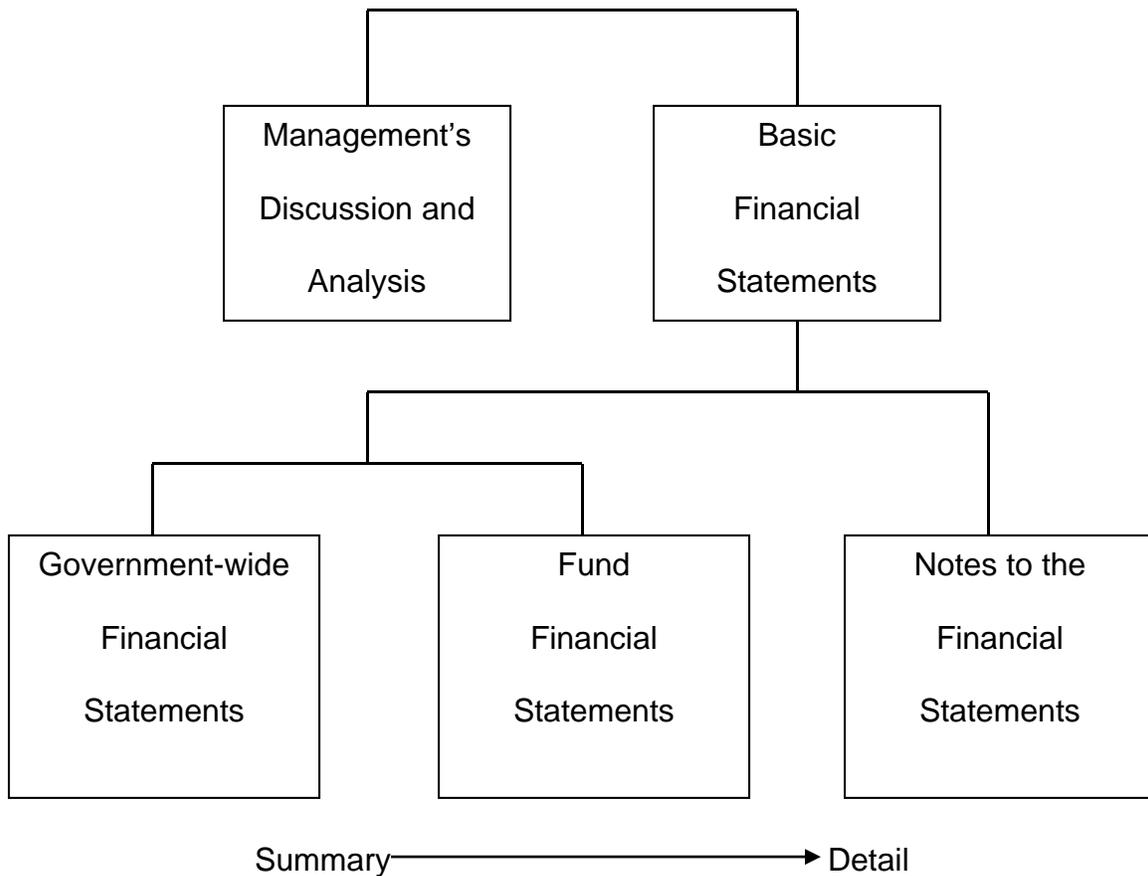
- The government's total net assets decreased by \$9,235,229. This is primarily due to a decrease in net assets from governmental activities. In 2011, net assets decreased by \$3,939,851.
- The liabilities of New Hanover County (primary government) exceeded its assets at the close of the fiscal year by \$61,527,709 (*net deficiency*).
- As of the close of the current fiscal year, New Hanover County's governmental funds reported combined ending fund balances of \$165,632,869 a decrease of \$27,637,390 in comparison with the prior year. Approximately 53.85 percent of this total amount, or \$89,185,273, is restricted or unspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$60,926,423 or 23.00 percent of total general fund expenditures for the fiscal year.
- New Hanover County's total bonded and installment debt decreased by \$34,046,080 (7.77 percent) during the current fiscal year. This decrease is due to a decrease in both general obligation bonds and installment debt.
- New Hanover County maintained its bond rating to Aaa with Moody's Investor Service and maintained its bond rating of AA+ from Standard and Poor's Corporation.

### Overview of the Financial Statements

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 12) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) certain budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements (Exhibit 13) is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plan.

### **Government-wide Financial Statements**

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. This includes environmental management services offered by New Hanover County.

The final category is component units. New Hanover Regional Medical Center is a public, not-for-profit corporation providing health care to the citizens of the County and southeastern North Carolina. The hospital facilities are leased from the County for a period of 30 years. The County appoints the board of trustees for the hospital and has issued revenue bonds on its behalf. The New Hanover County Airport Authority is a legally separate entity. The County appoints the members of the board and leases the facility to the Airport Authority for \$1 per year. The lease is for a period of 30 years. Although legally separate from the County, the ABC Board is important to the County because the County exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the County. The New Hanover County Tourism Development Authority is a legally separate entity. The County appoints 10 of the members of the Authority's governing board.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

## Fund Financial Statements

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

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

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

**Proprietary Funds** – New Hanover County has one kind of proprietary fund. *Enterprise Funds* are used to report the environmental management operations presented as business-type activities in the government-wide financial statements. Only the environmental management operations are reflected in both the enterprise fund statements and the business-type activities in the Statement of Net Assets and the Statement of Activities.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. New Hanover County's five fiduciary funds include a pension trust fund and four agency funds.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are Exhibit 13 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning New Hanover County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found following the Financial Statements and Notes to the Financial Statements of this report.

### Government-Wide Financial Analysis

New Hanover County's Net Assets  
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 225,316,630	\$ 258,267,079	\$ 7,181,904	\$ 205,649	\$ 232,498,534	\$ 258,472,728
Capital assets	164,373,021	166,644,413	15,012,938	15,723,374	\$ 179,385,959	182,367,787
Total assets	<u>\$ 389,689,651</u>	<u>\$ 424,911,492</u>	<u>\$ 22,194,842</u>	<u>\$ 15,929,023</u>	<u>\$ 411,884,493</u>	<u>\$ 440,840,515</u>
Long-term liabilities outstanding	436,949,503	461,832,080	\$ 15,161,786	\$ 9,432,773	\$ 452,111,289	\$ 471,264,853
Other liabilities	19,943,331	21,456,518	1,357,582	411,624	\$ 21,300,883	21,868,142
Total liabilities	<u>\$ 456,892,834</u>	<u>\$ 483,288,598</u>	<u>\$ 16,519,368</u>	<u>\$ 9,844,397</u>	<u>\$ 473,412,172</u>	<u>\$ 493,132,995</u>
Net assets (deficit):						
Invested in capital assets, net of related debt	\$ 65,250,159	\$ 58,853,344	\$ 13,081,015	\$ 14,575,511	\$ 78,331,174	\$ 73,428,855
Restricted	89,136,681	130,178,769	-	-	\$ 89,136,681	130,178,769
Unrestricted	<u>(221,590,023)</u>	<u>(247,409,219)</u>	<u>(7,405,541)</u>	<u>(8,490,885)</u>	<u>\$ (228,995,564)</u>	<u>(255,900,104)</u>
Total net assets	<u>\$ (67,203,183)</u>	<u>\$ (58,377,106)</u>	<u>\$ 5,675,474</u>	<u>\$ 6,084,626</u>	<u>\$ (61,527,709)</u>	<u>\$ (52,292,480)</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The liabilities of New Hanover County exceeded its assets by \$61,527,709 as of June 30, 2012. As of June 30, 2011, the liabilities of New Hanover County exceeded assets by \$52,292,480. The County's net assets decreased by \$9,235,229 for the fiscal year ended June 30, 2012. Comparatively, the County's net assets decreased \$3,939,851 in 2011. Net assets are reported in three categories: Invested in capital assets, net of related debt of \$78.3 million; Restricted net assets of \$89.1 million; and Unrestricted net assets (deficit) of \$(228.9) million.

The invested in capital assets, net of related debt category is defined as the County's investment in County owned capital assets (e.g. land, buildings, automotive equipment, office and other equipment) net of accumulated depreciation, less any related debt still outstanding that was issued to acquire those items (reduced by any unspent capital fund debt proceeds). This category

totals \$78.3 million at June 30, 2012. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Another category of net assets is restricted net assets totaling \$89.3 million at June 30, 2012. This represents resources that are subject to external restrictions on how they may be used.

The final category of net assets is unrestricted net assets. This balance may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net assets (deficit) totaled \$(228.9) million at June 30, 2012. This deficit is primarily the result of the situation described in the following paragraph.

As with many counties in the State of North Carolina, the County's deficit in unrestricted net assets is due primarily to the portion of the County's outstanding debt incurred for use by the New Hanover County Board of Education and Cape Fear Community College (the "schools") to construct, renovate, and equip schools. Under North Carolina law, the County is responsible for providing capital funding for the schools. The County has chosen to meet its legal obligation to provide the schools capital funding by using a mixture of County funds and general obligation debt. The assets funded by the County, however, are owned and utilized by the schools. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in capital assets. At the end of the fiscal year, approximately \$174.8 million of the outstanding debt on the County's financial statements was related to assets included in the public schools financial statements and \$86.5 million related to assets included in the community college financial statements – a total of \$261.3 million. However, since the majority of this schools related debt is general obligation debt, it is collateralized by the full faith, credit, and taxing power of the County. Accordingly, the County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, as may be necessary to pay the debt service on its general obligation bonds. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

The impact on unrestricted governmental net assets of the inclusion of the school system debt without the corresponding assets was offset by the following positive factors:

- Continued diligence in the collection of property taxes by maintaining a high collection rate of 98.54 percent.
- Continued low cost of debt due to the County's high bond rating.

## New Hanover County Changes in Net Assets Figure 3

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$10,745,642	\$ 8,714,885	\$ 12,260,605	\$ 12,282,592	\$ 23,006,247	\$ 20,997,477
Operating grants and contributions	46,239,886	42,960,426	661,657	426,674	46,901,543	43,387,100
Capital grants and contributions	3,878,594	1,576,193	-	-	3,878,594	1,576,193
General revenues:						
Property taxes	169,636,356	166,565,832	-	-	169,636,356	166,565,832
Other Taxes	59,566,043	53,966,748	-	-	59,566,043	53,966,748
Other	395,353	535,567	1,424	28	396,777	535,595
<b>Total revenues</b>	<b>290,461,874</b>	<b>274,319,651</b>	<b>12,923,686</b>	<b>12,709,294</b>	<b>303,385,560</b>	<b>287,028,945</b>
<b>Expenses:</b>						
General government	41,972,224	36,568,270	-	-	41,972,224	36,568,270
Human services	57,254,304	52,463,115	-	-	57,254,304	52,463,115
Public safety	61,249,146	58,689,889	-	-	61,249,146	58,689,889
Economic and physical development	3,269,578	2,590,876	-	-	3,269,578	2,590,876
Environmental protection	-	-	-	-	-	-
Culture and recreation	13,040,089	13,046,607	-	-	13,040,089	13,046,607
Education	105,836,858	96,348,851	-	-	105,836,858	96,348,851
Interest and fees on long-term debt	16,665,752	17,842,985	-	-	16,665,752	17,842,985
Environmental management	-	-	13,332,838	13,418,203	13,332,838	13,418,203
<b>Total expenses</b>	<b>299,287,951</b>	<b>277,550,593</b>	<b>13,332,838</b>	<b>13,418,203</b>	<b>312,620,789</b>	<b>290,968,796</b>
Increase (decrease) in net assets before transfers & special item	(8,826,077)	(3,230,942)	(409,152)	(708,909)	(9,235,229)	(3,939,851)
Special item - net assets contributed to Cape Fear Public Utility Authority and other funds						
Transfers	-	(445,000)	-	445,000	-	-
Increase (decrease) in net assets	(8,826,077)	(3,675,942)	(409,152)	(263,909)	(9,235,229)	(3,939,851)
Net assets - beginning of year	(58,377,106)	(71,266,972)	6,084,626	6,348,535	(52,292,480)	(64,918,437)
Prior period adjustment	-	16,565,808	-	-	-	16,565,808
Net assets - beginning of year, as restated	(58,377,106)	(54,701,164)	6,084,626	6,348,535	(52,292,480)	(48,352,629)
Net assets - ending	<b>\$(67,203,183)</b>	<b>\$(58,377,106)</b>	<b>\$ 5,675,474</b>	<b>\$ 6,084,626</b>	<b>\$(61,527,709)</b>	<b>\$(52,292,480)</b>

**Governmental activities.** Governmental activities decreased the County's net assets by \$8,826,077, accounting for 95.57 percent of the total decrease in net assets of New Hanover County. Key elements of this decrease are as follows:

- Increase in general government expense due to increase in Tax Department overtime and operating expenses associated with revaluation. Increase in Elections to fund new position, electronic poll books, and high speed ballot counter.
- Increase in human services expense due to increases in Social Services associated with unfreezing 4 positions, funding the automation project and increases in expenses for mandated programs.

- Increase in public safety due to additional salaried positions in Sheriff's Office and County funding Drug Court after the program was cut by the State.
- Increase in education expense due to increased public school capital outlay expenditures.

The following items offset a portion of the current year's decrease in net assets as represented in the items above:

- Increased operating and capital grant revenues resulting from additional state grant money to various departments within the County.
- Additional revenue derived from charges for services attributable to increased inspection and Register of Deeds fees due primary to new home construction and the increase in home refinancing and transfers.
- Increased property tax revenue due primarily to an increase in the property tax collection rate and an overall increase in the tax base.
- Increased sales tax revenues generated due to overall increase in sales tax and improved economy.
- Decreased expenses in interest and fees on long term debt due to paydown of long-term debt and no additional debt being issued in FY'12.

**Business-type activities:** Business-type activities decreased New Hanover County's net assets by \$409,152, accounting for 4.43 percent of the total decrease in net assets of New Hanover County, excluding the prior period adjustment. This compares to a decrease in net assets from business-type activities from prior year of \$263,909.

### **Financial Analysis of the County's Funds**

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

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

The general fund is the chief operating fund of New Hanover County. At the end of the current fiscal year, New Hanover County's unassigned fund balance in the general fund was \$60,926,423 while total fund balance was \$94,196,100. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and other financing uses. At June 30, 2012, unassigned fund balance for the general fund represented 23.00 percent of total general fund expenditures.

The Governing Body of New Hanover County has determined that the County should maintain an available fund balance of 16.67% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. At the end of the current fiscal year, New Hanover County's fund balance available in the general fund was \$73,006,502, while total fund balance was \$94,196,100. Available fund balance differs from the unassigned fund balance in that available fund balance includes the portion of fund balance that is unassigned, assigned, committed, or restricted except funds restricted for stabilization by state statute. The County currently has an available fund balance of 27.56 percent of general fund expenditures, while total fund balance represents 35.56 percent of that same amount.

The room occupancy tax special revenue fund is used to account for the room occupancy tax revenues and related expenditures for New Hanover County, Carolina Beach, Kure Beach, Wrightsville Beach, and the City of Wilmington. At the end of the current fiscal year fund balance of the room occupancy tax special revenue fund was \$40,498,402, as compared to \$37,521,250 at June 30, 2011. The majority of this fund balance for both years, approximately 97.83 percent, is restricted for erosion control as required by act of the North Carolina Legislature.

The \$164 million Cape Fear Community College bond capital project fund is used to account for Cape Fear Community College capital project expenditures funded by \$164 million general obligation bonds. At the end of the current fiscal year, fund balance in this fund was \$13,720,506, as compared to a \$41,329,659 fund balance at June 30, 2011. The decrease in this fund balance is due to the capital outlay expenditures during the year.

Other non-major governmental funds are combined for reporting on Exhibits 3 and 4. At the end of the current fiscal year, fund balance for other governmental funds was \$17,217,861, of which 8.75 percent is restricted for various purposes, 67.62 percent is restricted for capital project funds, and 23.62 percent is not restricted. At June 30, 2011, fund balance for other governmental funds was \$30,237,182.

At June 30, 2012, the governmental funds of New Hanover County reported a combined fund balance of \$165,632,869, a 14.30 percent decrease over last year. This decrease in fund balance is primarily due to the decrease of fund balance in the \$164 million Cape Fear Community College capital project fund, the \$123 million school bond capital project fund, the \$4.9 million qualified school construction fund, and the \$35.5 million parks and recreation bonds capital project fund. These decreases were partially offset by an increase in fund balance in the general fund.

**General Fund Budgetary Highlights:** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased budgeted revenues by \$6.4 million, due primarily to the increase in intergovernmental revenues.

Amendments to human services activities increased budgeted expenditures by \$2.2 million primarily due to additional federal and state revenues received during the year by the health and social services departments. Amendments to public safety activities increased budgeted expenditures by \$4.1 million primarily due to increased expenditures for capital outlay.

The variances between the final budget and actual revenues and expenditures are noted in Exhibit 5. The positive variance in ad valorem is primarily due to increased collection efforts and an overall increase to the property tax base. The positive variance in other tax revenue is primarily due to increased sales tax revenues due to improvement in the economy.

**Proprietary Funds.** New Hanover County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets (deficit) of the Environmental Management Fund at the end of the fiscal year amounted to \$(7,405,541). The change in total net assets for the fiscal year ended June 30, 2012, was \$(409,152) for the Environmental Management Fund. This compares to unrestricted net assets (deficit) of \$(8,490,885) in the Environmental Management Fund at June 30, 2011; as well as the change in total net assets for the fund for the fiscal year ended June 30, 2011, of \$(263,909).

### **Capital Asset and Debt Administration**

**Capital assets.** New Hanover County's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totals \$179,385,959 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

New Hanover County's Capital Assets  
Figure 4  
(Net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 43,141,966	\$ 42,635,027	\$ 2,459,201	\$ 2,459,201	\$ 45,601,167	\$ 45,094,228
Buildings	135,066,435	135,066,435	22,983,152	22,983,152	158,049,587	158,049,587
Other improvements	25,833,990	23,630,423	19,239,040	19,239,040	45,073,030	42,869,463
Equipment and vehicles	49,431,042	44,803,417	27,577,066	27,457,906	77,008,108	72,261,323
Construction in progress	5,980,241	7,599,238	262,626	-	6,242,867	7,599,238
Total before depreciation	259,453,674	253,734,540	72,521,085	72,139,299	331,974,759	325,873,839
Less accumulated depreciation	(95,080,653)	(87,090,127)	(57,508,147)	(56,415,925)	(152,588,800)	(143,506,052)
Total net of depreciation	\$ 164,373,021	\$ 166,644,413	\$ 15,012,938	\$ 15,723,374	\$ 179,385,959	\$ 182,367,787

Additional information on the County's capital assets can be found in exhibit 13, note 3, of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2012, the carrying value of New Hanover County's total bonded debt outstanding was \$302,178,637, all of which is debt backed by the full faith and credit of the County.

New Hanover County's Outstanding Debt  
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 302,178,637	\$ 325,844,881	\$ -	\$ -	\$ 302,178,637	\$ 325,844,881
Installment debt	99,793,047	110,956,943	1,931,923	1,147,863	101,724,970	112,104,806
Total long-term debt	\$ 401,971,684	\$ 436,801,824	\$ 1,931,923	\$ 1,147,863	\$ 403,903,607	\$ 437,949,687

New Hanover County's total bonded and installment debt decreased by \$34,046,080 (7.77 percent) during the past fiscal year due to decreased general obligation bonds and installment debt. General obligation debt decreased \$23.67 million and installment debt decreased by \$5.87 million.

New Hanover County maintained its bond rating to Aaa from Moody's Investor Service and maintained its bond rating of AA+ from Standard and Poor's Corporation. This bond rating is a clear indication of the sound financial condition of New Hanover County. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for New Hanover County is \$2,297,717,159. The County has \$94,000,000 in bonds authorized but unissued at June 30, 2012.

Additional information regarding New Hanover County's long-term debt can be found in Exhibit 13, note 3, of this report.

### **Budget Highlights for the Fiscal Year Ending June 30, 2013**

**Governmental Activities:** The County has approved a \$268.9 million general fund budget for fiscal year 2012-2013, which represents a \$4.0 million increase from the actual expenditures and other financing uses for the year ended June 30, 2012. Increases are expected in revenues for the year ended June 30, 2012 primarily due to sales taxes increases and an appropriate fund balance. The County will use these increases in revenue to finance programs currently in place.

**Business-type Activities:** The environmental management fund budget is balanced with a tipping fee of \$59.00 per ton, this remained unchanged from the previous year.

### **Requests for Information**

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, New Hanover County, 230 Government Center Drive, Suite 165, Wilmington, North Carolina 28403. You can also call (910) 798-7187, visit our website <http://www.nhcgov.com> or email [lwurtzbacher@nhcgov.com](mailto:lwurtzbacher@nhcgov.com) for more information.



NEW HANOVER COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash, cash equivalents and investments	\$ 142,540,753	\$ 3,685,351	\$ 146,226,104
Receivables - net of allowances for doubtful accounts	5,584,605	1,287,802	6,872,407
Internal balances	-	-	-
Due from other governments	18,958,982	88,314	19,047,296
Due from component units	313,521	-	313,521
Due from primary government	-	-	-
Inventory	15,737	2,112,812	2,128,549
Prepays	32,855	-	32,855
Restricted cash, cash equivalents and investments	17,846,493	-	17,846,493
Restricted receivables - net of allowances for doubtful accounts	-	-	-
Unamortized bond issuance costs and intangible capital assets	2,043,334	7,625	2,050,959
Pension asset	-	-	-
Investment in affiliates	-	-	-
Other long term assets	37,980,350	-	37,980,350
Capital assets:			
Land and construction in progress	49,122,207	2,721,827	51,844,034
Other capital assets, net of depreciation	115,250,814	12,291,111	127,541,925
Total assets	389,689,651	22,194,842	411,884,493
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	15,150,204	1,351,552	16,501,756
Accrued interest payable	4,263,572	6,030	4,269,602
Accrued expenses	-	-	-
Due to component unit	161,801	-	161,801
Due to primary government	-	-	-
Due to affiliates	-	-	-
Deferred revenues - current portion	-	-	-
Unearned revenues	367,754	-	367,754
Long-term liabilities, net of unamortized charges, discounts and premiums			
Due within one year	35,043,858	666,626	35,710,484
Due in more than one year	401,905,645	14,495,160	416,400,805
Total liabilities	456,892,834	16,519,368	473,412,202
<b>NET ASSETS (DEFICIT)</b>			
Invested in capital assets, net of related debt	65,250,159	13,081,015	78,331,174
Restricted for:			
Passenger facility charges projects	-	-	-
Endowments, specific purpose donations and grants	-	-	-
Working capital	-	-	-
Promotion and tourism	-	-	-
Stabilization by State statue	23,527,230	-	23,527,230
Register of deeds	625,992	-	625,992
Human services	22,045	-	22,045
Public safety	1,105,646	-	1,105,646
Economic and physical development	39,753,625	-	39,753,625
Culture and recreation	8,364,344	-	8,364,344
Education	15,737,799	-	15,737,799
Unrestricted (deficit)	(221,590,023)	(7,405,541)	(228,995,564)
Total net assets (deficit)	\$ (67,203,183)	\$ 5,675,474	\$ (61,527,709)

The Notes to the Basic Financial Statements are an integral part of this statement.

Exhibit 1

Component Units			
New Hanover County Airport Authority	New Hanover Regional Medical Center	New Hanover County ABC Board	New Hanover County Tourism Development Authority
\$ 11,974,376	\$ 347,486,000	\$ 5,835,183	\$ 1,405,157
1,662,235	94,765,000	21	788,998
-	-	-	-
-	-	-	-
-	-	-	161,801
-	-	-	-
-	16,208,000	2,077,133	-
-	12,395,000	44,579	13,121
2,612,362	8,731,000	-	-
175,206	2,367,000	-	-
-	50,272,000	-	-
-	4,396,000	-	-
-	561,000	-	-
63,361	11,693,000	-	-
28,769,062	43,448,000	4,979,199	-
36,544,326	410,689,000	6,733,201	37,105
81,800,928	1,003,011,000	19,669,316	2,406,182
1,860,605	107,601,000	1,593,569	164,220
-	-	-	-
470,666	-	-	-
-	-	-	-
-	-	313,521	-
-	-	-	-
115,600	-	-	-
171,600	-	-	-
592,090	8,814,000	-	12,338
1,631,729	337,124,000	-	-
4,842,290	453,539,000	1,907,090	176,558
62,965,730	172,918,000	11,712,400	37,105
2,787,568	-	-	-
-	14,793,000	-	-
-	-	973,820	-
-	-	-	1,169,360
-	-	-	950,799
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
11,205,340	361,761,000	5,076,006	72,360
\$ 76,958,638	\$ 549,472,000	\$ 17,762,226	\$ 2,229,624

The Notes to the Basic Financial Statements are an integral part of this statement.

NEW HANOVER COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 41,972,224	\$ 3,511,381	\$ 3,623,319	\$ -
Human services	57,254,304	2,108,510	33,927,559	-
Public safety	61,249,146	4,054,577	6,101,052	626,274
Economic and physical development	3,269,578	-	-	11,550
Culture and recreation	13,040,089	1,071,174	2,587,956	237,948
Education	105,836,858	-	-	3,002,822
Interest and fees on long-term debt	16,665,752	-	-	-
Total governmental activities	299,287,951	10,745,642	46,239,886	3,878,594
Business-type activities:				
Environmental Management	13,332,838	12,260,605	661,657	-
Total business-type activities	13,332,838	12,260,605	661,657	-
Total primary government	\$ 312,620,789	\$ 23,006,247	\$ 46,901,543	\$ 3,878,594
<b>Component Units:</b>				
NHC Airport Authority	\$ 11,168,031	\$ 7,811,763	\$ -	\$ 3,702,826
New Hanover Regional Medical Center	703,075,000	726,953,000	-	210,000
NHC ABC Board	24,309,899	25,319,296	-	-
NHC Tourism Development Authority	3,617,928	-	-	-
Total component units	\$ 742,170,858	\$ 760,084,059	\$ -	\$ 3,912,826

General revenues:  
 Property taxes  
 Sales taxes  
 Room occupancy taxes  
 Other taxes  
 Net (decrease) in fair value of investments  
 Investment earnings  
 Miscellaneous  
 Total General Revenues

Change in net assets

Net assets - beginning of year  
 Net assets - ending

The Notes to the Basic Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets						
Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	NHC Airport Authority	New Hanover Regional Medical Center	NHC ABC Board	NHC Tourism Development Authority
\$ (34,837,524)	\$ -	\$ (34,837,524)	\$ -	\$ -	\$ -	\$ -
(21,218,235)	-	(21,218,235)	-	-	-	-
(50,467,243)	-	(50,467,243)	-	-	-	-
(3,258,028)	-	(3,258,028)	-	-	-	-
(9,143,011)	-	(9,143,011)	-	-	-	-
(102,834,036)	-	(102,834,036)	-	-	-	-
(16,665,752)	-	(16,665,752)	-	-	-	-
(238,423,829)	-	(238,423,829)	-	-	-	-
-	(410,576)	(410,576)	-	-	-	-
-	(410,576)	(410,576)	-	-	-	-
(238,423,829)	(410,576)	(238,834,405)	-	-	-	-
-	-	-	346,558	-	-	-
-	-	-	-	24,088,000	-	-
-	-	-	-	-	1,009,397	-
-	-	-	-	-	-	(3,617,928)
-	-	-	346,558	24,088,000	1,009,397	(3,617,928)
169,636,356	-	169,636,356	-	-	-	-
52,668,352	-	52,668,352	-	-	-	-
4,163,935	-	4,163,935	-	-	-	3,565,748
2,733,756	-	2,733,756	-	-	-	-
-	-	-	-	1,372,000	-	-
395,353	1,424	396,777	21,157	6,198,000	41,245	1,789
-	-	-	2,429,481	638,000	4,562	298,960
229,597,752	1,424	229,599,176	2,450,638	8,208,000	45,807	3,866,497
(8,826,077)	(409,152)	(9,235,229)	2,797,196	32,296,000	1,055,204	248,569
(58,377,106)	6,084,626	(52,292,480)	74,161,442	517,176,000	16,707,022	1,981,055
\$ (67,203,183)	\$ 5,675,474	\$ (61,527,709)	\$ 76,958,638	\$ 549,472,000	\$ 17,762,226	\$ 2,229,624

The Notes to the Basic Financial Statements are an integral part of this statement.

**NEW HANOVER COUNTY, NORTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
6/30/2012**

<b>ASSETS</b>	<b>General</b>	<b>Room Occupancy Tax Special Revenue</b>	<b>\$164 Million CFCC Capital Project</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>					
Cash, cash equivalents and investments	\$ 85,523,152	\$ 40,028,676	\$ -	\$ 16,988,925	\$ 142,540,753
Receivables - net of allowances for doubtful accounts	22,562,950	896,586	-	1,084,051	24,543,587
Receivables - interfund loans	219,407	-	-	-	219,407
Due from component units	313,521	-	-	-	313,521
Inventory	15,737	-	-	-	15,737
Prepays	31,053	-	-	1,802	32,855
Restricted cash, cash equivalents and investments	467	-	16,741,168	1,104,858	17,846,493
<b>Total assets</b>	<b>\$ 108,666,287</b>	<b>\$ 40,925,262</b>	<b>\$ 16,741,168</b>	<b>\$ 19,179,636</b>	<b>\$ 185,512,353</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 10,547,382	\$ 4,000	\$ 3,000,124	\$ 1,598,698	\$ 15,150,204
Interfund loans	-	-	20,538	198,869	219,407
Due to component unit	-	161,801	-	-	161,801
Deferred/unearned revenues	3,922,805	261,059	-	164,208	4,348,072
<b>Total liabilities</b>	<b>14,470,187</b>	<b>426,860</b>	<b>3,020,662</b>	<b>1,961,775</b>	<b>19,879,484</b>
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Inventory	15,737	-	-	-	15,737
Prepays	31,053	-	-	1,802	32,855
<b>Restricted:</b>					
Stabilization by State statute	21,142,808	878,383	-	1,506,039	23,527,230
Restricted - all other	625,992	39,620,019	13,720,506	11,642,934	65,609,451
Committed	-	-	-	4,300,947	4,300,947
Assigned	11,454,087	-	-	68,966	11,523,053
Unassigned	60,926,423	-	-	(302,827)	60,623,596
<b>Total fund balances</b>	<b>94,196,100</b>	<b>40,498,402</b>	<b>13,720,506</b>	<b>17,217,861</b>	<b>165,632,869</b>
<b>Total liabilities and fund balances</b>	<b>\$ 108,666,287</b>	<b>\$ 40,925,262</b>	<b>\$ 16,741,168</b>	<b>\$ 19,179,636</b>	<b>\$ 185,512,353</b>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	\$ 164,373,021
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	37,980,350
Liabilities for earned but deferred revenues in the funds	3,980,318
Long-term liabilities, net of unamortized bond issuance costs, are not due and payable in the current period and therefore are not reported in the funds	(439,169,741)
<b>Net assets of governmental activities</b>	<b>\$ (67,203,183)</b>

The Notes to the Basic Financial Statements are an integral part of this statement.

## NEW HANOVER COUNTY, NORTH CAROLINA

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

	General	Room Occupancy Tax Special Revenue	\$164Million CFCC Capital Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 213,447,284	\$ 4,163,935	\$ -	\$ 11,441,065	\$ 229,052,284
Intergovernmental revenue	47,493,703	-	-	3,800,534	51,294,237
Special assessments	135,802	350,060	-	-	485,862
Charges for services	9,876,604	-	-	869,038	10,745,642
Investment earnings	180,660	78,266	64,337	72,090	395,353
Miscellaneous	2,344,700	-	-	103,742	2,448,442
Total revenues	<u>273,478,753</u>	<u>4,592,261</u>	<u>64,337</u>	<u>16,286,469</u>	<u>294,421,820</u>
<b>Expenditures:</b>					
Current:					
General government	30,553,554	-	-	-	30,553,554
Human services	53,674,258	-	-	-	53,674,258
Public safety	49,639,910	-	-	9,766,292	59,406,202
Economic and physical development	1,549,730	1,565,109	-	-	3,114,839
Culture and recreation	10,068,625	-	-	664,020	10,732,645
Education-community college and schools	6,191,767	-	-	-	6,191,767
Education-public schools	62,558,440	-	-	-	62,558,440
Capital outlay	-	-	27,673,490	16,603,805	44,277,295
Debt service:					
Principal - bonds	22,400,000	-	-	-	22,400,000
Interest and fees - bonds	13,369,517	-	-	-	13,369,517
Installment debt payments	14,909,710	-	-	1,079,345	15,989,055
Total expenditures	<u>264,915,511</u>	<u>1,565,109</u>	<u>27,673,490</u>	<u>28,113,462</u>	<u>322,267,572</u>
Revenues over (under) expenditures	<u>8,563,242</u>	<u>3,027,152</u>	<u>(27,609,153)</u>	<u>(11,826,993)</u>	<u>(27,845,752)</u>
<b>Other financing sources (uses):</b>					
Sale of Fixed Assets	74,003	-	-	92,523	166,526
Insurance claim proceeds	40,140	-	-	-	40,140
Premium on long-term debt issued	-	-	-	1,696	1,696
Transfers from other funds	1,336,547	-	-	180,000	1,516,547
Transfers to other funds	-	(50,000)	-	(1,466,547)	(1,516,547)
Total other financing sources (uses)	<u>1,450,690</u>	<u>(50,000)</u>	<u>-</u>	<u>(1,192,328)</u>	<u>208,362</u>
Net change in fund balances	10,013,932	2,977,152	(27,609,153)	(13,019,321)	(27,637,390)
Fund balance - beginning of year	<u>84,182,168</u>	<u>37,521,250</u>	<u>41,329,659</u>	<u>30,237,182</u>	<u>193,270,259</u>
Fund balances - end of year	<u>\$ 94,196,100</u>	<u>\$ 40,498,402</u>	<u>\$ 13,720,506</u>	<u>\$ 17,217,861</u>	<u>\$ 165,632,869</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

NEW HANOVER 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, 2012

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

Net change in fund balances-total governmental funds	\$ (27,637,390)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(2,271,392)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds. Revenue in the fund statements that is repayment of long-term receivables is not recorded as revenue in the statement of activities.	(3,861,688)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount of the net effect of these differences in the treatment of long-term debt and related items.	34,891,656
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	<u>(9,947,263)</u>
Change in net assets of governmental activities	<u><u>\$ (8,826,077)</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND**

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
Ad valorem, including interest	\$ 156,967,697	\$ 156,967,697	\$ 160,778,932	\$ 3,811,235
Other	49,574,868	49,574,868	52,668,352	3,093,484
Total taxes	<u>206,542,565</u>	<u>206,542,565</u>	<u>213,447,284</u>	<u>6,904,719</u>
Special assessments	125,968	125,968	135,802	9,834
Intergovernmental revenue	41,812,381	47,143,623	47,230,250	86,627
Charges for services	8,472,180	8,879,596	9,876,604	997,008
Investment earnings	145,000	145,000	173,026	28,026
Miscellaneous-drainage fund	-	-	-	-
Miscellaneous	2,177,535	2,886,026	2,344,700	(541,326)
Total revenues	<u>259,275,629</u>	<u>265,722,778</u>	<u>273,207,666</u>	<u>7,484,888</u>
<b>Expenditures:</b>				
Current:				
General government	32,205,314	34,584,696	30,553,554	4,031,142
Human services	55,242,386	57,402,294	53,674,258	3,728,036
Public safety	46,784,795	50,840,870	49,639,910	1,200,960
Economic and physical development	899,730	1,774,730	1,549,730	225,000
Culture and recreation	10,255,878	10,869,452	10,068,625	800,827
Education-community college	6,191,767	6,191,767	6,191,767	-
Debt service:				
Principal	8,846,391	8,846,391	8,846,390	1
Interest and fees	5,641,434	5,641,434	5,629,202	12,232
Installment lease payments	14,162,762	14,162,762	14,317,874	(155,112)
Total expenditures	<u>180,230,457</u>	<u>190,314,396</u>	<u>180,471,310</u>	<u>9,843,086</u>
Revenues over expenditures	<u>79,045,172</u>	<u>75,408,382</u>	<u>92,736,356</u>	<u>17,327,974</u>
<b>Other financing sources (uses):</b>				
Sale of fixed assets	-	15,266	74,003	58,737
Insurance claims proceeds	-	-	40,140	40,140
Transfers to other funds	(82,045,172)	(82,246,422)	(82,036,119)	210,303
Appropriated fund balance	3,000,000	6,822,774	-	(6,822,774)
Total other financing (uses)	<u>(79,045,172)</u>	<u>(75,408,382)</u>	<u>(81,921,976)</u>	<u>(6,513,594)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>10,814,380</u>	<u>\$ 10,814,380</u>
Fund balance - beginning of year			80,827,634	
Fund balance - end of year			<u>\$ 91,642,014</u>	
A legally budgeted Public Schools Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			\$ 7,634	
Intergovernmental revenue			263,453	
Transfer-in from other funds			83,372,666	
Expenditures			(62,558,440)	
Debt service:				
Principal			(13,553,610)	
Interest and fees			(7,740,315)	
Installment lease payments			(591,836)	
Fund balance - beginning of year			<u>3,354,534</u>	
Fund balance - end of year (Exhibit 4)			<u>\$ 94,196,100</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
ROOM OCCUPANCY TAX FUND  
For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Room occupancy taxes	\$ 3,409,730	\$ 3,409,730	\$ 4,163,935	\$ 754,205
Special assessments	284,898	284,898	350,060	65,162
Investment earnings	-	50,000	78,266	28,266
Total revenues	<u>3,694,628</u>	<u>3,744,628</u>	<u>4,592,261</u>	<u>847,633</u>
<b>Expenditures:</b>				
Current:				
Collection fee to New Hanover County	18,000	18,000	18,000	-
Tourism distributions to TDA	1,269,390	1,269,390	1,477,166	(207,776)
Erosion control	2,407,238	2,407,238	69,943	2,337,295
Total expenditures	<u>3,694,628</u>	<u>3,694,628</u>	<u>1,565,109</u>	<u>2,129,519</u>
Revenues over expenditures	<u>-</u>	<u>50,000</u>	<u>3,027,152</u>	<u>2,977,152</u>
<b>Other financing sources (uses):</b>				
Transfer to other funds	-	(50,000)	(50,000)	-
Total other financing (uses)	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,977,152</u>	<u>\$ 2,977,152</u>
Fund balance - beginning of year			37,521,250	
Fund balance - end of year			<u>\$ 40,498,402</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

**NEW HANOVER COUNTY, NORTH CAROLINA  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012**

	<b>Environmental Management Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,685,351
Receivables	1,376,116
Inventory	2,112,812
Total current assets	7,174,279
Noncurrent assets:	
Capital assets:	
Land and construction in progress	2,721,827
Other capital assets, net of depreciation	12,291,111
Total capital assets	15,012,938
Unamortized bond issuance costs	7,625
Total noncurrent assets	15,020,563
Total assets	22,194,842
<b>LIABILITIES</b>	
Current liabilities:	
Current portion of long-term obligations	666,626
Accounts payable and accrued expenses	1,357,582
Total current liabilities	2,024,208
Noncurrent liabilities:	
Accrued landfill closure and postclosure care costs	13,044,374
Long-term obligations, net of unamortized charge, discount and premium	1,450,786
Total noncurrent liabilities	14,495,160
Total liabilities	16,519,368
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	13,081,015
Unrestricted (deficit)	(7,405,541)
Total net assets	\$ 5,675,474

The Notes to the Basic Financial Statements are an integral part of this statement.

NEW HANOVER COUNTY, NORTH CAROLINA

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

	<b>Environmental Management Fund</b>
	<u>                    </u>
<b>Operating revenues:</b>	
Charges for service	\$ 11,705,665
Other	554,940
Total operating revenues	<u>12,260,605</u>
<b>Operating expenses:</b>	
Personnel	1,998,463
System maintenance	9,001,317
Depreciation	2,296,154
Total operating expenses	<u>13,295,934</u>
Operating income (loss)	<u>(1,035,329)</u>
<b>Non-operating revenues (expenses):</b>	
Investment earnings	1,424
Intergovernmental revenues	661,657
Interest and fees	(34,289)
Amortization of bond issuance costs	(2,615)
Net non-operating revenues	<u>626,177</u>
<b>Change in net assets</b>	<b>(409,152)</b>
Total net assets - beginning of year	6,084,626
Total net assets - end of year	<u><u>\$ 5,675,474</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

## NEW HANOVER COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	<b>Environmental Management Fund</b>
	<u>                    </u>
<b><i>Cash flows from operating activities:</i></b>	
Cash received from customers	\$ 11,323,353
Cash payments for community development	
Cash payments to suppliers for system maintenance	(3,141,969)
Cash payments to employees for services	(1,969,390)
Other operating revenues	574,336
Net cash provided by operating activities	<u>6,786,330</u>
<b><i>Cash flows from noncapital financing activities:</i></b>	
(Increase) decrease in Interfund Loan	(2,920,351)
Proceeds from intergovernmental revenue	661,657
Net cash used by noncapital financing activities	<u>(2,258,694)</u>
<b><i>Cash flows from capital and related financing activities:</i></b>	
Installment debt issued	1,039,482
Acquisitions and construction of capital assets	(1,605,114)
Principal paid on long-term debt	(250,481)
Interest paid on long-term debt	(41,341)
Net cash used by capital and related financing activities	<u>(857,454)</u>
<b><i>Cash flows from investing activities:</i></b>	
Interest earned on investments	1,424
Net cash provided by investing activities	<u>1,424</u>
<b><i>Net decrease in cash and cash equivalents</i></b>	<b>3,671,606</b>
Cash and cash equivalents - beginning of year	<u>13,745</u>
Cash and cash equivalents - end of year	<u><u>\$ 3,685,351</u></u>
<b><i>Reconciliation of operating loss to net cash provided by operating activities:</i></b>	
Operating loss	\$ (1,035,329)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	2,296,154
Loss on disposal of capital assets	19,396
Landfill closure and postclosure care costs	4,915,880
Change in assets and liabilities:	
(Increase) decrease in receivables	(382,312)
(Increase) decrease in inventory	(4,601)
Increase (decrease) in accounts payable and accrued expenses	977,142
Net cash provided by operating activities	<u><u>\$ 6,786,330</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2012**

	<b>Law Enforcement Officers' Pension Trust Fund</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash	\$ 836,226	\$ 9,701,721
Receivables	58,100	4,374,517
Total assets	<u>894,326</u>	<u>14,076,238</u>
<b>LIABILITIES</b>		
Liabilities:		
Accounts payable and accrued expenses	16,089	596,116
Due to other governmental units	-	3,589,221
Escrow funds and deposits	-	9,890,901
Total liabilities	<u>16,089</u>	<u>14,076,238</u>
<b>NET ASSETS</b>		
Held in trust for employees' pension benefits	<u>\$ 878,237</u>	<u>\$ -</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

**For the Year Ended June 30, 2012**

	<b>Law Enforcement Officers' Pension Trust Fund</b>
	<u>                    </u>
<b>Additions:</b>	
Employer contributions	\$ 512,034
Interest earnings	953
	<u>                    </u>
Total additions	<u>512,987</u>
<b>Deductions:</b>	
Salaries and benefits	339,994
Contracted services	-
	<u>                    </u>
Total deductions	<u>339,994</u>
<b>Change in net assets</b>	172,993
Net assets - beginning of year	<u>705,244</u>
Net assets - end of year	<u><u>\$ 878,237</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.



**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. Reporting Entity**

New Hanover County (*County*), chartered in 1729, is located in the southeastern corner of North Carolina and has a population of approximately 209,000 people. The County utilizes a County Manager form of government with a five-member board of commissioners. As required by accounting principles generally accepted in the United States of America, these financial statements present all the fund types of the County and its component units, legally separate entities for which the County is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the County's operations. Each discretely presented component unit is reported in a separate column in the County's government-wide financial statements to emphasize they are legally separate from the County. One component unit of the County has no financial transactions or account balances therefore, it does not appear in the combined financial statements.

**Blended Component Units**

The New Hanover County Parks Foundation was established on March 7, 1997 solely to provide for the support and benefit of the Parks Department of the County. Thus, the Parks Foundation is presented as a special revenue fund of the County and separate financial statements are not issued.

The Airlie Gardens Foundation, Inc. was established on April 8, 1999 as a charitable corporation to establish an endowment and to receive and distribute monies for prospective funding of capital improvements at the County owned Airlie Gardens. The Airlie Gardens Foundation, Inc., also serves in an advisory capacity to the Airlie Gardens staff and the Board of County Commissioners in relation to providing advice for operations, policy, capital improvements and program development. The Airlie Gardens Foundation, Inc., existing solely for the benefit of the County, is presented as a special revenue fund of the County and separate financial statements are issued.

The Public Health Foundation of New Hanover County, Inc. was established on September 20, 2001 solely to provide for the support and benefit of the New Hanover County Health Department. The New Hanover County Board of Health appoints the board members for the Public Health Foundation. The Public Health Foundation had no material activity until fiscal year ending June 30, 2010. The Public Health Foundation is presented as a special revenue fund of the County and separate financial statements are not issued.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012**Discretely Presented Component Units**

The New Hanover County Airport Authority (*Authority*) d/b/a Wilmington International Airport was created, effective July 1, 1989, under the authority of North Carolina State Senate Bill 410. The Authority is responsible for the operation and maintenance of airport facilities in New Hanover County. The Authority's five-member Board is appointed by the County Board of Commissioners. The County's ownership of the underlying real estate and statement of intent to provide financial support to fund any future operating deficits of the Authority provides a financial burden to the County. The Authority, which has a June 30 year-end, is presented as if it were an enterprise fund.

New Hanover Regional Medical Center (*Medical Center*) is a public, nonprofit corporation providing health care to residents of southeastern North Carolina. The Medical Center leases its existing facilities and equipment and all future improvements from the County for a period of thirty years from February 15, 1999. The County Board of Commissioners appoints the board of trustees for the Medical Center. The County has Hospital Revenue Bonds for construction of additions and improvements to the Medical Center and for purchase of equipment. The Medical Center, which has a September 30 year-end, is presented as if it were an enterprise fund.

The New Hanover Regional Medical Center Foundation, Inc. (*Foundation*), and Carolina Healthcare Associates, Inc. (*CHA*) are included in the Medical Center's financial statements as blended component units. The Foundation is a 501(c)(3) nonprofit organization which was founded by the Medical Center in 1991. CHA began operations effective January 1, 1998 and is a 501(c)(3) nonprofit entity which provides physician services and other professional medical services. Lower Cape Fear Hospice, Incorporated (*LCFH*) is an affiliated organization of the Medical Center. The Trustees of the Medical Center appoint 80% of the board of directors of LCFH, a nonprofit organization which provides professional care to the terminally ill and support and education to family and community. The organization currently serves 12 counties in southeastern North Carolina. LCFH is included in the Medical Center's reporting entity as a discretely presented component unit. Pender Memorial Hospital, Incorporated (*PMH*) is an affiliated organization of the Medical Center through a twenty-year operating agreement. The Medical Center is required by the operating agreement to fund any operating deficit of PMH during any fiscal year that the agreement is in effect. PMH is a nonprofit acute care hospital, which provides inpatient, outpatient and emergency care services to the residents of Pender County and vicinity. PMH is included in the Medical Center's reporting entity as a discretely presented component unit.

The New Hanover County ABC Board (*ABC Board*) is a corporate body with powers outlined by N.C.G.S. 18B-701. The members of the ABC Board's governing board are appointed by the County Board of Commissioners. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County (and its municipalities) which represents a financial benefit to the County. The ABC Board, which has a June 30 year-end, is presented as if it were an enterprise fund.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012**

The New Hanover County Tourism Development Authority (*TDA*) was established effective January 1, 2003 by the Board of County Commissioners under the authority of North Carolina State Legislature House Bill 1707 and 1720 approved October 3, 2002. The Board of County Commissioners appointed ten members of the TDA board to serve with five ex-officio members of the TDA Board. The TDA continues the promotional efforts of the former 501c(6) Cape Fear Coast Convention and Visitors Bureau (CVB). The TDA promotes tourism in the County and its electing municipalities. The TDA, which has a June 30 year-end, is presented as if it were an enterprise fund.

Complete financial statements for each of the individual component units may be obtained at the administrative offices of those entities.

New Hanover County Airport Authority  
1740 Airport Blvd.  
Wilmington, N.C. 28405

New Hanover Regional Medical Center  
Post Office Box 9000  
Wilmington, N.C. 28402

New Hanover County ABC Board  
523 S. 17<sup>th</sup> Street  
Wilmington, N.C. 28401

New Hanover County Tourism Development Authority  
505 Nutt Street, Unit A  
Wilmington, N.C. 28401

The County's Board of Commissioners is responsible for appointing the seven members of the board of the Industrial Facilities and Pollution Control Financing Authority (Industrial Authority), and the County can remove any member of the Board with or without cause. The Industrial Authority exists to issue and service revenue bond debt for private businesses to aid in the financing of the industrial manufacturing facilities for the purpose of providing employment and raising below average manufacturing wages for established industries that are in need of modernization in order to meet the pollution control requirements of the federal government, state, county and city. The Industrial Authority has no financial transactions or account balances; therefore, it is not presented in the government-wide financial statements. The Industrial Authority does not issue separate financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012**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 revenue 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 were not made. 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.

**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.** This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Debt service payments for the governmental long-term debt are accounted for in the general fund, except those accounted for in special revenue funds. For statement presentation in accordance with GASB Statement No. 54, the Public Schools Fund, which accounts for all transactions relative to public school activity in the County, is consolidated in the General Fund.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**Room Occupancy Tax Special Revenue.** This fund accounts for the collection and disbursement of the room occupancy tax which is a legislatively enacted tax. The tax is used for tourism and erosion control.

**\$164 Million Cape Fear Community College Bonds.** This fund accounts for all transactions relative to the Cape Fear Community College capital projects funded through \$164 Million general obligation bonds.

The County reports the following major enterprise fund:

**Environmental Management Fund.** This fund accounts for the Landfill and Waste-to-Energy Facility operations, recycling and related construction projects.

The County reports the following fiduciary fund types:

**Pension Trust Fund** - The County's pension trust fund accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, defined benefit, public safety employee retirement system. The Pension Trust Fund is accounted for in essentially the same manner as proprietary funds.

**Agency Funds** - Agency funds are custodial in nature, used to account for assets held by the County for individuals, private organizations, other governmental units and other funds. The agency funds include room occupancy tax, social services, tax clearing, and other escrows.

**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, except for the agency funds which have no measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using 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 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Governmental Fund Financial Statements.** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Long-term debt issued and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a 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, the County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 1, 2011 through February 28, 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

Sales taxes 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.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

Government-wide and proprietary fund financial statements 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.

**D. Assets and Liabilities****Cash, Cash Equivalents, Deposits and Investments**

All deposits of the County, Authority, Medical Center, ABC Board and TDA are made in board-designated official depositories and are secured as required by G.S. 159-31. The County, Authority, Medical Center, ABC Board and TDA may designate, as an official depository, any bank or savings and loan association whose principal office is located in North Carolina and 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, Authority, Medical Center, ABC Board and TDA 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). Additionally, the Medical Center is authorized to invest in Department of State Treasurer Short Term Investment Fund and Department of State Treasurer Trust Funds – Investment Program – Equity Investment Fund.

The County pools substantially all cash and investments from all funds utilizing a single central depository. Each fund owns a pro rata interest in the depository and investment earnings are allocated based on daily average equity. Therefore all cash and investments of its enterprise funds are essentially demand deposits and are considered cash and cash equivalents. Equities of funds participating in the depository are included on the Statement of Net Assets in "Cash, cash equivalents and investments" or "Restricted cash, cash equivalents and investments".

The Authority, Medical Center, and ABC Board consider demand deposits and short-term, highly liquid investments maturing in three months or less from the date of purchase, to be cash and cash equivalents.

The County, Authority, and ABC Board'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 NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual 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 are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost. The Medical Center reports all investments at fair value.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012****Ad Valorem (Property) Taxes Receivable**

According to the North Carolina General Statutes, ad valorem taxes are levied (assessment date) on July 1, the beginning of the fiscal year, and are due (due date) September 1 at which time they become a lien on the property (lien date). The collection period runs from September 1 until January 5. Late payment interest begins to accrue January 6. These taxes are based on January 1, 2011 assessed values on property other than vehicles.

**Restricted Assets and Liabilities**

When capital projects are funded primarily by debt issues, interest on unspent debt proceeds, or state and federal grants, the current assets and current liabilities related to those projects are shown as restricted assets and liabilities.

**Allowances for Doubtful Accounts**

Allowances for doubtful accounts are maintained for all types of receivables which historically experience uncollectible accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**Inventory**

Inventories of supplies and parts held at the County's garage (General Fund) are valued at cost (first-in, first-out method), which approximates market. Inventories held for use in operations in the County's waste-to-energy facility and landfill (Environmental Management Fund), the Medical Center, and the ABC Board are valued at the lower of cost (first-in, first-out method) or market. Inventories are recorded as an asset and inventoriable supplies and parts are not charged to operations until consumed or sold.

**Prepays**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets.

**Capital Assets**

Capital assets, which include equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in proprietary fund financial statements. Capital assets are not recognized in governmental fund financial statements. Capital outlays are recognized as expenditures.

The County's capital assets and those of the Authority, Medical Center, ABC Board and TDA are valued at original cost or estimated original cost if actual historical cost was not available due to lack of detailed records in earlier years. Donated capital assets are valued at their estimated fair market value on the date donated.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012**

Minimum capitalization costs of the County are \$5,000 for land, buildings and other improvements, and equipment. All vehicles are capitalized regardless of cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Minimum capitalization costs of the Medical Center are capital assets with a cost of \$1,000 or greater and a useful life of at least one year.

Minimum capitalization costs of the Authority are capital assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years.

Minimum capitalization costs of the TDA are as follows: equipment, \$1,000; and all computers are capitalized regardless of cost.

Legal title to the Medical Center's capital assets is in the name of either New Hanover County or New Hanover Regional Medical Center. Substantially all facilities, equipment, and future improvements are leased from New Hanover County. Legal title to LCFH's capital assets is in LCFH's name. Legal title to PMH's capital assets is in the name of either Pender County or Pender Memorial Hospital, Incorporated. Substantially all of PMH's facilities are leased from Pender County.

The County holds title to certain properties which are reflected as capital assets in the financial statements of the Authority. A lease agreement, executed in 1989, for \$1 per year, through 2019 with an option to renew for an additional thirty years between the County and the Authority gives the Authority full use of the facilities. The lease contains certain restrictions including requiring that the facility be used as an airport, and that the Authority carry insurance, maintain the facilities, notify the County prior to disposing of certain assets, and certain other restrictions.

The Authority recorded the historical costs and accumulated depreciation of capital assets included in the lease agreement with the County.

The County holds title to certain New Hanover County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the New Hanover County Board of Education.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

The County and its component units follow the policy of capitalizing interest as a component of the cost of business type activity capital assets constructed for their own use. When the County leases capital assets to a discretely presented component unit for nominal amounts, the County reports those capital assets and related depreciation in the component unit.

The County evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in the service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the government are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the government are measured using the method that best reflects the diminished service utility of the capital assets. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in the impairment of a capital asset are netted against the impairment loss.

Depreciation of all depreciable capital assets is charged as an expense against their operations in the government-wide financial statements and in the proprietary fund financial statements. Accumulated depreciation is reported in the statements of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives of depreciable capital assets of the County are generally as follows:

Buildings	10 - 40 years
Other improvements	10 - 40 years
Equipment and vehicles	3 - 10 years

Depreciable capital assets of the Authority are depreciated over their estimated useful lives on a straight-line basis as follows:

Airfield improvements	10 years
Airfield building	25 years
Building improvements	5-15 years
Vehicles	5-20 years
Machinery and equipment	5-15 years

Depreciable capital assets of the Medical Center are depreciated over their estimated useful lives on a straight-line basis as recommended by the American Hospital Association.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Depreciable capital assets of the ABC Board are depreciated over their estimated useful lives on a straight-line basis.

Depreciable capital assets of the TDA are depreciated over their estimated useful lives on a straight-line basis as follows:

Equipment	5-10 years
-----------	------------

**Amortization of Bond Issuance Costs and Intangible Capital Assets**

Bond issuance costs incurred are amortized over the life of the related bond issue using the straight line method in the government-wide financial statements and in the proprietary fund financial statements.

In the governmental fund financial statements, governmental fund types recognize bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Intangible capital assets of the Medical Center consist of bond issuance costs, goodwill and other intangibles and are recorded net of amortization. Goodwill and other intangibles are recorded at historical cost and amortized over the estimated life of the expected economic benefit, using the straight-line method. Bond issuance costs are amortized over the life of the related bond issue using the effective interest method for fixed rate bonds and the straight-line method for variable rate bonds.

**Medical Insurance**

The County is self-insured for group medical insurance. The County’s losses are limited under the contract by specific and aggregate stop-loss insurance coverage for claims above specific amounts. Provisions for estimated unpaid claims outstanding at June 30, 2012 have been made.

The Medical Center is self-insured for employee medical claims and contracts with a third party to administer the program. The Medical Center's losses are limited under the contract by specific and aggregate stop-loss insurance coverage for claims above specified amounts. The Medical Center is also self-insured for a portion of professional liabilities, workers' compensation and unemployment benefits. Provisions for estimated unpaid claims outstanding at September 30, 2012 have been made.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012****Long-Term Debt**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. In accordance with GASB Statement No. 23, an unamortized charge, the difference between the reacquisition price and the net carrying amount of old debt, on refundings of debt is deferred and amortized to interest expense using the proportionate-to-stated-interest method in business-type activities/proprietary fund types. The unamortized charge is reported as a deduction from long-term debt.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as another financing source and is not considered a fund liability.

**Bond Discounts and Premiums**

In the government-wide financial statements and proprietary fund financial statements, bond discounts and premiums are deferred and amortized over the life of the bonds using the proportionate-to-stated-interest method. Long-term debt is reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums and discounts are recognized during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**Compensated Absences**

The personal leave policy of the County generally provides for the accumulation of up to forty (40) days earned personal leave with such leave being fully vested when earned. Personal leave earned above the annual provision converts to sick leave. The personal leave policy of the Authority generally provides for the accumulation of time depending on the length of service and job classification. Personal leave may accumulate to a maximum of 480 hours. The Medical Center did not disclose their policies. The ABC Board employees may accumulate up to the maximum of leave accumulated in one year which is based on time of service. The personal leave policy of the TDA generally provides for the accumulation of up to one year's earned personal leave with such leave being fully vested when earned. For the County's government-wide financial statements and proprietary funds, Authority, Medical Center and TDA, an expense and a liability for compensated absences and the salary-related payments are recorded as the personal leave is earned. Compensated absences are reported in governmental funds only if they matured.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

The sick leave policy of the County and the Authority generally 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. The sick leave policy of the TDA provides for the accumulation of up to 240 hours of earned sick leave, however sick leave does not vest. Since the County, Authority and TDA have no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave is reported. The Medical Center did not disclose their policies. ABC Board employees can accumulate an unlimited amount of sick leave. The ABC Board has no obligation for accumulated sick leave until it is actually taken and therefore no accrual for sick leave has been made.

**Accounting Estimates**

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

**E. Net Assets/Fund Balances****Net Assets**

Net assets in the government-wide and proprietary fund financial statements are classified as follows:

- **Invested in capital assets, net of related debt** - This component of net assets consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- **Restricted** - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt", above.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

**Inventories** – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

**Prepays** – portion of fund balance that is not an available resource because it represents the year-end balance of ending prepaid expenses, which are not spendable resources.

**Restricted Fund Balance** – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors, or imposed by law.

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

**Restricted for Register of Deeds** – portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.

**Restricted for human services** – portion of fund balance that is restricted by revenue source for health and human services.

**Restricted for public safety** – portion of fund balance that is restricted by revenue source for public safety related activities such as police, fire and 911.

**Restricted for economic and physical development** – portion fund balance that is restricted by revenue source for economic and physical development including erosion control.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Restricted for culture and recreation – portion of fund balance that is restricted by revenue source for culture and recreation related activities including parks and gardens.

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

Purpose	General Fund	Room Occupancy Fund	\$164M CFCC Capital Project Fund	Other Governmental Funds
Register of Deeds	\$625,992	\$0	\$0	\$0
Human services	0	0	0	22,045
Public safety	0	0	0	1,105,646
Economic and physical development	0	39,620,019	0	133,606
Culture and recreation	0	0	0	8,364,344
Education	0	0	13,720,506	2,017,293
	<u>\$625,992</u>	<u>\$39,620,019</u>	<u>\$13,720,506</u>	<u>\$11,642,934</u>

Committed Fund Balance - This classification includes revenue sources that can only be used for specific purpose imposed by majority vote of New Hanover County governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the government body.

Committed for public safety – portion of fund balance that can only be used for fire services.

Committed for economic and physical development – portion of fund balance budgeted by the Board to be used for the maintenance of the Masons Inlet relocation.  
Committed for culture and recreation – portion of fund balance budgeted by the Board to be used for future park related capital projects.

Purpose	Other Governmental Funds
Public safety	4,226,116
Economic and physical development	59,633
Culture and recreation	15,198
	<u>\$4,300,947</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Assigned Fund Balance – This classification includes revenue sources that are assigned to a specific purpose internally imposed by the County’s intent to be used for a specific purpose, but are neither restricted nor committed.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed.

Post employment benefits – portion of fund balance that has been budgeted by the board for payments into the post employment benefits trust.

Assigned for public schools – portion of fund balance that has been budgeted by the board to fund the operating expenditures and debt service of the New Hanover county public schools.

Assigned for revolving loans – portion of fund balance that has been budgeted by the board to fund revolving loans.

Purpose	General Fund	Other Governmental Funds
Subsequent year's expenditures	\$7,000,000	\$0
Post employment benefits	1,900,000	0
Public schools	2,554,087	0
Revolving loans	0	68,966
	\$11,454,087	\$68,966

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

The spending practices for programs with multiple revenue sources in New Hanover County guides the Finance Officer to spend funds using the following hierarchy: Bond proceeds, federal funds, State funds, local funds, and county funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this practice if it is in the best interest of the County.

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

Total fund balance - General Fund	\$ 94,196,100
Less:	
Inventories	15,737
Prepays	31,053
Stabilization by State Statute	21,142,808
Remaining Fund Balance	\$ 73,006,502

The County has also adopted a fund balance policy that requires an available fund balance in the general fund in an amount no less than 8 percent of the general fund expenditures at the end of each fiscal year. It also establishes the goal of maintaining available fund balance in the general fund in an amount of 16.67 percent of the general fund expenditures at the end of each fiscal year.

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

Encumbrances:	
General Fund	\$1,601,981
Room Occupancy Tax	242,856
Special fire district	222,837
CDBG Scattered Site Housing	7,420
\$35.5M parks & recreation	80,457
Federal forfeited property	77,102
Masons Inlet relocation	198,380
Total encumbrances	\$2,431,033

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**Exhibit 13**  
**(Cont.)**

**F. Reconciliation of Government-Wide and Fund Financial Statements**

1. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets.

The governmental funds balance sheet includes a summary reconciliation between total fund balance - governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. The net adjustment of (\$232,836,052) consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$164,373,021
Other long-term assets are not available to pay for current period expenditures	37,980,350
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide	3,980,318
Debt issuance costs expensed in the funds as incurred but recorded as an asset and amortized in the government-wide statements	2,043,334
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds and installment financing	(401,971,684)
Accrued interest payable	(4,263,572)
Compensated absences	(6,040,096)
Net pension obligation	(562,336)
Net OPEB obligation	(28,300,387)
Claims and judgments	<u>(75,000)</u>
Total adjustment	<u><u>(\$232,836,052)</u></u>

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a summary reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental funds and changes in net assets of statement of activities. There are several elements of that total adjustment of \$18,811,313 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 6,492,217
Loss on disposal of assets	(98,258)
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(8,665,351)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements.	33,066,784
Amortization of debt issuance costs and charges on debt	(201,164)
Net amortization of discounts and premiums on debt	1,764,752
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Accrued interest payable	261,284
Claims and judgments	110,000
Compensated absences	(306,940)
Net pension obligation	(880)
Net OPEB obligation	(9,749,443)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements. Revenue in the fund Statements that are repayments of long-term receivables are not recorded as revenue in the statement of activities.	
Repayments of long-term receivable	(4,223,600)
Special assessments deferred in the fund statements	(424,683)
Other miscellaneous revenue deferred in the fund statements	697,659
Reversal of deferred tax revenue recorded at June 30, 2010	(2,403,107)
Recording of deferred revenue – taxes receivable in the fund statements as of June 30, 2011	<u>2,492,043</u>
Total adjustment	<u>\$18,811,313</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

## NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted as required by North Carolina General Statutes. Budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project ordinances. Proprietary funds are budgeted in the same manner as governmental type funds and, as such, are not budgeted on the accrual basis. The County follows these procedures in establishing the budgetary data reflected in the financial statements:

In the General Fund, department heads are authorized to transfer budgeted line items between appropriation units within their departments if the overall departmental budget remains unchanged. The County Manager is authorized to make transfers between appropriation units within a budget function and to make transfers of up to \$2,500 between budget functions as they appear in the budget ordinance, but he must subsequently report these to the Board of Commissioners. All other funds are not budgeted by function, therefore the County Manager can authorize transfers within the fund. The Board of Commissioners must approve all other budget transfers before they become valid. The originally adopted annual budget ordinance was increased \$12,615,825 during the fiscal year ended June 30, 2012.

Appropriations under annual budgets lapse at fiscal year end, whereas appropriations under project ordinances continue for the project life. The level of control for each legally adopted annual appropriated budget during the year ended June 30, 2012, was as follows:

Fund	Level
<b>Governmental Funds:</b>	
General	Function
Room Occupancy Tax Special Revenue	Fund
Special Fire District Special Revenue	Fund
Public Schools Special Revenue	Fund
Revolving Loan Program	Fund
Emergency Telephone System Special Revenue	Fund
Local Law Enforcement Block Grant Special Revenue	Fund
<b>Proprietary Fund:</b>	
Environmental Management Operating	Fund

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

The Parks Foundation, the Public Health Foundation of New Hanover County, Inc., and the Airlie Gardens Foundation, Inc. special revenue funds (blended component units), and the Law Enforcement Officers' Pension Trust Fund did not adopt annual appropriated budgets.

**NOTE 3: DETAIL NOTES ON ALL FUNDS****A. Assets****Cash, Cash Equivalents, Deposits and Investments**

**Deposits.** All of the County's, Authority's, Medical Center's, ABC Board's and TDA'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, Authority's, Medical Center's, ABC Board's or TDA's agents in these units' names. Under the Pooling Method, a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer of North Carolina's (State Treasurer) agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, Authority, Medical Center, ABC Board and TDA, these deposits are considered to be held by their agents in the entities' names. 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, Authority, Medical Center, ABC Board, TDA or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, Authority, Medical Center, ABC Board, and TDA under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer 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, Authority, Medical Center, ABC Board and TDA rely on the State Treasurer to monitor those financial institutions. There is no formal policy regarding custodial credit risk for deposits.

At June 30, 2012, the County's deposits had a carrying amount of \$73,107,619 and a bank balance of \$72,659,982. Of the bank balance, \$1,272,045 was covered by federal depository insurance and \$71,387,937 was covered by collateral held under the Pooling Method.

At June 30, 2012, the Authority's deposits had a carrying amount of \$10,905,498 and a bank balance of \$10,971,024. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

At September 30, 2011, the Medical Center's deposits had a carrying amount of \$45,195,000 and a bank balance of \$59,681,000. Of the bank balance, \$250,000 per financial institution was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

At September 30, 2011, LCFH had cash balances in a financial institution that from time to time have exceeded federal depository insurance coverage. The carrying amount and bank balance were \$7,198,000 and \$4,598,000 respectively. Bank balances in excess of federal depository insurance limits are uninsured and uncollateralized.

At September 30, 2011, PMH had cash balances in two financial institutions that from time to time have exceeded federal depository insurance coverage. Uninsured amounts are collateralized under the Pooling Method. The carrying amount and bank balance were \$824,000 and \$1,094,000 respectively.

At June 30, 2012, the ABC Board's deposits had a carrying amount of \$5,803,483 and a bank balance of \$6,008,213. Bank balances over the federal depository insurance limits are collateralized under the dedicated method.

At June 30, 2012, the TDA's deposits had a carrying amount of \$365,370 and a bank balance of \$370,107. Of the bank balance, \$282,082 was covered by federal depository insurance and \$88,025 was covered by collateral held under the Pooling Method.

**Investments**

At June 30, 2012, the County had the following investments and maturities:

Investment Type	Fair Value	Less Than 6 Months	6-12 Months	More Than 12 Months
US Treasury	\$3,009,601	0	\$ 3,000,000	0
US Government Agencies	54,284,279	18,223,000	28,535,000	7,500,000
Commercial Paper	4,995,094	5,000,000		
NC Capital Management Trust-Cash Portfolio	36,494,434	0	0	0
Fixed Income Securities- Airlie Foundation	564,873	0	0	0
Mutual Funds - Airlie Foundation	1,030,739			
Money Market	956,394	0	0	0
<b>Total</b>	<b>\$101,335,414</b>	<b>\$ 23,223,000</b>	<b>\$ 31,535,000</b>	<b>\$ 7,500,000</b>

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits the County's investment portfolio to maturities of at least 1) 30% maturing within 30 days, 2) 75% maturing within 180 days, and 3) 100% maturing within 3 years.

**Credit Risk.** The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. 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 managing credit risk. 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, 2012. The County's investments in US Government Agencies are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2012, the Airlie Gardens Foundation had \$564,873 invested in fixed income securities held by counterparties in the name of Airlie Gardens Foundation, Inc. The County had no policy on custodial credit risk, but it contracts with the trust department of a financial institution to hold its investments in the County's name.

**Concentration of Credit Risk.** The County places a limit of no more than 50% of the investment portfolio may be invested in any one institution. Also, no more than 50% of the investment portfolio may be invested in any one investment vehicle. No investments in the portfolio of the County violate this credit risk concentration. More than 5% of the County's US Government Agencies investments are in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and the Federal National Management Association. These investments make up 12.81%, 15.10%, 1.47%, and 2.46% of the County's investments excluding investments with NC Capital Management Trust, respectively.

At June 30, 2012, the Authority's investments of \$3,680,240 in the North Carolina Capital Management Trust Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's, Inc. The Authority has no policy for managing interest rate or credit risk.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

At September 30, 2011, the Medical Center's investment balance (including \$12,341,000 and \$1,204,000 from Lower Cape Fear Hospice and Pender Memorial Hospital, respectively; and \$289,427,000 from the Medical Center) consisted of the following (in thousands):

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6- 10 Years	11-20 Years	More Than 20 Years
US Government Treasuries	\$58,202	\$0	\$0	\$54,242	\$0	\$3,960
US Government Agencies	124,799	0	30,694	12,385	48,268	33,452
NC Capital Management Trust - Cash Portfolio	\$52,221	0	0	0	0	0
Department of State Treasurer Short Term Investment fund (STIF)	68	0	0	0	0	0
Department of State Treasurer Trust Funds Investment Program- Equity Investment Fund	48,340	0		0	0	0
Bond Funds	2,526	0		0	0	0
Mutual Funds	14,848	0		0	0	0
Municipal Bonds	1,968	0	0	0	0	0
<b>Total</b>	<b>\$302,972</b>	<b>\$0</b>	<b>\$30,694</b>	<b>\$66,627</b>	<b>\$48,268</b>	<b>\$37,412</b>

**Interest Rate Risk.** The Medical Center's investment policy mitigates interest rate risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. The Medical Center also invests in collateralized mortgage obligations and mortgage backed securities. The value of the securities is based on the cash flows from principal and interest payments due on underlying mortgages. When interest rates decline, prepayments by mortgagees may increase. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

**Credit Risk.** NC Statutes limit the Medical Center's investments to obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of specific U.S. government agencies; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; certain high quality issues of commercial paper and bankers' acceptances; investment in a commingled investment pool established and administered by the North Carolina State Treasurer; certain repurchase agreements with respect to direct obligations of the United States or obligations which are guaranteed by the United States as to principal and interest; and the NCCMT. The Medical Center's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of September 30, 2011. The Medical Center's investment portfolio holds debentures and mortgage backed securities issued by Fannie Mae, Freddie Mac, Vendee Mortgage Trust, and GNMA and debentures issued by Federal Home Loan Bank and Federal Farm Credit Bank, and certain municipal bonds. All are rated Aaa by Moody's Investors Service or backed by the full faith of the US Government, which is rated Aaa, as of September 30, 2011.

**Custodial Credit Risk.** The Medical Center has no formal custodial credit risk policy in addition to the governing of NC Statutes.

**Concentration of Credit Risk.** The Medical Center's investment policy requires a balance between short/intermediate fixed income investments, broad duration fixed income securities, and investment in a commingled investment pool established and administered by the North Carolina State Treasurer as allowable under NC Statutes, however it places no limit on the amount the Medical Center may invest in any one issuer. As of September 30, 2011 securities issued/guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae represent 15.8%, 16.1%, and 6.0% of the Medical Center's investment portfolio, respectively.

At June 30, 2012 the TDA had \$1,039,787 invested with the North Carolina Capital Management Trust's Cash Portfolio which carries a credit rating of AAAM by Standard and Poor's. The TDA has no policy regarding credit risk.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Cash, cash equivalents and investments of the County can be summarized as follows as of June 30, 2012:

	<b>Total</b>
Cash on hand and undeposited items	\$101,884
Deposits	73,107,619
Investments	101,401,041
<b>Total</b>	<b>\$174,610,544</b>
Primary Government Unrestricted	\$146,226,104
Primary Government Restricted	17,846,493
Law Enforcement Officers' Pension Trust Fund - Unrestricted	836,226
Agency Funds - Unrestricted	9,701,721
<b>Total</b>	<b>\$174,610,544</b>

Cash, cash equivalents and investments of the Authority can be summarized as follows as of June 30, 2012:

	<b>Total</b>
Cash on hand	\$1,000
Deposits	10,905,498
Investments	3,680,240
<b>Total</b>	<b>\$14,586,738</b>
Unrestricted	\$11,974,376
Restricted	2,612,362
<b>Total</b>	<b>\$14,586,738</b>

Cash, cash equivalents and investments of the Medical Center can be summarized as follows as of September 30, 2011:

	<b>Total</b>
Cash on hand	\$28,000
Deposits	53,217,000
Investments	302,972,000
<b>Total</b>	<b>\$356,217,000</b>
Unrestricted	\$347,486,000
Restricted	8,731,000
<b>Total</b>	<b>\$356,217,000</b>

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Cash, cash equivalents and investments of the ABC Board can be summarized as follows as of June 30, 2012:

	<b>Total</b>
Cash on hand	\$31,700
Deposits	5,803,483
Investments	0
<b>Total Unrestricted</b>	<b>\$5,835,183</b>

Cash, cash equivalents and investments of the TDA can be summarized as follows as of June 30, 2012:

	<b>Total</b>
Deposits	365,370
Investments	1,039,787
<b>Total Unrestricted</b>	<b>\$1,405,157</b>

**Receivables**

The County divested its water and sewer assets and operations to Cape Fear Public Utility Authority (CFPUA) on July 1, 2008. As part of the divestiture, CFPUA assumed all of the County's liabilities including the long-term debt. However, certain term debt issuances of the County were combined between the governmental and business type activities and as such could not be transferred as part of the inter-local agreement. Accordingly, the County is continuing to service the outstanding term debt and has recorded a receivable in its governmental activities in the government-wide statements from CFPUA in the same amount as the outstanding debt issuances which were not legally transferred to CFPUA. These debt balances are now considered governmental activities debt in the government-wide statements. The term and interest rate of the receivable corresponds to the terms and interest rates of the aforementioned debt. The long-term receivable balance from the Authority is \$22,667,600 at June 30, 2012 which is recorded as other long-term receivables of governmental activities on the statement of net assets. The related long-term debt balances in the same amount are reported as long-term obligations of governmental activities on the statement of net assets at June 30, 2012.

In 2003, the County agreed to loan the Authority \$800,000 to be repaid over a ten year period in annual installments at an interest rate equal to the interest rate on the Certificate of Participation, Series 2003 which range from 2.375% to 3.5%. The funds related to the agreement were not disbursed to the Authority until 2008, at which time the repayment period began. During 2010, unexpended proceeds from this note in the amount of \$72,441, including \$2,709 for interest, were applied to the note, resulting in a decrease of the note receivable and a restructuring of payments. The note receivable balance was paid off in 2012 and has a balance of \$0 at June 30, 2012.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

In 2006, the County entered into an agreement with the City of Wilmington in which the County would issue bonds to fund certain City of Wilmington park projects and joint projects between the County and the City of Wilmington. Parks & recreation bonds were issued in 2008 and 2010 for these projects. Accordingly, the County is servicing the outstanding debt for bonds issued in 2008 and 2010. The County has recorded a receivable in its governmental activities in the government-wide statements from the City of Wilmington in an amount that represents their portion of the outstanding debt issuances. The term and interest rate of the receivable corresponds to the terms and interest rates of the aforementioned debt. The long-term receivable balance from the City of Wilmington is \$15,312,750 at June 30, 2012 which is recorded as other long-term receivables of governmental activities on the statement of net assets. The related long-term debt balances of \$31,250,000, which include the County's portion of the joint projects, are reported as long-term obligations of governmental activities on the statement of net assets at June 30, 2012.

Receivables at the government-wide level of the County are recorded net of allowances for doubtful accounts and are composed of the following major categories at June 30, 2012:

<b>Governmental Activities:</b>	<b>Property Taxes (Other Sources)</b>	<b>Other Governmental Units</b>	<b>Other Sources (1)</b>	<b>Total</b>
General				
Local Sales Tax	\$0	\$13,077,646	\$0	\$13,077,646
Grants	0	3,940,639	0	3,940,639
Other	2,327,645	1,076,809	2,140,211	5,544,665
Subtotal	2,327,645	18,095,094	2,140,211	22,562,950
Special Revenue	164,208	574,148	952,541	1,690,897
Capital Projects	0	289,740	0	289,740
Total- Governmental Activities	2,491,853	18,958,982	3,092,752	24,543,587
<b>Business- Type Activities:</b>				
Enterprise	0	0	1,376,116	1,376,116
<b>Fiduciary Activities</b>				
Agency Fund	2,599,365	1,041,827	733,325	4,374,517
<b>Total</b>	<b>\$5,091,218</b>	<b>\$20,000,809</b>	<b>\$5,202,193</b>	<b>\$30,294,220</b>
Primary Government - Unrestricted				\$25,919,703
Agency Funds - Unrestricted				4,374,517
<b>Total</b>				<b>\$30,294,220</b>

(1) Other sources are principally due from customers of New Hanover County and special assessments of \$307,528 which are due annually through fiscal year 2013.

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**Exhibit 13**  
**(Cont.)**

Allowances for Doubtful and Uncollectible Accounts

The amounts shown in Exhibit 1 for receivables of the County are net of the following allowances for doubtful accounts:

<b>Governmental Activities:</b>	
Allowance for Uncollectible Property Taxes	\$4,085,704
Allowance for Other Uncollectible Receivables	3,977,970
<b>Total - Governmental Activities</b>	<b>\$8,063,674</b>

The amount shown in Exhibit 1 for receivables of the Authority are net of an allowance in the amount of \$50,000 for possible uncollectible accounts.

The amount shown in Exhibit 1 for receivables of the Medical Center are net of an allowance for uncollectible accounts of \$69,315,000.

Ad Valorem Taxes

The County collects taxes for the four municipalities located within New Hanover County and accounts for these taxes, as a fiduciary responsibility, in the Tax Clearing Agency Fund.

Analysis of Current Tax Levy (for General Fund only):

	<b>Total Property Valuation</b>	<b>Rate per \$100</b>	<b>Levy</b>
2011 Levy - County Wide (1)		\$0.4655	\$160,760,777
Add: Discoveries and fees			595,894
Subtotal			161,356,671
Less: Abatements and adjustments			1,603,686
<b>Total adjusted levy</b>	<b>\$34,190,526,948</b>		<b>\$159,752,985</b>
<b>Collections</b>			<b>\$157,409,935</b>
Percent Collected			98.53%

(1) Penalties assessed become a part of the tax levy but have no effect on the property valuation.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Analysis of General Fund property taxes receivable by year:

Tax Year	Taxes Receivable June 30, 2011	2011 Levy Discoveries and Fees	Collections	Abatements and Adjustments	Taxes Receivable June 30, 2012
Prior	\$6,161,570	\$709,925	\$2,451,860	\$476,716	\$3,942,919
2011	0	161,356,671	157,409,935	1,603,688	2,343,048
<b>Totals</b>	<b>\$6,161,570</b>	<b>\$162,066,596</b>	<b>\$159,861,795</b>	<b>\$2,080,404</b>	<b>\$6,285,967</b>
Less allowance for uncollectible property taxes					3,958,322
<b>Net property taxes receivable</b>					<b>\$2,327,645</b>

Analysis of Current Tax Levy (for Special Fire District only):

	Total Property Valuation	Rate per \$100	Levy
2011 Levy - County Wide (1)		\$0.0675	\$8,733,467
Add: Discoveries and fees			20,059
Subtotal			8,753,526
Less: Abatements and adjustments			52,893
<b>Total adjusted levy</b>	<b>\$12,842,155,229</b>		<b>\$8,700,633</b>
<b>Collections</b>			<b>\$8,574,649</b>
Percent Collected			98.55%

(1) Penalties assessed become a part of the tax levy but have no effect on the assessed valuation.

Analysis of Special Fire District property taxes receivable by year:

Tax Year	Taxes Receivable June 30, 2011	2011 Levy Discoveries and Fees	Collections	Abatements and Adjustments	Taxes Receivable June 30, 2012
Prior	\$302,928	\$71,125	\$166,479	\$41,968	\$165,606
2011	0	8,753,526	8,574,649	52,893	125,984
<b>Totals</b>	<b>\$302,928</b>	<b>\$8,824,651</b>	<b>\$8,741,128</b>	<b>\$94,861</b>	<b>\$291,590</b>
Less allowance for uncollectible property taxes					127,382
<b>Net property taxes receivable</b>					<b>\$164,208</b>

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

## Use-Value Assessment on Certain Lands:

In accordance with North Carolina General Statutes, agriculture, horticulture, and forest land may be taxed at 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 accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that would become due if present use-value eligibility is lost on June 30, 2012. These amounts have not been recorded in the financial statements, since they are not available under the modified accrual basis of accounting.

<b>Year Levied</b>	<b>Contingent - Gain Tax Recapture</b>
2008	\$412,456
2009	399,599
2010	423,513
2011	429,411
<b>Total</b>	<b>\$1,664,979</b>

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**Exhibit 13**  
**(Cont.)**

**Capital Assets**

Capital assets activity of the primary government for the year ended June 30, 2012 is as follows:

<b>Governmental Activities</b>	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>Balance June 30, 2012</b>
<b>Capital assets not being depreciated:</b>				
Land	\$42,635,027	\$517,010	\$10,071	\$43,141,966
Construction in progress	7,599,238	3,864,462	5,483,459	5,980,241
<b>Total capital assets not being depreciated</b>	<b>50,234,265</b>	<b>4,381,472</b>	<b>5,493,530</b>	<b>49,122,207</b>
<b>Capital assets being depreciated:</b>				
Buildings	135,066,435	0	0	135,066,435
Other improvements	23,630,423	2,203,567	0	25,833,990
Equipment and vehicles	44,803,417	5,390,635	763,010	49,431,042
<b>Total capital assets being depreciated</b>	<b>203,500,275</b>	<b>7,594,202</b>	<b>763,010</b>	<b>210,331,467</b>
<b>Less accumulated depreciation for:</b>				
Buildings	40,736,979	3,198,896	0	43,935,875
Other improvements	15,754,127	1,155,139	0	16,909,266
Equipment and vehicles	30,599,021	4,311,316	674,825	34,235,512
<b>Total accumulated depreciation</b>	<b>87,090,127</b>	<b>\$8,665,351</b>	<b>\$674,825</b>	<b>95,080,653</b>
<b>Total capital assets being depreciated, net</b>	<b>116,410,148</b>			<b>115,250,814</b>
<b>Governmental activity capital assets, net</b>	<b>\$166,644,413</b>			<b>\$164,373,021</b>

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

<b>Business-Type Activities</b>	<b>Balance July 1, 2011</b>	<b>Additions/ Transfers</b>	<b>Deletions</b>	<b>Balance June 30, 2012</b>
<b>Capital Assets not being depreciated:</b>				
Land	\$2,459,201	\$0	\$0	\$2,459,201
Construction in progress	0	262,626	0	262,626
<b>Total capital assets not being depreciated</b>	<b>2,459,201</b>	<b>262,626</b>	<b>0</b>	<b>2,721,827</b>
<b>Capital assets being depreciated:</b>				
Buildings	22,983,152	0	0	22,983,152
Other improvements	19,239,040	0	0	19,239,040
Equipment and vehicles	27,457,906	1,342,488	1,223,328	27,577,066
<b>Total capital assets being depreciated</b>	<b>69,680,098</b>	<b>1,342,488</b>	<b>1,223,328</b>	<b>69,799,258</b>
<b>Less accumulated depreciation for:</b>				
Buildings	14,867,385	464,086	0	15,331,471
Other improvements	16,860,794	1,237,502	0	18,098,296
Equipment and vehicles	24,687,746	594,566	1,203,932	24,078,380
<b>Total accumulated depreciation</b>	<b>56,415,925</b>	<b>\$2,296,154</b>	<b>\$1,203,932</b>	<b>57,508,147</b>
<b>Total capital assets being depreciated, net</b>	<b>13,264,173</b>			<b>12,291,111</b>
<b>Business-Type activity capital assets, net</b>	<b>\$15,723,374</b>			<b>\$15,012,938</b>

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

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

<b>Governmental Activities:</b>	
General government	\$1,720,831
Human Services	455,905
Public Safety	5,171,685
Culture and recreation	1,315,700
Education	1,231
<b>Total depreciation expense - governmental activities</b>	<b>\$8,665,352</b>
<b>Business-type activities</b>	
Environmental Management	\$2,296,154
<b>Total Depreciation - business-type activities</b>	<b>\$2,296,154</b>

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Capital assets activity for the Authority for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Transfer	Balance June 30, 2012
<b>Capital Assets not being depreciated:</b>					
Land	\$14,736,267	\$29,788	\$0	\$0	\$14,766,055
Easements	567,880	0	0	0	567,880
Construction in progress	10,029,594	4,806,762	0	(1,401,229)	13,435,127
<b>Total capital assets not being depreciated</b>	<b>25,333,741</b>	<b>4,836,550</b>	<b>0</b>	<b>(1,401,229)</b>	<b>28,769,062</b>
<b>Capital assets being depreciated:</b>					
Land Improvements	0	190,865	0	179,326	370,191
Buildings and Improvements (Airfield and Building)	102,698,708	386,964	0	1,221,903	104,307,575
Vehicles	1,309,284	596,166	(318,367)	0	1,587,083
Machinery and Equipment	3,795,010	138,021	0	0	3,933,031
<b>Total capital assets being depreciated</b>	<b>107,803,002</b>	<b>1,312,016</b>	<b>(318,367)</b>	<b>1,401,229</b>	<b>110,197,880</b>
<b>Less accumulated depreciation for:</b>					
Land Improvements	0	12,812	0	0	12,812
Buildings and Improvements (Airfield and Building)	65,382,743	5,084,520	0	0	70,467,263
Vehicles	910,752	78,084	(318,367)	0	670,469
Machinery and Equipment	2,262,622	240,388	0	0	2,503,010
<b>Total accumulated depreciation</b>	<b>\$68,556,117</b>	<b>\$5,415,804</b>	<b>(\$318,367)</b>	<b>0</b>	<b>\$73,653,554</b>
<b>Total capital assets being depreciated, net</b>	<b>39,246,885</b>				<b>36,544,326</b>
<b>Business-Type activity capital assets, net</b>	<b>\$64,580,626</b>				<b>\$65,313,388</b>

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Capital asset activity for the Medical Center for the year ended September 30, 2011:

	<b>Balance October 1, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30, 2011</b>
<b>Capital Assets not being depreciated:</b>				
Land	\$14,854,000	\$513,000	\$344,000	\$15,023,000
Construction in progress	15,173,000	50,067,000	36,815,000	28,425,000
<b>Total capital assets not being depreciated</b>	<b>30,027,000</b>	<b>50,580,000</b>	<b>37,159,000</b>	<b>43,448,000</b>
<b>Capital assets being depreciated:</b>				
Buildings and leasehold improvements	494,148,000	19,608,000	1,529,000	512,227,000
Equipment	263,077,000	27,367,000	8,650,000	281,794,000
<b>being depreciated</b>	<b>757,225,000</b>	<b>46,975,000</b>	<b>10,179,000</b>	<b>794,021,000</b>
<b>Less accumulated depreciation for:</b>				
Buildings and leasehold improvements	349,343,000	42,187,000	8,198,000	383,332,000
<b>being depreciated, net</b>	<b>407,882,000</b>			<b>410,689,000</b>
<b>Capital assets, net</b>	<b>\$437,909,000</b>			<b>\$454,137,000</b>

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Capital assets for the ABC Board at June 30, 2012:

	Balance June 30, 2012
<b>Capital Assets, not being depreciated:</b>	
Land	\$4,946,076
Construction in progress	33,123
<b>Total capital assets not being depreciated</b>	<b>\$4,979,199</b>
<b>Capital assets being depreciated:</b>	
Buildings and improvements	\$9,180,226
Vehicles	126,157
Fixtures and equipment	738,672
<b>Total capital assets being depreciated</b>	<b>\$10,045,055</b>
Less: Accumulated depreciation	3,311,854
<b>Total capital assets being depreciated, net</b>	<b>\$6,733,201</b>
<b>Capital assets, net</b>	<b>\$11,712,400</b>

Capital asset activity for the TDA for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>Capital Assets being depreciated:</b>				
Equipment	\$101,386	\$14,717	\$2,800	\$113,303
Less: Accumulated depreciation	55,404	23,594	2,800	76,198
<b>Capital assets, net</b>	<b>\$45,982</b>	<b>(\$8,877)</b>	<b>\$0</b>	<b>\$37,105</b>

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**Exhibit 13**  
**(Cont.)**

**B. Liabilities**

**Payables**

Accounts payable and accrued expenses at the government-wide level at June 30, 2012 were as follows:

	<b>Vendors</b>	<b>Salaries and Benefits</b>	<b>Total</b>
<b>Governmental Activities:</b>			
General	\$5,466,938	\$5,080,444	\$10,547,382
Special Revenue	324,351	349,335	673,686
Capital Projects	3,929,137	0	3,929,137
<b>Total-governmental activities</b>	<b>\$9,720,426</b>	<b>\$5,429,778</b>	<b>\$15,150,204</b>
<b>Business-type activities</b>			
Environmental Management	\$1,248,347	\$103,205	\$1,351,552
<b>Total-business-type activities</b>	<b>\$1,248,347</b>	<b>\$103,205</b>	<b>\$1,351,552</b>

**Pension Plan Obligations**

The County and its component units participate in the following retirement systems:

**Local Governmental Employees' Retirement System of North Carolina.**

**Plan Description**

The County, Authority and ABC Board contribute 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.

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**Exhibit 13**  
**(Cont.)**

**Funding Policy**

Plan members are required to contribute six percent of their annual covered salary. The County, Authority and ABC Board are required to contribute at an actuarially determined rate. For the County, the 2012 rate for employees not engaged in law enforcement and for law enforcement officers is 6.97% and 7.04%, respectively, of annual covered payroll. For the Authority, the current rate for employees not engaged in law enforcement is 8.60% of annual covered payroll. The Authority's rate for law enforcement officers is 8.67% before October 1, 2011, and 8.68% for the rest of the fiscal year. For the ABC Board, the current rate for employees not engaged in law enforcement is 6.88% of annual covered payroll. The contribution requirements of members of the County, Authority and ABC Board are established and may be amended by the North Carolina General Assembly.

The County's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$4,797,584, \$4,313,040 and \$3,261,798, respectively.

The Authority's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$198,677, \$171,573 and \$136,925, respectively.

The ABC Board's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$129,786, \$114,560 and \$97,734, respectively.

The contributions made by the County, the Authority and the ABC Board equaled the required contributions for each year.

**Law Enforcement Officers' Special Separation Allowance**

**Plan Description**

The County and the Authority each administer a public employee retirement system (LEO System), a single-employer defined benefit pension plan that provides retirement benefits to the County's and Authority's qualified sworn law enforcement officers. The LEO System 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 LEO System of the County is reported in the CAFR as a pension trust fund. A separate financial report is not issued for the LEO System of the County or the Authority.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

All full-time County and Authority law enforcement officers are covered by the LEO System. At December 31, 2011, the LEO System's membership consisted of:

	County	Authority
Retirees receiving benefits	19	0
Active plan members	317	9
Total	336	9

**Summary of Significant Accounting Policies**

*Basis of Accounting.* Financial statements for the County's LEO System are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. The Authority's LEO System is not considered to be part of the County's or Authority's reporting entity as the Authority has chosen to fund the separation allowance on a pay as you go basis. Pension expense is recorded in these statements on the accrual basis.

*Method Used to Value Investments.* The County's LEO System investments are reported at market value. In the Authority's LEO System, no funds are set aside to pay benefits and administration costs. These expenses are paid as they come due.

**Funding Policy**

The County and Authority are required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and have chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations as needed and pay-as-you-go basis, respectively. For the current year, the County contributed \$512,034, or 3.21 % of annual covered payroll and the Authority contributed \$9,132. There were no contributions made by employees of the County or the Authority. The County's and Authority's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the LEO System are financed through investment earnings.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

The County's and the Authority's annual pension cost and net pension obligation to the LEO System for the current year were as follows:

	<b>County</b>	<b>Authority</b>
Annual required contribution	\$518,335	\$9,999
Interest on net pension obligation	28,073	952
Adjustment to annual required contribution	(33,494)	(1,136)
Annual pension costs	512,914	9,815
Contributions made	512,034	9,132
Increase (decrease) in net pension obligation	880	683
Net pension obligation beginning of year	561,456	19,038
<b>Net pension obligation end of year</b>	<b>\$562,336</b>	<b>\$19,721</b>

The annual required contribution of the County for the fiscal year ended June 30, 2012 was determined as part of the December 31, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.5% to 7.85% per year. The inflation component was 3.0%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2010 was 20 years.

<b>Trend Information for County</b>			
<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/10	\$409,486	87.55%	\$438,889
6/30/11	\$510,481	75.99%	\$561,456
6/30/12	\$512,914	99.83%	\$562,336

As of December 31, 2011, the most recent actuarial valuation date, the County's plan was 10.36 percent funded. The actuarial accrued liability for benefits was \$4,775,981, and the actuarial value of assets was \$494,732, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,281,249. The covered payroll (annual payroll of active employees covered by the plan) was \$15,967,718, and the ratio of the UAAL to the covered payroll was 26.81 percent.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution of the Authority for the fiscal year ended June 30, 2012 was determined as part of the December 31, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.5% to 7.85% per year. The inflation component was 3.0%. The assumptions did not include postretirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2010 was 20 years.

<b>Trend Information for Authority</b>			
<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/10	\$6,879	186.58%	\$23,232
6/30/11	\$8,641	148.54%	\$19,038
6/30/12	\$9,815	93.04%	\$19,721

As of December 31, 2011, the most recent actuarial valuation date, the Authority’s plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$53,679. The covered payroll (annual payroll of active employees covered by the plan) was \$411,372, and the ratio of the UAAL to the covered payroll was 13.05 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Supplemental Retirement Income Plan of North Carolina**

*Plan Description* The County and the Authority each contribute to the Supplemental Retirement Income Plan of North Carolina, 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 employees and general employees employed by the County and the Authority. Article 5 of G.S. Chapter 135 assigns the Authority to establish and amend benefit provisions to the North Carolina General

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy* Article 12E of G.S. Chapter 143 requires the County and the Authority to contribute an amount equal to five percent of each law enforcement employee's salary, and all amounts contributed are vested immediately. Also, the law enforcement employees and general employees may make voluntary contributions to the plan. The Authority elected to contribute on behalf of employees not engaged in law enforcement at the same rate as for law enforcement. Contributions of the County for the year ended June 30, 2012 were \$1,784,862, which consisted of \$823,785 from the County and \$961,077 from the law enforcement employees and general employees. Contributions of the Authority for the year ended June 30, 2012 were \$299,574 which consisted of \$96,562 from the Authority and \$203,012 from the law enforcement and general employees.

**Register of Deeds' Supplemental Pension Fund**

*Plan Description* The 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. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy* The County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2012, the County's required and actual contributions were \$21,104.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012**New Hanover Regional Medical Center (NHRMC) Pension Plan**

NHRMC Plan Description. NHRMC sponsors and has fiduciary responsibility for The Pension Plan of New Hanover Regional Medical Center (the NHRMC Plan). The Plan was originally effective June 14, 1967, and amended and restated effective January 1, 2005. The Plan was amended and restated twice during 2009. The first amendment was effective January 1, 2009 (the 2009 Amendment); the second amendment was effective March 1, 2009 (the 2009-1 Amendment). Prior to the 2009 Amendment, the Plan was a cost-sharing, multiple-employer, noncontributory defined benefit plan covering all employees of NHRMC (including Foundation and CHA), LCFH, and SEAHEC (see Note 8 – Transactions with Health Sciences Foundation, Inc.) who met eligibility requirements. Subsequent to the 2009 Amendment, the Plan is a single employer plan, covering all employees of NHRMC (including Foundation and CHA) who meet eligibility requirements. Subsequent to the 2009-1 Amendment, employees of CHA who were not employees prior to March 1, 2009 are no longer eligible for the Plan, except for those who became employees between March 1, 2009 and April 1, 2009, who were formerly employed by Health Sciences Foundation, Inc. (SEAHEC).

An employee is eligible to participate in the plan upon completion of 1,000 hours of service in a plan year. Employees may retire with unreduced retirement benefits upon attainment of the age of 65 (if participation in the plan was prior to January 1, 1988) or the later of age 65 or completion of five years of participation (if participation in the plan was on or after January 1, 1988). Employees hired prior to January 1, 2001 who retire under the above conditions are entitled to annual retirement benefits equal to 1.25% of their average compensation times the years of service up to thirty years and .65% of the excess, if any, of the average compensation over Social Security covered compensation, times the years of service up to thirty years. Employees hired on or after January 1, 2001, who retire under the above conditions are entitled to annual retirement benefits equal to .75% of their average compensation times the years of service up to thirty years and .65% of the excess, if any, of the average compensation over Social Security covered compensations, times the years of service up to thirty years. The average compensation is the average salary of the employee during the five highest paid consecutive calendar years of creditable service during the ten calendar years preceding the employee's retirement date. Employees may retire with reduced retirement benefits after reaching age 55 and completing five years of creditable service. Plan provisions also include death and disability retirement benefits, whereby the disabled employee is entitled to receive their normal retirement benefit accrued up to the date of disability retirement. Upon death of an employee before retirement, benefit payments will be paid to the surviving spouse, if any. If there is no surviving spouse, the death benefit will be split among surviving children or paid to a designated beneficiary. Upon the death of an employee after retirement, benefit payments will be distributed in accordance with the method elected by the employee.

The Plan issues a separate, stand-alone financial report that can be obtained by contacting the office of the Executive Vice President/CFO, P.O. Box 9000, Wilmington, North Carolina 28402. The Plan was created by act of the Trustees of New Hanover Regional Medical Center, who have the authority to amend or terminate the Plan.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Funding Policy. The contribution requirements of the contributing employers to the NHRMC plan are established by the Plan document and determined annually by NHRMC based on actuarial recommendations.

Annual Pension Cost and Net Pension Asset. NHRMC's annual pension cost and net pension asset were as follows for the years ended September 30, 2011 and 2010:

	2011	2010
Annual required contribution	\$9,781,000	\$8,960,000
Interest on net pension asset	(353,000)	(354,000)
Adjustment to annual required contribution	363,000	364,000
Annual pension cost	9,791,000	8,970,000
Contributions made	9,781,000	8,960,000
Other	(85,000)	5,000
(Increase) decrease in net pension asset	95,000	5,000
Net pension asset, beginning of year	(4,491,000)	(4,496,000)
<b>Net pension asset, end of year</b>	<b>(\$4,396,000)</b>	<b>(\$4,491,000)</b>

The annual required contribution for the basic plan for the 2011 year was determined as part of the January 1, 2010 actuarial valuation. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5% per year. Both (a) and (b) included an inflation component of 3%. The assumptions did not include post retirement benefit increases. The actuarial value of assets is valued at a market-related value that spreads gains and losses over five years. This actuarial valuation reflected the \$4,455,000 transfer of assets and liabilities for SEHEC to its successor plan which occurred during 2009. The actuarial funding method is currently the Projected Unit Credit Method. The 28% corridor limit for asset smoothing will be reduced by 2% per year until 20% and the amortization period is 30 years. The annual contributions for NHRMC for the years ended September 30, 2011 and 2010 were approximately \$9,781,000 and \$8,960,000, respectively.

Significant Accounting Policies of the Plan. The Plan prepares its financial statements on the accrual basis of accounting. Employer contributions are recognized when due and receivable. Distributions to participants are recognized when due and payable in accordance with the terms of the Plan. Investments are valued at fair value based on quoted market prices. The Plan's fiscal year end is December 31.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

The Three-Year Trend Information is as follows:

Employer Contributions:

Trend Information for Medical Center			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
9/30/2009	\$8,492,000	99%	\$4,496,000
9/30/2010	\$8,970,000	100%	\$4,491,000
9/30/2011	\$9,791,000	100%	\$4,396,000

Funded Status and Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Deficit of Assets over AAL (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	((a-b)/c)
1/1/2009	\$166,373,000	\$177,016,000	\$(10,643,000)	94%	\$201,438,000	-5.28%
1/1/2010	163,563,000	181,718,000	(18,155,000)	90%	200,573,000	-9.05%
1/1/2011	170,571,000	194,762,000	(24,191,000)	88%	205,914,000	-11.75%

### **Pender Memorial Hospital (PMH) Pension Plan**

**PMH Plan Description.** PMH sponsors a single-employer, non-contributory defined benefit pension plan covering substantially all employees. All employees having completed two years of services who are at least 21 years old and work a minimum of 1,000 hours annually are eligible to participate in the Plan. Retirement benefits under the Plan are based upon earnings and number of years of service of Plan participants. Employer benefits vest to 100 percent after five years of service. Employees who retire at or after age 65 with five years of credited service are entitled to an annual retirement benefit, payable monthly for a maximum of 35 years based on service to normal retirement date, in an amount equal to .75% of their average compensation as defined by the Plan and .65% of average salary in excess of the applicable covered compensation for Social Security purposes for each year of credited service. Employees may retire with reduced retirement benefits after reaching age 60 and completing ten years of creditable service. The Plan also provides a death benefit for surviving spouses of vested employees.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

The Plan issues a separate, stand-alone financial report that can be obtained by contacting the office of the Financial Officer, 507 Fremont Street, Burgaw, North Carolina 28425.

Funding Policy. PMH is required to fund the Plan, as determined by an annual actuarial valuation. Employee contributions were required prior to January 1, 1992, based on 3% of their annual salary up to \$9,000 and 4.5% of annual salary over \$9,000. No employee contributions are required or permitted after 1991.

Annual Pension Cost and Net Pension Obligation. PMH's annual pension cost and net pension obligation were as follows for the year ended September 30, 2011 and 2010:

	2011	2010
Annual required contribution	\$317,000	\$268,000
Interest on net pension obligation	18,000	18,000
Adjustment to annual required contribution	(19,000)	(19,000)
Annual pension cost	316,000	267,000
Contributions made	316,000	268,000
Decrease in net pension obligation	0	(1,000)
Net pension obligation, beginning of year	231,000	232,000
<b>Net pension obligation, end of year</b>	<b>\$231,000</b>	<b>\$231,000</b>

The annual required contribution for the basic plan for the 2011 year was determined as part of the January 1, 2010 actuarial valuation. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5% per year. Both (a) and (b) included an inflation component of 3%. The assumptions did not include post retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The actuarial funding method is currently the Projected Unit Credit Method. The 28% corridor limit for asset smoothing will be reduced by 2% per year until 20% and the amortization period is 30 years. The annual contributions for PMH for the years ended September 30, 2011 and 2010 were approximately \$316,000 and \$268,000, respectively.

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**Exhibit 13**  
**(Cont.)**

The Three-Year Trend Information is as follows:

<b>Trend Information for Pender Memorial Hospital</b>			
<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
9/30/09	\$244,000	101%	\$232,000
9/30/10	\$267,000	100%	\$231,000
9/30/11	\$316,000	100%	\$231,000

Funded Status and Funding Progress:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Deficit of Assets over AAL (a-b)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll (c)</b>	<b>((a-b)/c)</b>
1/1/2009	\$3,268,000	\$3,938,000	\$(670,000)	83%	\$6,412,000	-10.45%
1/1/2010	3,388,000	4,266,000	(878,000)	79%	6,875,000	-12.77%
1/1/2011	3,552,000	4,689,000	(1,137,000)	76%	7,231,000	-15.72%

**New Hanover Regional Medical Center (NHRMC) Defined Contribution Retirement Plans**

**Plan Description**

NHRMC offers a defined contribution plan under IRS code section 403(b) which is available to all employees and administered by AIGValic. Under provisions of the Plan document, NHRMC matches employee contributions according to a Plan formula, which is weighted for years of service. This match was suspended in January 2010. Employee contributions vest when made, employer contributions vest after three calendar years of service 1,000 hours worked in each year.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

NHRMC employer required and actual matching contributions totaled approximately \$146,000 and \$1,342,000, and employee optional contributions totaled approximately \$8,478,000 and \$8,611,000, for the years ended September 30, 2011 and 2010, respectively. Employer matching contribution percentages were 0.06% and 0.62%, and employee contribution percentages were 3.64% and 3.95% of total payroll for the years ended September 30, 2011 and 2010, respectively.

As of January 1, 2009, LCFH adopted a defined contribution plan under IRS code section 403(b) and an elective deferral plan. The plans cover qualified employees of LCFH, which is generally all employees. LCFH can match contributions to the 403(b) plan, but is not required to do so. Employer contributions vest after three complete years of service. Employer contributions to these plans for the years ended September 30, 2011 and 2010 were \$265,000 and \$116,000, respectively.

PMH offers one defined contribution plan under IRS code section 403(b), which is available to all employees and is administered by AIGValic. There is no match made by PMH; all contributions are made by employees only. Employee contributions vest when made.

**New Hanover County ABC Board Pension Plan Obligations**

Plan Description: The ABC Board contributes to the statewide Local Governmental Employee's Retirement System (LGERS), as 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. The Board has also elected to provide death benefits to employees through the Death Benefit Plan for members of the LGERS. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Government Employee's 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.

Funding Policy: Plan members are required to contribute six percent of their annual covered salary. The Board is required to contribute at an actuarially determined rate. For the years ended June 30, 2012 and 2011, the Board's current rate for employees not engaged in law enforcement is 6.88% and 6.65%, respectively, of annual covered payroll. The contribution requirements of members of the ABC Board are established and may be amended by the North Carolina General Assembly. The Board's contribution to LGERS for the years ended June 30, 2012, 2011 and 2010 were \$129,786, \$114,560 and \$97,734, respectively. The contributions made by the Board equaled the required contribution for each year.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012****New Hanover County ABC Board Supplemental Retirement Plan**

Plan Description: The ABC contributes to the Supplemental Retirement Income Plan, a defined contribution pension plan administered by the Department of the State Treasurer and a Board of Trustees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the Supplemental Retirement Income Plan. 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.

The plan covers all employees who are also eligible to participate in the Local Government Employee's Retirement System. The Board's contribution is based on matching 100% of employee's contributions ranging from 2% to 5% of salary deferral elected by each eligible employee. The Board's contribution for the years ended June 30, 2012 and 2011 were \$43,821 and \$40,604, respectively.

**New Hanover County Tourism Development Authority Employee Pension Plan**

The TDA maintains a simplified employee pension plan, a non-contributory defined contribution plan. An employee must have been employed by the TDA for at least three of the last five years to qualify for the plan and be at least 21 years of age.

During the years ended June 30, 2012 and 2011, the TDA's contributions to the plan totaled \$31,197 and \$27,840, representing 7.5% and 5%, respectively, of eligible employees' salaries.

**Deferred Compensation Plan**

The County and the Authority offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the plans are held in trust for the exclusive benefit of the participants and their beneficiaries.

The Medical Center (NHRMC) offers all employees a retirement plan created in accordance with the Internal Revenue Code, Section 457(b). NHRMC is not required to match employee contributions or make employer contributions to the plan. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in NHRMC's financial statements. In addition, NHRMC offers two supplemental retirement plans under IRC Section 457(f) to certain eligible employees. NHRMC has recorded a liability of approximately \$1,221,000 and \$1,096,000 as of September 30, 2011 and 2010, respectively, in accordance with the provisions of these plans.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NHRMC has assumed assets and liabilities of the former Cape Fear Memorial Hospital, Inc. deferred compensation plan. The assets are valued at fair value as of the balance sheet date. There are no additional deferrals being made to the plan and no active employees participating.

**Other Post-Employment Benefits**

The County, the Authority, and the ABC Board provide other post-employment benefits and implemented Governmental Accounting Standards Board Statement Number 45 during the year ended June 30, 2009. Previously, the costs were recognized only on a pay as you go basis. *Plan Description:* The County provides post-employment healthcare benefits to retirees of the County, provided they have at least five consecutive years of service with the County immediately prior to retirement. Employees may maintain the type of coverage in effect at the time of retirement; however, the retiring employee must make an election to continue or terminate coverage at the time of retirement and may not elect coverage at a future date. A separate report was not issued for the plan. The plan is a single employer defined benefit plan.

Membership in the plan consisted of the following at December 31, 2010, the date of the latest actuarial valuation:

	<b>Employees</b>
Retirees and dependents receiving benefits	228
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	1,445
<b>Total</b>	<b>1,673</b>

*Funding Policy.* The County pays a portion of the cost of coverage based on the following scale:

<b>Years of Service in Retirement System</b>	<b>Percent of Cost Paid by Retiree</b>
At least 5 but less than 15	100%
At least 15 but less than 20	75%
At least 20 but less than 25	50%
At least 25 but less than 30	25%
30 or more	Prevailing payroll rate for individual coverage

The County has chosen to continue to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 16.60% of annual covered payroll. For the current year, the County contributed \$1,058,576 or 1.63% of annual covered payroll. In 2011, \$1,100,636 was contributed.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

*Summary of Significant Accounting Policies.* Postemployment expenditures are made from the general fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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

Annual required contribution	\$10,774,858
Interest on net OPEB obligation	\$742,038
Adjustment to annual required contribution	(\$708,877)
Annual OPEB cost (expense)	10,808,019
Contributions made	1,058,576
Increase (decrease) in net OPEB obligation	9,749,443
Net OPEB obligation, beginning of year	18,550,944
Net OPEB obligation, end of year	\$28,300,387

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010, 2011, and 2012 were as follows:

For Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$4,628,246	13.3%	\$6,691,551
2010	\$6,911,756	13.5 %	\$12,670,260
2011	\$6,981,320	15.77%	\$18,550,944
2012	\$10,808,019	9.79%	\$28,300,387

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

*Funded Status and Funding Progress.* As of December 31, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$116,907,724. The covered payroll (annual payroll of active employees covered by the plan) was \$64,891,230, and the ratio of the UAAL to the covered payroll was 180.2 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 to 5.00 percent annually. Both rates included a 3.0 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010, was 30 years.

*Plan Description.* Under the terms of an Authority resolution, the Authority also administers a single-employer defined healthcare benefits plan. The plan provides healthcare benefits to retirees of the Authority who have not yet reached their sixty-fifth birthday and who participate in the North Carolina Local Governmental Employees' Retirement System (System). If the retiree's age and service equal 70 years with ten years of creditable service, the Authority will pay 100% of the premium not to exceed \$300 per month, and with 5 years of creditable service, the Authority pay 50% of the premium not to exceed \$150 per month. The Authority may amend the benefit provisions. A separate report was not issued for the plan.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Membership of the healthcare benefits plan consisted of the following at June 30, 2010, the date of the latest actuarial valuation:

Retirees receiving benefits	3
Active plan members	40
<b>Total</b>	<b>43</b>

*Funding Policy.* By Authority resolution, the Authority pays the aforementioned health insurance benefits to qualified retirees. Postemployment expenses are recorded in these statements on the accrual basis. No funds are set aside to pay benefits and administration costs. These expenses are paid as they come due. For three eligible retirees in 2012, the Authority's total contributions were \$9,000.

*Annual OPEB Cost and Net OPEB Obligation.* The Authority's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC). The Authority has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty years.

The following table shows the components of the Authority's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation for the postemployment health insurance benefits:

Annual required contribution	\$14,144
Interest on net OPEB obligation	1,120
Adjustment to annual required contribution	(1,619)
<b>Annual OPEB cost (expense)</b>	<b>13,645</b>
Contributions made	(9,000)
<b>Increase in pension obligation</b>	<b>4,645</b>
Net OPEB obligation at July 1, 2011	28,007
<b>Net OPEB obligation at June 30, 2012</b>	<b>\$32,652</b>

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010, 2011, and 2012 were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Contributed</b>	<b>Net OPEB Obligation</b>
6-30-2010	\$18,489	48.68%	\$22,210
6-30-2011	\$14,797	60.82%	\$28,007
6-30-2012	\$13,645	65.96%	\$32,652

The net OPEB obligation of \$32,652 at June 30, 2012 is included in accrued expenses on the statement of net assets.

*Funded Status and Funding Progress.* As of June 30, 2010, the actuarial liability for benefits was \$188,082, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,164,859, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.69 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

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

The following simplifying assumptions were made:

*Retirement age for active employees* - Based on the historical retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

*Turnover* - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

*Health insurance premiums* - 2010 monthly healthcare benefits of \$300 and \$150, respectively, as described in the plan description, were used as the basis for calculation of the present value of total benefits to be paid.

As the plan benefits are for the employee and all qualifying employees are anticipated to participate in the plan, assumptions for *Marital status and Mortality* were not included in the basis for calculations. The assumptions for *Inflation rate and Payroll growth rate* were also not included in the basis for calculations, as the plan pays a defined benefit.

Based on the historical and expected returns of the Authority’s short-term investment portfolio, a discount rate of 4.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis. The remaining amortization period at June 30, 2010, was thirty years.

Plan Description: The ABC Board has adopted, by resolution, a single employer, defined benefit health insurance plan, whereas upon retirement of each employee who has been continuously employed by said ABC Board for thirty or more years of service, or each employee who has been continuously employed by said ABC Board for twenty-five years of service and reached age sixty, the ABC Board shall pay and provide medical insurance coverage at no cost to said employee until such time as said employee is eligible for Medicare Benefits. Thereafter, the ABC Board shall pay and provide to each qualifying employee, supplemental insurance to Medicare Benefits they are eligible to receive. A separate report was not issued for the plan.

Membership of the health insurance benefit plan consisted of the following at December 31, 2011, the date of the last actuarial valuation:

Active Members:	
General Employees	55
Retired Members:	
Age 65+	5
Under Age 65	6

Funding Policy: The New Hanover County Alcoholic Beverage Control Board is required to contribute 100% of the premiums required to provide post employment health benefits for eligible employees under an ABC Board resolution that can be amended by the ABC Board. The ABC Board has chosen to fund the health benefits on a pay-as-you-go basis. During the fiscal years ended June 30, 2012 and 2011, the Board’s contributions were \$41,347 and \$33,048, respectively.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Annual OPEB Cost and Net OPEB Obligation: The ABC Board's annual OPEB cost (expense) is calculated based on the *annual contribution of the employer* (ARC) calculated using the alternative measurement method for groups with less than 100 members. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the ABC Board's annual OPEB cost for the years, the amount actually contributed to the plan, and changes in the ABC Board's net OPEB obligation for the healthcare benefits:

	2012	2011
Annual required contribution	\$104,936	\$104,936
Interest on net OPEB obligation	14,701	-
Adjustment to annual required contribution	(21,254)	-
Annual OPEB cost	98,383	104,936
Contributions made	41,347	33,048
Increase in net OPEB	57,036	71,888
Net OPEB obligation, beginning of year	367,529	295,641
<b>Net OPEB obligation, end of year</b>	<b>\$424,565</b>	<b>\$367,529</b>

The ABC Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for 2012, 2011, 2010 and 2009 were as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$98,383	42.03%	\$424,565
2011	\$104,936	31.49%	\$367,529
2010	\$104,936	18.27%	\$295,641
2009	\$104,936	0.00%	\$209,872

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

*Funded Status and Funding Progress:* As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus the unfunded actuarial accrued liability (UAAL) was \$791,283. The covered payroll was \$2,037,135 and the ratio of the UAAL to the covered payroll was 38.84%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2011 actuarial valuation the projected unit credit actuarial cost method was used. The actuarial assumptions included a four percent (4%) rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an initial annual medical cost trend increase of 9.5% (pre-Medicare) or 7% (post-Medicare) annually, decreasing to 5% by 2018. Both rates included a 3% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011 was 29 years.

**Other Employment Benefits**

The County and the Authority have elected to provide death benefits to employees through the Death Trust Plan for members of the Local Governmental Employees' Retirement System (Death Trust Plan), a multiple-employer State administered cost-sharing plan funded on a one year term cost basis. Death benefits are provided to employees 1) who die in active service after one year of contributing membership in the System, or 2) 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.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest consecutive months' salary during the 24 months prior to their 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 Trust Plan. The County and the Authority have 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 Trust Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2012, the County made contributions to the State for death benefits of \$69,880. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .09% and .14 % of covered payroll, respectively. The contributions to the Death Trust Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

**Long-Term Debt of the County**

Changes in long-term debt of the County during the year ended June 30, 2012:

<b>Governmental Activities</b>	<b>Balance July 1, 2011 (1)</b>	<b>Additions/ Transfers</b>	<b>Retirements</b>	<b>Net Unamortized (Charge), Premium and (Discount)</b>	<b>Balance June 30, 2012</b>	<b>Due Within One Year</b>
General Obligation bonds	\$315,039,997	\$0	\$22,400,000	\$9,538,640	\$302,178,637	\$21,075,000
Installment Debt	107,263,221	0	10,666,784	3,196,610	\$99,793,047	10,413,268
Compensated Absences	5,733,156	3,409,008	3,102,068	0	\$6,040,096	3,555,590
Net pension obligations	561,456	512,914	512,034	0	\$562,336	0
Net OPEB obligations	18,550,944	10,808,019	1,058,576	0	\$28,300,387	0
Claims and judgments	185,000	50,000	160,000	0	\$75,000	0
<b>Total Governmental Activities</b>	<b>\$447,333,774</b>	<b>\$14,779,941</b>	<b>\$ 37,899,462</b>	<b>\$12,735,250</b>	<b>\$ 436,949,503</b>	<b>\$ 35,043,858</b>

(1) Balance at July 1, 2011 is not net of unamortized charges, premiums and discounts of \$14,498,306.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

For the governmental activities, net pension obligations and claims and judgments are generally liquidated by the General Fund. Compensated absences are generally liquidated by the General Fund and special Fire District Special Revenue Fund.

Business- Type Activities	Balance July 1, 2011 (1)	Additions	Retirements/ Transfers	Unamortized (Charge), Premium and (Discount)	Balance June 30, 2012	Due Within One Year
General Obligation bonds	\$0	\$0	\$0	\$0	\$0	\$0
Installment Debt	1,114,921	1,039,482	250,481	28,001	1,931,923	557,436
Accrued landfill closure and postclosure care costs	8,128,494	4,915,880	0	0	13,044,374	0
Compensated Absences	156,416	100,507	71,434	0	185,489	109,190
<b>Total Business- Type Activities</b>	<b>\$9,399,831</b>	<b>\$6,055,869</b>	<b>\$ 321,915</b>	<b>\$28,001</b>	<b>\$15,161,786</b>	<b>\$ 666,626</b>

(1) Balance at July 1, 2011 is not net of unamortized charges, premiums and discounts of \$32,941.

General obligation bonds of the County are direct obligations and pledge the full faith and credit of the County. General obligation bonds of the Water and Sewer District are direct obligations and pledge the full faith and credit of the District. General obligation bonds consist of the following individual issues outstanding as of June 30, 2012:

Serviced by the General Fund and Public Schools Special Revenue Fund:

\$47,425,000 refunding general obligation bonds, series 2004, issued March 1, 2004, due in remaining annual installments of \$3,755,000 to \$7,570,000 through November 1, 2019; interest at 5% due semi-annually through November 1, 2019; \$38,955,000 principal plus unamortized premium of \$1,398,282, less unamortized charge of \$2,156,449. Serviced by General Fund and Public Schools Fund. \$38,196,833

\$18,265,000 refunding general obligation bonds, series 2005 issued September 1, 2005 due in remaining annual installments ranging from \$1,595,000 to \$2,410,000 through February 1, 2018 interest at rates ranging from 3.50 % to 5.25% due semiannually through February 1, 2018; \$11,280,000 principal plus unamortized premium of \$273,279, less unamortized charge of \$278,288. Serviced by General Fund and Public Schools Fund. 11,274,991

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

<p>\$30,000,000 general obligation school bonds, series 2006 issued February 1 and 9, 2006 due in remaining semiannual installments of \$1,500,000 through February 1, 2026; interest on \$15,000,000 (variable) is at variable rates based on a weekly rate – determined by a remarketing agent and interest of \$15,000,000 (fixed) is at rates ranging from 3.75% to 4.25% due semiannually through February 1, 2026. \$21,000,000 principal plus unamortized premium of \$43,837, less unamortized charge of \$20,275. Serviced by General Fund and Public Schools Fund.</p>	21,023,562
<p>\$50,000,000 general obligation school bonds, series 2007, issued October 30, 2007, due in remaining annual installments of \$2,500,000 to \$3,500,000, beginning February 1, 2009 through February 1, 2026; interest rates ranging from 4.00% to 5.00% due semiannually through February 1, 2026. Serviced by Public Schools Fund. \$40,000,000 principal plus unamortized bond premium of \$136,642.</p>	40,136,642
<p>\$18,000,000 general obligation parks and recreation bonds, school bonds, series 2008, issued June 17, 2008, due in remaining annual installments of \$750,000 to \$1,100,000 beginning June 1, 2010 through June 1, 2029; interest rates ranging from 3.5% to 5.0% due semiannually through June 1, 2029. \$15,750,000 principal plus unamortized bond premium of \$3,424. Serviced by General Fund.</p>	15,753,424
<p>\$43,000,000 general obligation school bonds, series 2009, issued June 9, 2009, due in remaining annual installments of \$1,500,000 to \$4,000,000 beginning June 1, 2011 through June 1, 2029; interest rates ranging from 3.0% to 5.0% due semiannually. Serviced by Public Schools Fund. \$40,000,000 principal plus unamortized bond premium of \$1,499,016.</p>	41,499,016
<p>\$48,970,000 2009 refunding general obligation bonds due in remaining annual installments ranging from \$1,925,000 to \$7,695,000 through December 1, 2021, interest rates ranging from 3.00% to 5.00% due semiannually through December 1, 2012. Serviced by General Fund and Public Schools Fund. \$46,779,997 principal plus unamortized premium of \$4,211,973.</p>	50,991,969

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

\$83,030,000 2010A&B general obligation bonds due in remaining annual installments ranging from \$4,150,000 to \$4,155,000 through August 1, 2030, interest rates ranging from 2.00% to 5.00% due semi-annually through August 1, 2030. Serviced by the General Fund. \$78,875,000 principal plus unamortized premium of \$4,427,200. 83,302,200

**Total General and Public Schools Special Revenue Funds (Governmental Activities)** 302,178,637  
**Total Enterprise Funds (Business-Type Activities)** 0

**Total General Obligation Bonds (net of unamortized charges and premiums)** \$302,178,637

Installment debt consists of the following at June 30, 2012:

\$39,510,000 Certificates of Participation, Series 2003 issued March 15, 2003, due in annual installments through February 23, 2023; interest at rates ranging from 2.75% to 5%; principal of \$22,080,000 plus unamortized premium of \$318,833. Serviced by General Fund and Fire District Special Revenue Fund.	\$22,398,833
\$33,725,000 Certificates of Participation, Series 2005A&B issued July 19, 2005, due in annual installments through September 1, 2018.; interest at rates ranging from 3% to 5%; principal of \$28,805,000 plus unamortized premium of \$808,504, less unamortized charge of \$1,104,593. Serviced by General Fund and Enterprise Funds.	28,508,911
\$49,835,000 2010 refunding limited obligation bonds issued June 2, 2010, due in annual installments through December 1, 2025; interest rates ranging from 2.00% to 5.00%; principal of \$40,351,697 plus unamortized premium of \$3,201,867. Serviced by General Fund, Fire District Special Revenue Fund, and Enterprise Fund.	43,553,564
\$4,925,744 Qualified School Construction bonds issued December 14, 2010 due in semi-annual payments through December 14, 2025; interest at rate of 5.63%, principal of \$4,433,170. Serviced by Public Schools Fund.	4,433,170
Other installment debt; interest at rates ranging from 2.60% to 6.0%. Serviced by General Fund, Special Revenue Funds, and Enterprise Funds.	2,830,492
<b>Total Installment Debt - Governmental and Business-Type Activities</b>	<b>\$101,724,970</b>
<b>Total Installment Debt - Governmental Activities</b>	<b>\$99,793,047</b>
<b>Total Installment Debt - Business-Type Activities</b>	<b>\$1,931,923</b>

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Annual maturity requirements on the County's long-term debt (except compensated absences, net pension obligations, claims and judgments and accrued landfill closure and post closure care costs) with related interest as of June 30, 2012, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2013	\$31,488,268	\$16,972,448	\$557,436	\$44,838	\$49,062,990
2014	31,239,150	15,708,067	392,640	34,443	47,374,301
2015	30,725,795	14,398,731	396,927	27,088	45,548,542
2016	30,695,200	13,088,294	149,118	20,305	43,952,918
2018	30,372,793	11,783,442	150,189	15,550	42,321,974
2018-2022	135,780,876	39,194,897	257,614	23,819	175,257,206
2023-2027	74,174,350	14,968,207	0	0	89,142,554
2028-2031	24,760,000	2,269,014	0	0	27,029,014
<b>Total</b>	<b>\$389,236,432</b>	<b>\$128,383,100</b>	<b>\$1,903,924</b>	<b>\$166,043</b>	<b>\$519,689,499</b>
(Less) unamortized charges	(3,547,335)	0	(12,270)	0	(3,559,605)
Add unamortized premiums	16,282,587	0	40,269	0	16,322,856
<b>Net</b>	<b>\$401,971,684</b>	<b>\$128,383,100</b>	<b>\$ 1,931,923</b>	<b>\$166,043</b>	<b>\$532,452,750</b>

**Other**

The County's legal debt margin at June 30, 2012 was \$2,297,717,159.

Debt authorized but unissued at June 30, 2012 is as follows:

Cape Fear Community College Bonds	\$94,000,000
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

**Long-Term Debt of the Authority**

The Authority is financing certain terminal renovations through participation with the County's issuance of Certificates of Participation. In accordance with the interlocal agreement and the related promissory note the Authority is indebted in the principal amount of \$285,000 of which all is due within one year. The certificates bear interest at rates ranging from 3.375% to 3.5%.

In 2008, the Authority also incurred an additional \$800,000 that was available from the aforementioned interlocal agreement with New Hanover County, which was paid off in 2012.

The Authority incurred long-term debt in 2008 of \$2,700,000 in order to finance a new international terminal building construction project. Financing was acquired through an interlocal agreement with New Hanover County, with an interest rate of 4.1%. In June of 2010, as a result of the County's bond refunding with Limited Obligation Bonds, the interest rates were changed to 2.0% to 5.0%, and the Authority was allocated a portion of the bond issuance premium and debt reduction by the County in the amount of \$65,857. The issuance premium is to be amortized over the life of the loan.

**Long-Term Debt of the Medical Center**

Changes in long-term debt of the Medical Center during the year ended September 30, 2011.

	<i>Balance October 1, 2010 (1)</i>	<i>Additions</i>	<i>Retirements</i>	<i>Deferred (Loss) and Unamortized (Discount)</i>	<i>Balance September 30, 2011</i>	<i>Due Within One Year</i>
Revenue Bonds	\$332,400,000	\$97,365,000	\$101,985,000	(\$5,171,000)	\$322,609,000	\$6,930,000
Capital Leases	66,000	0	59,000	0	7,000	4,000
Other Obligations	3,615,000	9,998,000	3,051,000	0	10,562,000	1,880,000
<b>Total</b>	<b>\$336,081,000</b>	<b>\$107,363,000</b>	<b>\$105,095,000</b>	<b>(\$5,171,000)</b>	<b>\$333,178,000</b>	<b>\$8,814,000</b>

(1) Balance at October 1, 2010 is not net of unamortized discount of \$306,000 and deferred loss on refunding of \$6,718,000.

The Medical Center and LCFH have entered into interest rate swap agreements to modify interest rates on outstanding debt. In accordance with GASB Statement 53, the estimated fair values of interest in rate swaps at September 30, 2011 of \$12,760,000 are recorded as a liability on the government-wide balance sheet.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

The terms, fair values, and underlying bond issued of the outstanding swaps as of September 30, 2011 were as follows (in thousands):

<b>Associated Bond Issues</b>	<b>Notional</b>	<b>Start Date</b>	<b>End Date</b>	<b>Fair Value</b>
Series 2005A-1	\$8,920	December 14, 2005	October 1, 2023	\$(1,304)
Series 2005A-2	8,920	December 14, 2005	October 1, 2023	(1,303)
Series 2005B-1	23,690	December 14, 2005	October 1, 2026	(4,029)
Series 2005B-2	23,690	December 14, 2005	October 1, 2026	(4,030)

As of September 30, 2011, the swaps were determined to be effective cash flow hedging derivative instruments in accordance with GASB Statement 53. Accordingly, the fair value of these swaps is recorded as a liability for interest rate swap agreements and a deferred outflow of resources in the balance sheet, and the change in fair value impacts only these balance sheet amounts.

The Medical Center or the counterparties may terminate the swap if the other party fails to perform under the terms of the contract or there is a termination event, as defined in the contract.

If the swaps are terminated, the variable rate bonds would no longer carry a synthetic interest rate. Also if at the time of termination the swaps have negative fair values, the Medical Center would be liable to the counter parties for their payments equal to the swaps' fair values.

During fiscal year 2002, the Medical Center entered into a nineteen year interest rate swap (basis swap) agreement, with a notional amount of \$50 million related to its Series 1999 Hospital Revenue Bonds with the objective of having a mixture of fixed and variable rate debt to take advantage of market fluctuations. At September 30, 2011, the basis swap had an estimated negative fair value of approximately \$1,786,000, which is recorded as a liability in the balance sheet. Under GASB 53, the basis swap qualifies as an investment derivative and changes in fair value of \$89,000 have been recorded as a component of net increase in fair value of investments.

LCFH hedged \$2,000,000 of its interest rate exposure associated with the LCFH 2007 Bonds through an interest rate swap agreement with a bank. The present value of cash payment under the swap arrangement is a negative position of approximately \$308,000 as of September 30, 2011 and is recorded as a liability in the balance sheet.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012**Revenue Bonds of the Medical Center**

Series 1999, 2005, 2006, 2007 and 2008 Revenue Bonds of the Medical Center consist of the following at September 30, 2011:

<b>Series 1999 Revenue Bonds</b>	
Serial revenue bonds with interest rates ranging from 3.1% to 5.25% maturing through 2014	\$2,785,000
<b>Series 2005 Refunding Bonds</b>	
Series 2005A Variable Rate Refunding Bonds, demand obligations, with mandatory redemptions annually through 2023	17,850,000
Series 2005B Variable Rate Refunding Bonds, demand obligations with mandatory redemptions annually through 2026	47,390,000
<b>Series 2006 Revenue Bonds</b>	
Serial revenue bonds with interest rates ranging from 3.0% to 5.0% maturing through 2024	60,000,000
Term revenue bonds maturing in 2027, with stated interest rate of 5.0%	26,440,000
Term revenue bonds maturing in 2031, with stated interest rate of 5.125%	33,560,000
<b>Series 2007 Variable Rate Health Care Facility Revenue Bonds</b>	
Series 2007 Variable Rate Health Care Facility Revenue Bonds, variable rate of LIBOR plus 1.9%, repayment of principal is due annually through October 2027	3,800,000
<b>Series 2008 Revenue Bonds</b>	
Series 2008A Variable Rate Revenue Bonds, demand obligations, with mandatory redemptions annually through 2038	19,295,000
Series 2008B Variable Rate Revenue Bonds, demand obligations, with mandatory redemptions annually through 2038	19,295,000
<b>Series 2011 Revenue Bonds</b>	
Serial revenue bonds with interest rates ranging from 3.0% to 5.0% maturing annually (beginning October 2012) through 2025	61,075,000
Term revenue bonds maturing in October 2026, with stated interest rates of 4.625% and 5.0%	7,535,000
Term revenue bonds maturing in October 2027, with stated interest rates of 4.625% and 5%	12,375,000
Term revenue bonds maturing in October 2028, with stated interest rates of 4.625% and 5%	12,980,000

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

<b>Series 2011 Variable Rate Health Care Facility Revenue Bonds</b>	
Series 2011 Variable Rate Health Care Facility Revenue Bonds, variable rate of 78% of LIBOR plus 1.3%, repayment of principal is due annually through April 2033	3,400,000
<b>Total long-term debt</b>	<b>327,780,000</b>
<b>Unamortized Discount</b>	<b>2,778,000</b>
<b>Deferred loss on refundings</b>	<b>(7,949,000)</b>
<b>Total long-term debt, net of unamortized discount and deferred loss</b>	<b>\$322,609,000</b>
<b>Due within one year</b>	<b>\$6,930,000</b>
<b>Due in more than one year</b>	<b>\$315,679,000</b>

The Series 1999, 2005, 2006, and 2008 Revenue Bonds are secured by, and payable from the net revenue of the Medical Center, the money and securities held by the Trustee pursuant to the bonds, as well as the income from the temporary investment of these Trustee-held funds. Substantially all of the Medical Center revenues are security for the revenue bonds.

Under the terms of the Bond indentures and related lease agreement with the County, the Medical Center (excluding the Foundation component unit) is required to make semiannual debt service payments on unpaid fixed rate debt (1999, 2006 and 2011 bonds), monthly debt service payments on variable rate demand bonds (2005 and 2008 bonds), and is also required to comply with certain restrictive covenants, including limitations on incurrence of additional debt, limitations on transfer of assets, and maintenance of certain measures of financial performance including a minimum long-term debt service ratio, for as long as the bonds are outstanding. The Medical Center was in compliance with all debt covenants as of September 30, 2011.

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**Exhibit 13**  
**(Cont.)**

Annual maturity requirements on outstanding revenue bonds of the Medical Center with related interest as of September 30, 2011 are as follows (in thousands):

Year Ending September 30	Principal	Interest	Total
2012	\$6,930	\$10,779	\$17,709
2013	11,565	9,992	21,557
2014	12,033	9,732	21,765
2015	12,490	9,453	21,943
2016	12,615	9,025	21,640
2017-2021	72,564	40,682	113,246
2022-2026	89,306	29,718	119,024
2027-2031	85,006	12,349	97,355
2032-2036	18,811	604	19,415
2037-2040	6,460	14	6,474
<b>Total</b>	<b>\$327,780</b>	<b>\$132,348</b>	<b>\$460,128</b>

Interest paid related to these bonds was approximately \$13,701,000 during fiscal year ended September 30, 2011.

**Long-Term Debt of the TDA**

Changes in long-term liabilities of the TDA for the year ended June 30, 2012 are as follows:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Due Within One Year
Accrued vacation	\$12,566	\$59,900	\$60,128	\$12,338	\$12,338

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

Accrued vacation is included in accounts payable and accrued expenses in the statement of net assets.

**Leases and Other Obligations**

The County leases land and the airport facilities to the Authority at \$1 per year through 2019 with an option to renew for an additional thirty years. As the assets were acquired by the County for use in Airport operations, they are reported in the Authority component unit.

On November 19, 2001, the County adopted a resolution of support for the Legion Stadium Capital Improvements in which the County agreed to pay the City of Wilmington one half of the annual debt service, not to exceed \$250,000 annually, for 20 years effective in the fiscal year beginning July, 2001. This resolution modified a prior interlocal agreement effective October 15, 1996 in which the County was to pay an amount equal to the City of Wilmington's costs for operation, maintenance and capital improvements determined each fiscal year for 20 years. Future operating payments amount to \$3,000,000.

The County leases existing facilities and equipment and all future improvements to the Medical Center at an annual rental of \$1 per year. The original lease effective October 1, 1993 and most recently amended June 4, 2009 extends the lease through October 2038. As the assets were acquired by the County for use in Medical Center operations, they are reported by the Medical Center component unit.

The Authority subleases certain portions of the facility to several different tenants that expire at various times. Some contain provisions for rent increases based on a formula which includes a government inflation index or payment of commissions based on sales.

Minimum operating lease payments to be received by the Authority, as of June 30, 2012 are:

<b>Fiscal Years Ending June 30</b>	<b>Operating Lease Payments</b>
2013	\$1,377,360
2014	1,453,904
2015	1,455,107
2016	1,445,162
2017	668,405
Thereafter	17,478,925
<b>Total Minimum Payments</b>	<b>\$23,878,863</b>

The Medical Center leases capital assets under operating leases that have initial or remaining non-cancellable terms in excess of one year.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Scheduled payments of the Medical Center's operating lease obligations are as follows:

Fiscal Years Ending September 30	Operating Lease Obligations
2012	\$6,966,000
2013	6,505,000
2014	6,153,000
2015	5,007,000
2016	5,106,000
Thereafter	13,789,000
<b>Total Minimum Payments</b>	<b>\$43,526,000</b>

Rent expense on operating leases for the Medical Center totaled approximately \$10,078,000 and \$7,125,000 in 2011 and 2010, respectively.

LCFH leases office space under various non-cancelable operating lease agreements, which expire over the next two years. Rent expense related to these agreements totaled approximately \$52,000 and \$51,000 in 2011 and 2010, respectively.

LCFH had one operating line of credit totaling \$2,500,000 with a bank. Interest is at the LIBOR rate plus 1.5%. There was no balance outstanding at September 30, 2009 and the line was closed prior to September 30, 2010.

PMH, under an amended and restated lease agreement dated November 15, 2004, leases its main facilities and equipment and all future improvements from Pender County for an initial period of twenty years with an option (at the Medical Center's direction) to renew for ten additional years. Pender County and PMH maintain limited rights under the lease agreement to terminate the lease if specified provisions cannot be cured within 180 days, provided that the Medical Center shall be permitted to cure any breach on behalf of PMH within established time frames.

PMH leases additional space under a non-cancelable operating lease, which expires in fiscal year 2013. In addition, PMH leases certain medical equipment under operating leases that expire between 2012 and 2014.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Scheduled payments on PMH's operating lease obligations are as follows:

<b>Years Ending September 30</b>	
2012	405,000
2013	341,000
2014	9,000
<b>Total Minimum Payments</b>	<b>\$755,000</b>

Rent expense on operating leases for PMH totaled \$426,000 and \$429,000 in 2011 and 2010, respectively.

PMH also leases various capital assets under non-cancelable capital leases. As of September 30, 2011 and 2010, the leased assets had been recorded at \$109,000 and \$583,000, respectively, and had accumulated amortization of \$109,000 and \$583,000, respectively. A summary of capital leases of PMH is as follows at September 30, 2011:

	<b>2011</b>	<b>2010</b>
Capital lease obligations, at varying interest rates from 3.96% to 8.9% collateralized by leased equipment	\$7,000	\$ 66,000
Less current portion	(4,000)	(59,000)
Capital lease obligations, less current portion	\$3,000	\$7,000

Scheduled payments on PMH's capital lease obligations are as follows:

<b>Fiscal Years Ending September 30</b>	<b>Capital Lease Obligations</b>
2012	4,000
2013	4,000
Total Minimum Payments	8,000
Less Amount representing interest	(1,000)
<b>Present Value of net minimum payments</b>	<b>\$7,000</b>

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

The TDA leased its facilities from the County. Rent expense for the facility during the years ended June 30, 2012 and 2011 was \$50,974 and \$33,680, respectively. The minimum lease commitments on the facility lease are as follows:

Fiscal Year Ending June 30,	
2012	\$50,974

**Conduit Debt Obligations**

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 collateralized by the properties financed as well as by letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, 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, 2012 the amount of industrial revenue bonds outstanding was \$3,500,000.

**Accrual for Closure and Postclosure Care Costs**

State and federal laws and regulations require the County to place a final cover on its landfill site 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 estimated landfill capacity used as of each financial statement sheet date. The \$13,044,374 reported as landfill closure and postclosure care liability at June 30, 2012 represents (1) a cumulative amount of \$5,724,902 for final closure and post-closure care based on the full use of the total estimated capacity of the landfill and (2) \$7,319,472 for the cost of placing a closing cover on each open cell at the landfill, recognized as the cell receives waste. These amounts are based on what it would cost to perform all closure and post closure care in 2012. The County expects to close this developed portion of the landfill by FY 2019. The undeveloped portion of the landfill is expected to serve the County for an additional fifteen years. 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 the State and federal laws and regulations that helps determine if a unit is financially able to meet closure and postclosure care requirements.

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**Exhibit 13**  
**(Cont.)**

**Deferred/Unearned Revenues**

The balance in deferred and unearned revenues on the fund financial statements and unearned revenue on the government-wide financial statements at June 30, 2012 are composed of the following elements:

	<b>Governmental Activities</b>	
	<b>Deferred Revenue</b>	<b>Unearned Revenue</b>
Prepaid property taxes not yet earned	\$0	\$174,730
Federal and state assistance received not yet earned	0	193,024
Net property tax receivable	2,491,853	0
Special assessments receivable	307,718	0
Scattered Site/SARF receivables	529,729	0
Other	651,018	0
<b>Total</b>	<b>\$3,980,318</b>	<b>\$367,754</b>
General Fund	\$3,555,051	\$367,754
Special Revenue Funds	425,267	0
<b>Total</b>	<b>\$3,980,318</b>	<b>\$367,754</b>

**Interfund Receivables and Payables**

Amounts classified on the balance sheet as "Receivables – interfund loans" and "Interfund loans" at June 30, 2012 include the following:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General	CDBG Scattered Site Housing Fund	10,718
General	Public School Building Fund	\$188,151
General	\$164 Million CFCC Bond Expenditure Capital Project Fund	20,538
<b>Total</b>		<b>\$219,407</b>

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**Exhibit 13**  
**(Cont.)**

Due from/to Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
<b>Primary Government:</b>	<b>Component Unit:</b>	
General Fund	New Hanover County ABC Board for Intergovernmental revenues due at June 30, 2012	\$313,521
<b>Component Unit:</b>	<b>Primary Government:</b>	
NHC Tourism Development Authority	Room Occupancy Tax Fund for room occupancy tax collections held by the County	161,801
<b>Total</b>		<b>\$475,322</b>

**C. Other**

**Interfund Transfers**

Interfund transfers presented in the fund financial statements for the year ended June 30, 2012, can be summarized as follows:

Transfers Out:	General Fund	Transfers In:			Total
		Special Revenue Fund	Capital Projects Funds	Environmental Management Fund	
General Fund	\$0	\$0	\$0	\$0	\$0
Special Revenue Funds	0	0	50,000	0	50,000
Capital Projects Funds	1,336,547	0	130,000	0	1,466,547
<b>Total</b>	<b>\$1,336,547</b>	<b>\$0</b>	<b>\$180,000</b>	<b>\$0</b>	<b>\$1,516,547</b>

Interfund transfers are made to accumulate resources for funding of capital projects and to supplement other funding sources in the Special Revenue, and Environmental Management funds.

**NOTE 4: MAJOR CUSTOMERS**

Approximately 80% of Environmental Management revenues can be attributed to its largest four (4) customers, one of which is the City of Wilmington.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

The Authority’s operating revenues consist of rents, commissions and charges for the use of airport property and fees for use of the parking lots. In addition, certain customers also pay contract facility charges, a non-operating revenue. Exclusive of parking lot fees, transactions with four customers accounted for the following revenues and related trade accounts receivable balances at June 30, 2012:

Customer	Revenues	Percentage	Accounts Receivable
A	\$ 1,162,914	21%	\$ 121,295
B	821,786	15%	79,198
C	587,438	11%	78,525
D	559,079	10%	-
	<b>\$ 3,131,217</b>		<b>\$ 279,018</b>

Medicare services represented 42% and Medicaid services represented 13% of net patient service revenue of the Medical Center for the fiscal year ended September 30, 2011

LCFH’s revenues are 91% from Medicare and 4% from Medicaid for the fiscal year ended September 30, 2011.

PMH’s revenues are 55% from Medicare and 21% from Medicaid for the fiscal year ended September 30, 2011.

The TDA received approximately 100% its revenue from room occupancy tax revenues assessed by other governments and collected by the County during the year ended June 30, 2012. Receivables consist totally of Room Occupancy Taxes collected on behalf of the TDA.

**NOTE 5: JOINT VENTURES**

The County, in conjunction with Brunswick County and Pender County, participates in a joint venture to operate the Southeastern Center for Mental Health, Developmental Disabilities and Substance Abuse Services (Center). The counties appoint seven, five, and three members, respectively, to the fifteen member board of the Center. The County has an on-going financial responsibility for the Center because the Center's continued existence depends on the participating governments' continued funding. The County provided \$1,932,068 to the Center during the year for its ongoing operations. None of the participating governments has an equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2012. Complete financial statements for the Center can be obtained from the Center at 2023 S. 17th Street, Wilmington, N.C. 28401.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

The County, in conjunction with the State of North Carolina and the New Hanover County Board of Education, participates in a joint venture to operate Cape Fear Community College (College). Each of the three participants appoints four members of the thirteen-member board of trustees of the College. The president of the College's student government serves as an ex officio nonvoting member of the College's board of trustees. The College is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the College and also provides some financial support for the College's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The County has an ongoing financial responsibility for the College because of the statutory responsibilities to provide funding for the College's facilities. The County contributed \$6,191,767 to the College for operating purposes, during the fiscal year ended June 30, 2012. In addition, the County made debt service payments of \$10,412,758 during the fiscal year on debt service for bonds issued for College capital facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2012. Complete financial statements for the College may be obtained from the College's administrative office at 321 N. Front Street, Wilmington, N.C. 28401.

On October 1, 1997, the Medical Center contributed \$3,143,000 for 40% ownership in New Hanover/Mariner Health, LLC, a skilled nursing facility located in Wilmington, North Carolina. On June 10, 2009, NHRMC and its joint venture partner executed a settlement agreement for the dissolution of New Hanover/Mariner Health, LLC. As part of the settlement, NHRMC receives \$2,400,000 resulting in a loss on sale of assets of \$1,287,000 recorded for year ended September 30, 2009. As part of this agreement, \$200,000 was received during the year ended September 30, 2009, and the remaining \$2,200,000 was received during the year ended September 30, 2010.

In February 2005, the Medical Center entered into a joint venture agreement to form South Atlantic Radiation Oncology, LLC. The Medical Center has committed to contribute capital for 50% ownership in the joint venture. South Atlantic Radiation Oncology, LLC was formed to provide essential radiation oncology services for patients in Southeastern North Carolina.

In March 2005, the Medical Center invested in Atlantic Surgicenter, LLC, a joint venture formed to operate a freestanding ambulatory surgery center consisting of four general operating rooms and one non-licensed procedure room, located in New Hanover County, North Carolina. Annually, NHRMC invests additional funds as needed to maintain its 40% ownership in the joint venture.

In 2005, the Medical Center entered into a joint venture agreement to form Porters Neck Imaging, LLC, committing to contribute capital for a 50% ownership in the joint venture. PNI was formed to provide mobile MRI services to New Hanover and surrounding counties.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

In April 2007, the Medical Center entered into a joint venture agreement to form Doshier/NHRMC, LLC. The Medical Center has committed to contribute capital for a 50% ownership in the joint venture. The purpose of the joint venture is to operate healthcare related facilities and provide healthcare services in Brunswick County, North Carolina in a manner that furthers the charitable and tax-exempt purposes of the members.

In July 2007, the Medical Center entered into a joint venture agreement to form Coastal Carolina Heart, LLC (CCH). The Medical Center's ownership percentage (82%) was based on the fair market value of CCH's access to future revenue streams arising from the existing hospital-based volumes in the Medical Center's cardiac catheterization and EP labs. As a result of the joint venture agreement, the Medical Center contracted with CCH to manage the existing hospital-based cardiac catheterization and EP labs, and agreed to pay CCH a per procedure fee for services provided by CCH to the Medical Center's patients. In May 2011, NHRMC purchased the remaining 18% of minority interest in the joint venture and bought out existing management contracts the joint venture was party to for approximately \$5,189,000. As of September 30, 2011, NHRMC had recorded an intangible asset related to the purchase of the minority interest of \$3,359,000 net of related amortization. Subsequent to the acquisition of the remaining minority interest, a final distribution of all net assets in the joint venture was made to NHRMC and all operations of the joint venture were consolidated into the Hospital. As of September 30, 2011, NHRMC had recorded approximately \$442,000 and \$444,000 of fixed and current assets respectively from the transfer of net assets of the joint venture.

During its operation, the agreements related to the services provided by CCH are treated by NHRMC as an outsourcing arrangement. As such, the allocated income from CCH (approximately \$3,476,000 and \$6,570,000 for the years ended September 30, 2011 and 2010, respectively) is considered a reduction in the costs of services provided by CCH, resulting in decreased operating costs. During the years ended September 30, 2011 and 2010, the Medical Center recorded per-procedure fees for services provided by CCH, net of the Medical Center's earnings from CCH operations, of approximately \$7,861,000 and \$12,970,000, respectively, which are included in Purchased services and other in the statement of revenues, expenses and changes in net assets. As of September 30, 2011 and 2010, amounts due to CCH of approximately \$0 and \$4,149,000, respectively, were included in Due to affiliates in the balance sheet.

**NOTE 6: JOINTLY GOVERNED ORGANIZATIONS**

The County, in conjunction with Brunswick, Columbus and Pender counties, and the municipalities therein established the Cape Fear Council of Governments (Council). The Council was established for various purposes, but mainly to coordinate funding for federal and state assistance. Each participating government appoints a minimum of one member to the Council's board. The County paid fees of \$25,788 to the Council during the fiscal year ended June 30, 2012.

The Lower Cape Fear Water and Sewer Authority (Sewer Authority) provides raw water to its membership which includes the County and other municipalities. The County appoints two of the thirteen members of the Sewer Authority. The County has no financial transactions with the Sewer Authority.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

The County and the City of Wilmington established the Cape Fear Public Utility Authority (CFPUA). CFPUA was established to provide water and sewer services for the residents of the County and City of Wilmington. The County appoints five of the eleven members of the CFPUA board. Two of these five members may be elected officials of the County. The County paid \$1.9 million for CFPUA during fiscal year ended June 30, 2012. CFPUA paid the County \$2.17 million in connection with debt the County is servicing for CFPUA for the fiscal year ended June 30, 2012. See note 10 for further details.

**NOTE 7: BENEFIT PAYMENTS ISSUED BY THE STATE**

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

	Federal	State
WIC	\$3,091,246	\$0
Supplemental Nutrition Assistance Program	25,258,509	0
Medical Assistance	129,016,901	74,203,887
Work First/TAN/AFDC	1,051,277	(907)
Energy Assistance	-263	0
Special Assistance for Adults	0	70,006
Title IV-E -- Foster Care At Risk	0	19,020
Title IV-E Adoption	1,262,716	341,446
Foster Care Special Provision	0	23,724
Foster Care State Home	0	642,254
Refugee Assistance	2,715	0
Special Children's Adoption	108,000	0
CWS Adoption Subsidy	0	1,568,346
Independent Living Transitional	28,204	0
<b>Total</b>	<b>\$159,819,305</b>	<b>\$76,867,776</b>

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012**NOTE 8: PUBLIC SCHOOL BUILDING CAPITAL FUND**

This program is funded using a portion of the corporate income taxes which are imposed on corporations doing business in the State, as well as a portion of the total proceeds from the North Carolina Education Lottery as described below. The Office of State Budget and Management establishes and maintains an ADM allocation account for the County for these funds.

Corporate income tax funds are allocated to New Hanover County, on the basis of the average daily membership (ADM) for New Hanover County Board of Education as determined and certified by the State Board of Education. This allocation is computed as the amount equal to five sixty-ninths (5/69) of the net collections of corporate income taxes received during the previous quarter minus \$2.5 million, which it deposits into the Critical School Facilities Needs Fund. At June 30, 2012, the balance of the County's ADM allocation account related to corporate income taxes was \$94,228. The County must match this balance on the basis of one dollar for every three dollars of State funds for financing the school unit's facilities capital needs. The local school technology plan does not require a County match. After approving a school capital project authorized by the Act, the Office of State Budget and Management will transfer funds from the County's ADM allocation account to its disbursing account maintained with the State Treasurer. At June 30, 2012, the ADM funds in the County's disbursing account had a balance of \$0.

Funds in the allocation and disbursing accounts are considered State moneys until the County issues warrants to disburse them. At that time, they are recognized in the County's Capital Project Fund as intergovernmental revenue. During the fiscal year ended June 30, 2012, the County drew down in the public school building capital funds \$0 of ADM allocation and \$2,739,740 of lottery allocation.

Of the 35% of the proceeds of the North Carolina Education Lottery sales designated for education, approximately 40% is designated for school construction, broken down as follows: 65% allocated to counties bases on the ADM of school districts and 35% allocated to counties which have a property tax rate above the state average (numerical average of all one hundred counties), which New Hanover did not exceed for the year ending June 30, 2012. As of June 30, 2012, the County's unallocated balance of lottery proceeds was \$2,293,939. \$10,103,155 has been approved by the State for construction projects at June 30, 2012. During the fiscal years ended June 30, 2009, through June 30, 2012, the County drew down \$7,001,915 of these funds, leaving a disbursing account balance of \$3,101,240.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012**NOTE 9: RISK MANAGEMENT**

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County obtains property insurance through Lexington Insurance Company equal to the replacement cost values of owned property, subject to a loss limit of \$50,000,000 for any one occurrence, with a sub-limit of \$25,000,000 when caused by wind or hail damage during a "named storm". The County obtains commercial general liability, auto liability, public officials liability, law enforcement liability, employment practices liability, and Employee Benefits Liability from The Travelers Indemnity Insurance Company in the amount of \$2,000,000 each occurrence. In addition, the County purchases commercial excess liability (umbrella) insurance in the amount of \$3,000,000 each occurrence from Travelers Indemnity Insurance Company. Crime insurance in the amount of \$500,000 per claim is obtained through Travelers Casualty & Surety Company of America.

The County is self-insured for workers compensation and employers' liability insurance, and purchases Specific and Aggregate Excess Workers Compensation and Employers Liability Indemnity insurance. The County contracted with PMA, Inc., a provider of claims administrative services, to administer the program. The program provides that the County is responsible for the first \$400,000 for Fire and Sheriff employees and \$300,000 for all other employees of cost and/or benefits payable to employees resulting from any one accident or event, regardless of the number of persons injured. Specific and Aggregate Excess Workers Compensation and Employers Liability Indemnity insurance provides protection against compensable claims during the policy year above the self-insured specific retention of \$300,000/\$400,000, up to the maximum limits provided under the North Carolina Workers' Compensation Act and up to \$1,000,000 each accident or disease for Employer's Liability. The aggregate excess insurance provides protection against cumulative retained losses after the County's aggregate costs reach a minimum of \$1,492,799 for claims occurring during the policy period. The aggregate excess insurance has a maximum limit of indemnity of \$2,000,000. Any losses above this amount would be retained by the County.

The County is provided flood insurance coverage through their property coverage with Lexington Insurance Company. The limit for loss within a Special Flood Hazard Area is \$2,500,000 and \$10,000 for all other zones.

In accordance with G.S. 159-29 the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through the Travelers Casualty & Surety Company of America with a limit of \$500,000 per occurrence. The Director of Finance is individually bonded under a Performance Bond in the amount of \$500,000. The Tax Collector has a Performance Bond in the amount of \$100,000 through a Commercial Bonding Company.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Following is a reconciliation of changes in the recorded aggregate liability for the County's claims for group medical insurance:

For Fiscal Year Ended	June 30, 2012	June 30, 2011
Unpaid claims at July 1	\$1,639,322	\$3,815,782
Provisions for claims	16,909,275	12,340,462
Payments for claims	(15,695,324)	(13,308,305)
Administrative fees	(1,177,431)	(1,208,617)
Unpaid claims at June 30	\$1,675,842	\$1,639,322

The County carries commercial coverage for all other risks of loss.

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Authority participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the Authority obtains property coverage equal to replacement cost values of owned property subject to a limit of \$49.2 million for any one occurrence, auto, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, workers' compensation coverage up to statutory limits, and health and dental insurance for Authority employees.

The pools are audited annually by certified public accountants, and the audited financial statements are available to the Authority upon request. The pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for public liability coverage, \$600,000 of aggregate losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation. For health and dental insurance, the Authority is reinsured through the pool for individual losses in excess of \$50,000 and aggregate annual losses in excess of 115% of expected claims. The pool is reinsured through commercial carriers for individual losses in excess of \$100,000.

The Authority carries flood insurance through NCACC. The annual aggregate coverage is \$5 million, subject to shared re-insurance limits of \$200 million with other members of the NCACC liability and property pool.

The Authority Finance Director is bonded for \$250,000. All remaining Authority employees that have access to funds are bonded through the Authority's aforementioned crime package.

The Authority carries commercial coverage for all other risks of loss, including airport liability coverage of \$75 million per occurrence. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the last three fiscal years.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

The Medical Center, LCFH and PMH are exposed to various risks of loss in the ordinary course of business as a result of torts, theft of, damage to, or destruction of assets, business interruption, allegations of medical malpractice (hospital professional liability), natural disasters, employee and officer errors and omissions, and employee workers' compensation and medical claims.

The Medical Center purchases commercial insurance coverage against risk of loss due to errors and omissions, fiduciary liability, property damage and theft, and pollution liability and various other insurable risks. The Medical Center carries property insurance in the amount of \$600,000,000 for 2011 and \$500,000,000 for 2010 with a deductible of \$100,000 for all perils except named windstorm. For 2011 and 2010, the minimum deductible for named storms is \$5,000,000 per location, with a maximum deductible of \$25,000,000 per location. For 2011 and 2010, the Medical Center was self-insured for workers' compensation and employer's liability up to \$350,000 per claim. A specific limit of \$25,000,000 applies to worker's compensation. For 2011 and 2010, the Medical Center was also self-insured for hospital professional liability claims and general liability claims up to the first \$5,000,000 per claim and no annual aggregate. In both 2011 and 2010 hospital professional liability and general liability stop loss coverage is on a claims made basis; general liability is written on an occurrence basis. Excess commercial insurance is purchased to provide coverage above the self-insured retention levels for hospital professional liability and general liability. The Medical Center is fully self-insured for hospital professional liability claims incurred prior to June 25, 2002, but not reported as of that date. No payments have exceeded insurance coverage in the past three fiscal years where insurance coverage applies, subject to the deductibles and retentions noted above. The Medical Center is self-insured for employee claims up to \$350,000 per individual, excluding costs associated with domestic claims (claims for services provided at the Medical Center).

The Medical Center records an estimated liability for unpaid medical claims based upon reserve amounts and/or historical trends calculated by the third party administrators of the plans. The liability for workers compensation, hospital professional liability, and general liability claims are accrued at estimated amounts as determined by a third party actuary.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Following is a reconciliation of changes in the recorded aggregate liability for Medical Center claims (in thousands), which is included in accounts payable and other liabilities and professional liability claims:

For Fiscal Year Ended	September 30, 2011	September 30, 2010	September 30, 2009
Unpaid claims at October 1	\$24,951	\$24,016	\$23,252
Provisions for claims	50,680	45,065	45,185
Payments for claims	(43,821)	(42,251)	(42,632)
Administrative fees	(2,031)	(1,879)	(1,789)
Unpaid claims at September 30	<b>\$29,779</b>	<b>\$24,951</b>	<b>\$24,016</b>

The ABC Board is exposed to various risks of loss related to torts; errors and omissions; injuries to employees; and natural disasters. The ABC Board has commercial property, general liability, auto liability, workers' compensation and employee health coverage. The ABC Board also has liquor legal liability. 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.

Each ABC Board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000, secured by a corporate surety.

All ABC Store managers and employees who have access to funds are insured for \$25,000.

The TDA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The TDA carries commercial insurance for all risks of loss. No claims have been experienced under these policies for any of the past two years.

The TDA's board is covered under New Hanover county's public officials' liability policy. The County participates in a financing pool through the risk management agency of the North Carolina Association of County Commissioners. Through this pool, the County obtains general liability coverage of \$2 million per occurrence.

In accordance with G.S. 159-29, TDA employees that have access to \$100 or more at any given time of TDA funds are performance bonded through a commercial surety bond. The Finance Officer is bonded under a surety bond for \$50,000.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012**NOTE 10: COMMITMENTS AND CONTINGENCIES**

The County is named as a defendant in various lawsuits incidental to carrying out its functions. Based upon the opinions of the County's legal department, the County believes its ultimate liability, if any, will be limited to insurance deductibles.

At June 30, 2012, the County was party to various contracts for the construction or purchase of various capital assets. The remaining commitments to be honored during the subsequent year under the aforementioned contracts relative to governmental activities have been included as fund balance reserved for encumbrances. Contractual commitments relative to construction in progress in the Capital Project funds was approximately \$5.0 million as of June 30, 2012.

Pursuant to the interlocal agreement transferring the County's water and sewer system to Cape Fear Public Utility Authority (CFPUA), CFPUA has assumed responsibility for servicing all of the county's enterprise long-term debt. However, certain long-term debt instruments could not either be refinanced or transferred to CFPUA due to the nature of the agreements. Accordingly, the County has retained and is servicing those debt instruments with CFPUA making payments to the County equal to the principal and interest payments required under those debt instruments. Under Section 2.10 of the interlocal agreement, the County has agreed to a reduction in the amount of the debt service contributed from the Authority (debt payment reduction amounts) for a period of 10 years starting in the year ended June 30, 2009. The debt payment reduction amount which reduces the debt service payments to be paid to the County by the Authority was \$1.9 million in the current year and an additional \$1.9 million each year for the next three years. Beginning in the sixth year (2014), the debt payment reduction amounts will consist of \$1.577 million for the sixth year, \$1.254 million for the seventh year, \$950,000 for the eighth year, \$627,000 for the ninth year, and \$304,000 for the tenth year. If at any time the debt payments reduction amounts in a given year are greater than the amounts required to be paid by the Authority to the County, the County will pay the Authority the difference.

Pursuant to a management agreement, the Authority retains USA Parking System, Inc. to provide management and operational services for the parking lot and skycap services. The agreement provides that USA Parking System, Inc. shall employ, furnish and supervise certain personnel necessary for the management of the parking lot and skycap services. The Authority reimburses USA Parking System, Inc. for all operating expenses incurred in the management of the parking lot and skycap services in addition to annual management, insurance and accounting services. In May of 2012, the Authority entered into an amended contract with USA Parking, for five years, effective November 1, 2012 through October 31, 2017. After October 31, 2017, the agreement allows the Authority to continue the contract by one additional five year period. The Authority may cancel the agreement at any time after October 31, 2017 by providing USA Parking System, Inc. thirty days prior written notice. For the year ended June 30, 2012, the Authority paid fees and expenses totaling \$389,086 which is included in contracted services.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

Estimated future commitments under the agreement are as follows:

2013	\$ 397,000
2014	405,000
2015	413,000
2016	421,000
2017	430,000
2018	<u>147,000</u>
	<u>\$2,213,000</u>

The Authority has entered into several contracts and agreements as of June 30, 2012, primarily related to construction projects and equipment. The remaining commitment under these contracts and agreements is approximately \$5,800,000.

The Authority has entered into an employment agreement with one employee that provides for payment of certain benefits if the Authority, in its discretion, terminates the employee. The agreement was automatically renewed for a three year term on June 30, 2012, and renews automatically thereafter for three additional years.

The Medical Center is aware of various asserted and unasserted claims. Management has been unable to reasonably estimate the amount of the loss, if any, since the ultimate resolution of these matters will be dependent upon future events. Management feels that

these claims can be successfully defended and intends to resist the allegations of these matters in every way and does not plan to seek out-of-court settlements. In the event that judgments adverse to their interests should be rendered, management feels any liability will be fully covered by existing insurance or not be material to the financial statements.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Medical Center believes that they are in compliance with all applicable laws and regulations and are not aware of any significant pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs.

Carolina Healthcare Associates (CHA), doing business as NHRMC Physicians Group, is a nonprofit corporation that provides an integrated primary and specialty care physician practice network to NHRMC in the form of physician and nurse practitioner services within NHRMC clinical areas and office locations in the NHRMC service area. CHA's operating revenue was \$41,147,000 in fiscal year 2011 and \$10,482,000 in fiscal year 2010.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

At the end of fiscal year 2010, CHA's physician network consisted of 34 physicians, 7 nurse practitioners, and 7 mid-level providers. During fiscal year 2011, CHA expanded primarily through two major practice acquisitions. In November 2010, CHA acquired New Hanover Medical Group, consisting of 23 physicians, two mid-level providers and three office locations in Wilmington, NC. In March 2011, CHA acquired by merger two cardiology practices in Wilmington, NC consisting of 16 physicians, 6 nurse practitioners and 19 mid-level providers.

CHA has engaged Carolinas Physician Network (CPN), a physician practice network within the nonprofit corporation of Carolinas Health Care Systems, through contractual agreements, to operate and manage each of the medical practices owned by CHA and provide certain professional medical services for each of those practices. CPN provides physicians and mid-level providers to operate each of the medical practices owned by CHA and provide certain professional medical services for each of those practices. In

exchange, CHA pays a flat annual fee adjusted annually to equal the estimated compensation of the Practice Provides. In its role as manager, CPN provides management and billing services, practice acquisition services, provider recruiting, and access to its practice management system. Fees under the management agreement are based on the number and specialties of the practices. The Management Services and Professional Services Agreements expire in 2014 and may be renewed for successive one year terms. During the years ended September 30, 2011 and 2010, CHA paid \$30,120,000 and \$11,102,000, respectively, to CPN under these agreements.

The ABC Board has elected to pay direct costs of employment security benefits in lieu of employment security taxes on payroll. A liability for the benefit payments could accrue in the year following discharge of employees. During the years ended June 30, 2011 and 2010, employment security benefits paid to former employees were immaterial.

**NOTE 11: SUBSEQUENT EVENTS**

On September 12, 2012, the County issued \$20.54 million in limited obligation refunding bonds bearing an average coupon rate of 4.10 percent. These bonds were executed and delivered to provide funds to refinance the remaining principal components of the County's 2003 certificates of participation. The refunded 2003 certificates maturing on or after March 1, 2014 will be irrevocably called for prepayment on March 1, 2013, at a prepayment price equal to 101% of the principal amount of such Refunded 2003 Certificates to be prepaid plus accrued interest to the prepayment date. This refunding was undertaken to reduce total debt service payments over the next 16 years and resulted in a net present value benefit of approximately \$2.5 million.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012**

On June 19, 2012, the New Hanover County ABC Board approved a motion to restrict funds totaling \$2,555,950 for future expansion, subject to the approval of the New Hanover county Commissioners. The New Hanover County Commissioners approved the request to restrict funds totaling \$2,555,950 for capital improvements for the year ending June 30, 2013 at their July 2, 2012 board meeting.

On July 10, 2012, the New Hanover County ABC Board approved an additional one time lump sum profit distribution of \$400,000. The additional distribution was allocated to the local government units according to the location of each store based off of the local store profits for the year ended June 30, 2012.



NEW HANOVER COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION  
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
 NEW HANOVER REGIONAL MEDICAL CENTER AND PENDER MEMORIAL HOSPITAL PENSION PLANS  
 OTHER POST EMPLOYMENT BENEFITS (OPEB)  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 2003-2012

Fiscal Years Ended	Annual Required Contribution	Percentage Contributed
<b>New Hanover County Law Enforcement Officers' Special Separation Allowance</b>		
2003	\$227,951	82.2%
2004	\$243,875	93.5%
2005	\$304,978	80.0%
2006	\$331,460	92.0%
2007	\$328,307	101.0%
2008	\$306,872	107.0%
2009	\$358,511	85.6%
2010	\$405,798	88.3%
2011	\$512,034	75.8%
2012	\$518,335	98.8%
<b>New Hanover County Airport Authority Law Enforcement Officers' Special Separation Allowance</b>		
2003	\$8,436	16.6%
2004	\$10,055	31.4%
2005	\$11,129	36.7%
2006	\$8,867	88.6%
2007	\$6,969	102.4%
2008	\$7,257	176.9%
2009	\$7,177	178.8%
2010	\$6,602	194.4%
2011	\$8,723	147.1%
2012	\$9,999	91.3%
<b>New Hanover Regional Medical Center Pension Plan</b>		
2002	\$3,658,447	100.0%
2003	\$5,023,547	100.0%
2004	\$8,159,380	100.0%
2005	\$8,760,456	100.0%
2006	\$8,832,780	100.0%
2007	\$8,218,000	100.0%
2008	\$8,263,000	100.0%
2009	\$8,428,000	100.0%
2010	\$8,960,000	100.0%
2011	\$9,781,000	100.0%

NEW HANOVER COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION  
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
 NEW HANOVER REGIONAL MEDICAL CENTER AND PENDER MEMORIAL HOSPITAL PENSION PLANS  
 OTHER POST EMPLOYMENT BENEFITS (OPEB)  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 2003-2012

Fiscal Years Ended	Annual Required Contribution	Percentage Contributed
<b>Pender Memorial Hospital Pension Plan</b>		
2002	\$93,083	100.0%
2003	\$105,547	100.0%
2004	\$176,300	100.0%
2005	\$185,319	100.0%
2006	\$200,416	100.0%
2007	\$197,000	100.0%
2008	\$213,000	100.0%
2009	\$247,000	100.0%
2010	\$268,000	100.0%
2011	\$317,000	99.7%
<b>New Hanover County Other Postemployment Benefits (OPEB)</b>		
2008	\$3,927,297	31.8%
2009	\$4,268,246	13.3%
2010	\$6,911,756	13.5%
2011	\$6,981,320	15.8%
2012	\$10,774,858	9.8%
<b>New Hanover County Airport Authority Other Postemployment Benefits (OPEB)</b>		
2008	\$18,261	69.0%
2009	\$18,261	60.8%
2010	\$18,261	49.3%
2011	\$14,144	63.6%
2012	\$14,144	63.6%
<b>New Hanover County ABC Board Other Postemployment Benefits (OPEB)</b>		
2009	\$104,936	0.0%
2010	\$104,936	18.3%
2011	\$104,936	31.5%
2012	\$104,936	39.4%

NEW HANOVER COUNTY, NORTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
NEW HANOVER REGIONAL MEDICAL CENTER AND PENDER MEMORIAL HOSPITAL PENSION PLANS  
OTHER POST EMPLOYMENT BENEFITS (OPEB)  
SCHEDULE OF FUNDING PROGRESS  
2003-2012

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -Projected Unit Credit	Excess (Deficit) of Assets over AAL	Funded Ratio	Covered Payroll for Year Ending on Valuation Date	Excess (Deficit) as a Percentage of Covered Payroll
<b>New Hanover County Law Enforcement Officers' Special Separation Allowance (1)</b>						
12/31/02	\$219,483	\$1,984,414	(\$1,764,931)	11.06%	\$8,999,485	-19.61%
12/31/03	\$229,103	\$2,439,375	(\$2,210,272)	9.39%	\$11,006,067	-20.08%
12/31/04	\$243,252	\$2,701,937	(\$2,458,685)	9.00%	\$11,619,995	-21.16%
12/31/05	\$374,857	\$2,593,801	(\$2,218,944)	14.45%	\$13,103,102	-16.93%
12/31/06	\$564,252	\$2,765,097	(\$2,200,845)	20.41%	\$13,186,998	-16.69%
12/31/07	\$350,340	\$3,107,557	(\$2,757,217)	11.27%	\$14,144,196	-19.49%
12/31/08	\$442,060	\$3,515,534	(\$3,073,474)	12.57%	\$15,510,994	-19.81%
12/31/09	\$457,304	\$4,567,208	(\$4,109,904)	10.01%	\$14,627,764	-28.10%
12/31/10	\$477,368	\$4,521,066	(\$4,043,698)	10.56%	\$14,565,306	-27.76%
12/31/11	\$494,732	\$4,775,981	(\$4,281,249)	10.36%	\$15,967,718	-26.81%
<b>New Hanover County Airport Authority Law Enforcement Officers' Special Separation Allowance (2)</b>						
12/31/02	\$0	\$78,338	(\$78,338)	0.00%	\$396,374	-19.76%
12/31/03	\$0	\$86,472	(\$86,472)	0.00%	\$444,100	-19.47%
12/31/04	\$0	\$74,049	(\$74,049)	0.00%	\$381,755	-19.40%
12/31/05	\$0	\$74,232	(\$74,232)	0.00%	\$303,056	-24.49%
12/31/06	\$0	\$66,280	(\$66,280)	0.00%	\$396,598	-16.71%
12/31/07	\$0	\$62,086	(\$62,086)	0.00%	\$355,262	-17.48%
12/31/08	\$0	\$50,131	(\$50,131)	0.00%	\$320,969	-15.62%
12/31/09	\$0	\$54,225	(\$54,225)	0.00%	\$361,651	-14.99%
12/31/10	\$0	\$53,679	(\$53,679)	0.00%	\$365,801	-14.67%
12/31/11	\$0	\$53,679	(\$53,679)	0.00%	\$411,372	-13.05%
<b>New Hanover Regional Medical Center Pension Plan (2)</b>						
01/01/02	\$124,113,655	\$104,285,352	\$19,828,303	119.01%	\$140,876,590	14.07%
01/01/03	\$113,938,037	\$121,089,407	(\$7,151,370)	94.09%	\$163,177,352	-4.38%
01/01/04	\$129,523,435	\$135,764,516	(\$6,241,081)	95.40%	\$175,010,789	-3.57%
01/01/05	\$133,897,230	\$141,242,243	(\$7,345,013)	94.80%	\$182,282,839	-4.03%
01/01/06	\$141,520,596	\$145,541,727	(\$4,021,131)	97.24%	\$184,743,315	-2.18%
01/01/07	\$150,774,000	\$153,919,000	(\$3,145,000)	97.96%	\$192,601,000	-1.63%
01/01/08	\$163,463,000	\$165,667,000	(\$2,204,000)	98.67%	\$202,700,000	-1.09%
01/01/09	\$166,373,000	\$177,016,000	(\$10,643,000)	93.99%	\$201,438,000	-5.28%
01/01/10	\$163,563,000	\$181,718,000	(\$18,155,000)	90.01%	\$200,573,000	-9.05%
01/01/11	\$170,571,000	\$194,762,000	(\$24,191,000)	87.58%	\$205,914,000	-11.75%
<b>Pender Memorial Hospital Pension Plan (2)</b>						
01/01/02	\$2,450,023	\$2,316,473	\$133,550	105.77%	\$3,837,155	3.48%
01/01/03	\$2,225,458	\$2,595,198	(\$369,740)	85.75%	\$4,298,691	-8.60%
01/01/04	\$2,461,615	\$2,763,000	(\$301,385)	89.09%	\$4,407,340	-6.84%
01/01/05	\$2,558,827	\$2,932,888	(\$374,061)	87.25%	\$4,861,261	-7.69%
01/01/06	\$2,671,113	\$3,167,084	(\$495,971)	84.34%	\$4,441,209	-11.17%
01/01/07	\$2,857,000	\$3,399,000	(\$542,000)	84.05%	\$4,917,000	-11.02%
01/01/08	\$3,140,000	\$3,659,000	(\$519,000)	85.82%	\$5,632,000	-9.22%
01/01/09	\$3,268,000	\$3,938,000	(\$670,000)	82.99%	\$6,412,000	-10.45%
01/01/10	\$3,388,000	\$4,266,000	(\$878,000)	79.42%	\$6,875,000	-12.77%
01/01/11	\$3,552,000	\$4,689,000	(\$1,137,000)	75.75%	\$7,231,000	-15.72%
<b>New Hanover County Other Postemployment Benefits (OPEB) (2)</b>						
12/31/05	\$0	\$58,559,274	(\$58,559,274)	0.00%	\$56,909,965	-102.90%
12/31/08	\$0	\$78,484,700	(\$78,484,700)	0.00%	\$70,084,683	-111.99%
12/31/10	\$0	\$116,907,724	(\$116,907,724)	0.00%	\$64,891,230	-180.16%
<b>New Hanover County Airport Authority Other Post Employment Benefits (OPEB) (2)</b>						
06/30/07	\$0	\$227,578	(\$227,578)	0.00%	\$1,830,709	-12.43%
06/30/10	\$0	\$188,082	(\$188,082)	0.00%	\$2,164,859	-8.69%
<b>New Hanover County ABC Board Other Post Employment Benefits (OPEB) (2)</b>						
06/30/09	\$0	\$880,945	(\$880,945)	0.00%	\$1,980,624	-44.48%
12/31/11	\$0	\$791,283	(\$791,283)	0.00%	\$2,037,135	-38.84%

**Notes:**

- (1) PensionTrust Fund is in the reporting entity.  
(2) Pension Trust Fund is not in the reporting entity.



**NEW HANOVER COUNTY, NORTH CAROLINA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**NEW HANOVER REGIONAL MEDICAL CENTER AND PENDER MEMORIAL**  
**HOSPITAL PENSION PLANS**  
**OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**NOTES TO THE REQUIRED SCHEDULES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial and alternative measurement method valuations at the dates indicated. Additional information as of the latest actuarial and alternative method valuations follows.

New Hanover County Law Enforcement Officers' Special Separation Allowance

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	19 years
Asset valuation method	Market value

**Actuarial Assumptions:**

Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
Cost of living adjustments	None

\* Includes inflation at 3.00%

**NEW HANOVER COUNTY, NORTH CAROLINA**

**NOTES TO THE REQUIRED SCHEDULES - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2012**

New Hanover County Airport Authority Law Enforcement Officers' Special Separation Allowance

Valuation date	6/30/2010
Actuarial cost method	Unit credit cost
Amortization method	Level dollar amount, open
Remaining amortization period	30 years
Asset valuation method	Market value

**Actuarial Assumptions:**

Investment rate of return*	4.00%
Projected salary increases*	N/A
Cost of living adjustments	None

\* Inflation N/A

New Hanover Regional Medical Center Pension Plan

Valuation date	1/1/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	30 years
Asset valuation method	Market value

**Actuarial Assumptions:**

Investment rate of return*	8.00%
Projected salary increases*	5.0% per year
Cost of living adjustments	None

\* Includes inflation at 3.0%

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE REQUIRED SCHEDULES - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2012

Pender Memorial Hospital Pension Plan

Valuation date	1/1/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	30 years
Asset valuation method	Market value

**Actuarial Assumptions:**

Investment rate of return*	8.00%
Projected salary increases*	5.00%
Cost of living adjustments	None

\* Includes inflation at 3.00%

New Hanover County Other Postemployment Benefits (OPEB)

Valuation date	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value

**Actuarial Assumptions:**

Investment rate of return*	4.00%
Medical cost trend*	
Pre-Medicare cost trend*	10.50% to 5.00%
Post-Medicare cost trend*	8.50% to 5.00%
Year of ultimate trend rate*	2018

\* Includes inflation at 3.0%

**NEW HANOVER COUNTY, NORTH CAROLINA**

**NOTES TO THE REQUIRED SCHEDULES - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2012**

New Hanover County Airport Authority Other Postemployment Benefits (OPEB)  
(Authority used alternative measurement method permitted by GASB Statement 45)

Valuation date	6/30/2010
Actuarial cost method	Unit credit cost
Amortization method	Level dollar amount open
Remaining amortization period	30 years
Asset valuation method	Market value

**Actuarial Assumptions:**

Investment rate of return *	4.00%
Projected salary increases	N/A
Cost of living adjustments	None

\* Inflation N/A

New Hanover County ABC Board Other Postemployment Benefits (OPEB)  
(Authority used alternative measurement method permitted by GASB Statement 45)

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	29 years
Asset valuation method	Market value

**Actuarial Assumptions:**

Investment rate of return*	4.00%
Medical cost trend*	
Pre-Medicare cost trend*	9.50% to 5.00%
Post-Medicare cost trend*	7.00% to 5.00%
Year of ultimate trend rate*	2018

\* Includes inflation at 3%

**NEW HANOVER COUNTY, NORTH CAROLINA**

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

<b>ASSETS</b>	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
Cash and investments	\$7,837,635	\$9,151,290	\$16,988,925
Restricted cash	0	1,104,858	1,104,858
Receivables:			
Intergovernmental	574,148	289,740	863,888
Other sources (net)	220,163	0	220,163
Prepays	1,802	0	1,802
Total assets	\$8,633,748	\$10,545,888	\$19,179,636
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$669,685	\$929,013	\$1,598,698
Interfund loans	0	198,869	198,869
Deferred/unearned revenue	164,208	0	164,208
Total liabilities	833,893	1,127,882	1,961,775
Fund balances:			
Non-spendable	1,802	0	1,802
Restricted:			
Stabilization State statute	852,940	653,099	1,506,039
Restricted - all other	2,650,031	8,992,903	11,642,934
Committed	4,226,116	74,831	4,300,947
Assigned	68,966	0	68,966
Unassigned	0	(302,827)	(302,827)
Total fund balances	7,799,855	9,418,006	17,217,861
Total liabilities and fund balances	\$8,633,748	\$10,545,888	\$19,179,636

**NEW HANOVER COUNTY, NORTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2012**

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>			
Taxes	\$ 11,441,065	\$ -	\$ 11,441,065
Intergovernmental revenue	192,427	3,608,107	3,800,534
Charges for services	869,038	-	869,038
Investment earnings	46,259	25,831	72,090
Miscellaneous	96,708	7,034	103,742
Total revenues	<u>12,645,497</u>	<u>3,640,972</u>	<u>16,286,469</u>
<b>Expenditures:</b>			
Current:			
Public safety	9,766,292	-	9,766,292
Culture and recreation	664,020	-	664,020
Capital outlay	790,457	15,813,348	16,603,805
Debt service:			
Installment debt payments	1,079,345	-	1,079,345
Total expenditures	<u>12,300,114</u>	<u>15,813,348</u>	<u>28,113,462</u>
Revenues over (under) expenditures	<u>345,383</u>	<u>(12,172,376)</u>	<u>(11,826,993)</u>
<b>Other financing sources (uses):</b>			
Premium on long-term debt issued	-	1,696	1,696
Sale of fixed assets	92,523	-	92,523
Transfers to other funds	-	(1,466,547)	(1,466,547)
Transfers from other funds	-	180,000	180,000
Total other financing sources (uses)	<u>92,523</u>	<u>(1,284,851)</u>	<u>(1,192,328)</u>
Revenues and other sources over (under) expenditures and other (uses)	437,906	(13,457,227)	(13,019,321)
Fund balances - beginning of year	7,361,949	22,875,233	30,237,182
Fund balances - end of year	<u>\$ 7,799,855</u>	<u>\$ 9,418,006</u>	<u>\$ 17,217,861</u>



NEW HANOVER COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS  
June 30, 2012

<b>ASSETS</b>	<b>Special Fire District</b>	<b>Local Law Enforcement Block Grant</b>	<b>Emergency Tel Sys Article 3</b>
Cash and investments	\$ 4,963,082	\$ 16,007	\$ 681,787
Restricted cash	-	-	-
Receivables:			
Intergovernmental	574,148	-	-
Other sources (net)	164,843	-	53,415
Prepays	-	-	-
Total assets	<u>\$ 5,702,073</u>	<u>\$ 16,007</u>	<u>\$ 735,202</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 514,129	\$ -	\$ 2,800
Deferred/unearned revenue	164,208	-	-
Total liabilities	<u>678,337</u>	<u>-</u>	<u>2,800</u>
Fund balances:			
Non-spendable:			
Prepays	-	-	-
Restricted:			
Stabilizaion by State statute	797,620	-	53,415
Restricted - all other	-	16,007	678,987
Committed	4,226,116	-	-
Assigned	-	-	-
Total fund balances	<u>5,023,736</u>	<u>16,007</u>	<u>732,402</u>
Total liabilities and fund balances	<u>\$ 5,702,073</u>	<u>\$ 16,007</u>	<u>\$ 735,202</u>

<b>Revolving Loan Program</b>	<b>Parks Foundation</b>	<b>Airlie Gardens Foundation, Inc</b>	<b>Public Health Foundation</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ 69,766	\$ -	\$ 2,084,948	\$ 22,045	\$ 7,837,635
-	-	-	-	-
-	-	-	-	574,148
-	-	1,905	-	220,163
-	-	1,802	-	1,802
<b>\$ 69,766</b>	<b>\$ -</b>	<b>\$ 2,088,655</b>	<b>\$ 22,045</b>	<b>\$ 8,633,748</b>
\$ 800	\$ -	\$ 151,956	\$ -	\$ 669,685
-	-	-	-	164,208
<b>800</b>	<b>-</b>	<b>151,956</b>	<b>-</b>	<b>833,893</b>
-	-	1,802	-	1,802
-	-	1,905	-	852,940
-	-	1,932,992	22,045	2,650,031
-	-	-	-	4,226,116
68,966	-	-	-	68,966
<b>68,966</b>	<b>-</b>	<b>1,936,699</b>	<b>22,045</b>	<b>7,799,855</b>
<b>\$ 69,766</b>	<b>\$ -</b>	<b>\$ 2,088,655</b>	<b>\$ 22,045</b>	<b>\$ 8,633,748</b>

NEW HANOVER COUNTY, NORTH CAROLINA  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECT GOVERNMENTAL FUNDS**  
 June 30, 2012

<b>ASSETS</b>	<b>\$123M School Bond Expenditure Capital Project</b>	<b>\$35.5M Park Bond Capital Project</b>	<b>SEMH &amp; Health Admin Building Capital Project</b>	<b>Smith Creek Park Capital Project</b>	<b>Public School Building Capital Fund Capital Project</b>	<b>Burn Pit Capital Project</b>
Cash and investments	\$ 1,401,595	\$ 6,978,679	\$ -	\$ 15,192	\$ -	\$ 133,606
Restricted cash	-	-	-	-	-	-
Receivables:						
Intergovernmental	-	-	-	-	279,689	-
<b>Total assets</b>	<b>\$ 1,401,595</b>	<b>\$ 6,978,679</b>	<b>\$ -</b>	<b>\$ 15,192</b>	<b>\$ 279,689</b>	<b>\$ 133,606</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:					-	
Accounts payable and accrued liabilities	\$ 279,689	\$ 466,870	\$ -	\$ -	\$ 91,538	\$ -
Interfund loans	-	-	-	-	188,151	-
<b>Total liabilities</b>	<b>279,689</b>	<b>466,870</b>	<b>-</b>	<b>-</b>	<b>279,689</b>	<b>-</b>
Fund balances:						
Restricted:						
Stabilization by State statute	-	80,457	-	-	279,689	-
Restricted - all other	1,121,906	6,431,352	-	-	-	133,606
Committed	-	-	-	15,192	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	(279,689)	-
<b>Total fund balances</b>	<b>1,121,906</b>	<b>6,511,809</b>	<b>-</b>	<b>15,192</b>	<b>-</b>	<b>133,606</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,401,595</b>	<b>\$ 6,978,679</b>	<b>\$ -</b>	<b>\$ 15,192</b>	<b>\$ 279,689</b>	<b>\$ 133,606</b>

Qualified School Construction Bond Capital Project	Murrayville Fire Station Capital Project	Controlled Substance Tax Capital Project	Federal Forfeited Property Capital Project	\$38.3 Million CFCC Bond Expenditure Capital Project	Masons Inlet Relocation Capital Project	Scattered Site Housing Capital Project	Bike/Pedestrian Paths Capital Project	Total Nonmajor Capital Projects Funds
\$ -	\$ -	\$ 18,956	\$ 345,243		\$ 258,013	\$ -	\$ 6	\$ 9,151,290
929,435	162,684			12,739	-	-	-	1,104,858
-	-	-	(1,499)	-	-	11,550	-	289,740
<u>\$ 929,435</u>	<u>\$ 162,684</u>	<u>\$ 18,956</u>	<u>\$ 343,744</u>	<u>\$ 12,739</u>	<u>\$ 258,013</u>	<u>\$ 11,550</u>	<u>\$ 6</u>	<u>\$ 10,545,888</u>
\$ 46,787	\$ -	\$ 11,135	\$ 27,994	\$ -	\$ -	\$ 5,000	\$ -	\$ 929,013
-	-	-	-	-	-	10,718	-	198,869
<u>46,787</u>	<u>-</u>	<u>11,135</u>	<u>27,994</u>	<u>-</u>	<u>-</u>	<u>15,718</u>	<u>-</u>	<u>1,127,882</u>
-	-	-	75,603	-	198,380	18,970	-	653,099
882,648	162,684	7,821	240,147	12,739	-	-	-	8,992,903
-	-	-	-	-	59,633	-	6	74,831
-	-	-	-	-	-	(23,138)	-	-
<u>882,648</u>	<u>162,684</u>	<u>7,821</u>	<u>315,750</u>	<u>12,739</u>	<u>258,013</u>	<u>(4,168)</u>	<u>6</u>	<u>9,418,006</u>
<u>\$ 929,435</u>	<u>\$ 162,684</u>	<u>\$ 18,956</u>	<u>\$ 343,744</u>	<u>\$ 12,739</u>	<u>\$ 258,013</u>	<u>\$ 11,550</u>	<u>\$ 6</u>	<u>\$ 10,545,888</u>

NEW HANOVER COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2012

	Special Fire District	Local Law Enforcement Block Grant	Emergency Tel Sys Article 3
<b>Revenues:</b>			
Taxes:			
Ad valorem, including interest	\$ 8,768,488	\$ -	\$ -
Other taxes	2,031,599	-	640,978
Total taxes	10,800,087	-	640,978
Charges for services	75,775	-	-
Intergovernmental revenue	138,764	53,663	-
Investment earnings	11,181	30	2,250
Miscellaneous	76,262	-	-
Total revenues	<u>11,102,069</u>	<u>53,693</u>	<u>643,228</u>
<b>Expenditures:</b>			
Current:			
Operating costs	9,008,613	53,663	694,905
Capital outlay	527,128	-	263,329
Debt service:			
Installment debt payments	1,079,345	-	-
Total expenditures	<u>10,615,086</u>	<u>53,663</u>	<u>958,234</u>
Revenues over (under) expenditures	<u>486,983</u>	<u>30</u>	<u>(315,006)</u>
<b>Other financing sources (uses):</b>			
Sales of Fixed Assest	92,523		
Total other financing sources (uses)	<u>92,523</u>	-	-
Revenues and other sources over (under) expenditures and other (uses)	579,506	30	(315,006)
Fund balances - beginning of year	4,444,230	15,977	1,047,408
Fund balances - end of year	<u>\$ 5,023,736</u>	<u>\$ 16,007</u>	<u>\$ 732,402</u>

Revolving Loan Program	Parks Foundation	Airlie Gardens Foundation, Inc	Public Health Foundation	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 8,768,488
-	-	-	-	2,672,577
-	-	-	-	11,441,065
-	-	793,263	-	869,038
-	-	-	-	192,427
131	-	32,667	-	46,259
17,397	-	778	2,271	96,708
17,528	-	826,708	2,271	12,645,497
8,142	3,761	660,259	969	10,430,312
-	-	-	-	790,457
-	-	-	-	1,079,345
8,142	3,761	660,259	969	12,300,114
9,386	(3,761)	166,449	1,302	345,383
-	-	-	-	92,523
-	-	-	-	92,523
9,386	(3,761)	166,449	1,302	437,906
59,580	3,761	1,770,250	20,743	7,361,949
\$ 68,966	\$ -	\$ 1,936,699	\$ 22,045	\$ 7,799,855

NEW HANOVER COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECT GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2012

	\$123M School Bond Expenditure Capital Project	\$35.5M Park Bond Capital Project	SEMH & Health Admin Building Capital Project	Smith Creek Park Capital Project	Public School Building Capital Fund Capital Project	Burn Pit Capital Project	Qualified School Construction Bond Capital Project
<b>Revenues:</b>							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 230,914	\$ 2,739,369	\$ 29,718	\$ -
Investment earnings	1,142	12,382	5,997	5	-	308	4,941
Miscellaneous	-	4,896	-	2,138	-	-	-
Total revenues	1,142	17,278	5,997	233,057	2,739,369	30,026	4,941
<b>Expenditures:</b>							
Supplies	-	-	-	-	-	-	-
Capital outlay	2,864,655	1,800,683	3,241,760	507,667	2,739,369	47,002	3,807,906
Total expenditures	2,864,655	1,800,683	3,241,760	507,667	2,739,369	47,002	3,807,906
Revenues over (under) expenditures	(2,863,513)	(1,783,405)	(3,235,763)	(274,610)	-	(16,976)	(3,802,965)
<b>Other financing sources (uses):</b>							
Premium on long-term debt issued	-	1,696	-	-	-	-	-
Transfers to other funds	(1,336,547)	(130,000)	-	-	-	-	-
Transfers from other funds	-	-	-	90,000	-	-	-
Total other financing sources (uses)	(1,336,547)	(128,304)	-	90,000	-	-	-
Revenues and other sources over (under) expenditures and other (uses)	(4,200,060)	(1,911,709)	(3,235,763)	(184,610)	-	(16,976)	(3,802,965)
Fund balances - beginning of year	5,321,966	8,423,518	3,235,763	199,802	-	150,582	4,685,613
Fund balances - end of year	\$ 1,121,906	\$ 6,511,809	\$ -	\$ 15,192	\$ -	\$ 133,606	\$ 882,648

Murrayville Fire Station Capital Project	Controlled Substance Tax Capital Project	Federal Forfeited Property Capital Project	\$38.3 Million CFCC Bond Expenditure Capital Project	Masons Inlet Relocation Capital Project	Scattered Site Housing Capital Project	Bike/Pedestrian Paths Capital Project	Total Nonmajor Capital Project Funds
\$ -	\$ 90,338	\$ 506,218	\$ -	\$ -	\$ 11,550	\$ -	\$ 3,608,107
-	68	423	-	559	-	6	25,831
-	-	-	-	-	-	-	7,034
-	90,406	506,641	-	559	11,550	6	3,640,972
-	114,145	162,676	-	-	-	-	276,821
4,152	13,407	315,187	-	147,906	6,833	40,000	15,536,527
4,152	127,552	477,863	-	147,906	6,833	40,000	15,813,348
(4,152)	(37,146)	28,778	-	(147,347)	4,717	(39,994)	(12,172,376)
-	-	-	-	-	-	-	1,696
-	-	-	-	-	-	-	(1,466,547)
-	-	-	-	50,000	-	40,000	180,000
-	-	-	-	50,000	-	40,000	(1,284,851)
(4,152)	(37,146)	28,778	-	(97,347)	4,717	6	(13,457,227)
166,836	44,967	286,972	12,739	355,360	(8,885)	-	22,875,233
\$ 162,684	\$ 7,821	\$ 315,750	\$ 12,739	\$ 258,013	\$ (4,168)	\$ 6	\$ 9,418,006



**NEW HANOVER COUNTY, NORTH CAROLINA**

**GENERAL FUND  
COMPARATIVE BALANCE SHEET  
June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Cash and Investments	\$85,523,152	\$74,272,050
Restricted Cash	467	366,128
Receivables:		
Interfund loans	219,408	2,929,236
Intergovernmental	18,346,052	16,521,565
Other sources (net)	4,216,897	3,866,141
Due from component units	313,521	231,813
Inventory	15,737	17,235
Prepays	31,053	62,616
Total Assets	<u>\$108,666,287</u>	<u>\$98,266,784</u>
 <b>LIABILITIES AND FUND BALANCE</b>  		
Liabilities:		
Accounts payable and accrued liabilities	\$10,547,382	\$10,743,304
Deferred/unearned revenues	3,922,805	3,341,312
Total liabilities	<u>14,470,187</u>	<u>14,084,616</u>
Fund Balance:		
Nonspendable:		
Inventory	15,737	17,235
Prepays	31,053	62,616
Restricted:		
Stabilization by State statute	21,142,808	23,418,168
Register of Deeds	625,992	775,135
Assigned:		
Subsequent years' expenditures	7,000,000	3,000,000
Post employment benefits	1,900,000	1,600,000
Public schools	2,554,087	3,345,535
Unassigned	60,926,423	51,963,479
Total Fund Balance	<u>94,196,100</u>	<u>84,182,168</u>
Total Liabilities and fund balance	<u>\$108,666,287</u>	<u>\$98,266,784</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAPP BASIS) AND ACTUAL**

**For the Year Ended June 30, 2012**

**With Comparative Actual Amounts for the Year Ended June 30, 2011**

	2012		Variance Positive (Negative)	2011 Actual
	Final Budget	Actual		
<b>Revenues:</b>				
Taxes:				
Ad valorem, including interest	\$ 156,967,697	\$ 160,778,932	\$ 3,811,235	\$ 157,919,322
Other	49,574,868	52,668,352	3,093,484	47,359,441
Total taxes	206,542,565	213,447,284	6,904,719	205,278,763
Special Assessments	125,968	135,802	9,834	145,898
Intergovernmental Revenue	47,143,623	47,230,250	86,627	39,804,792
Charges for Services	8,879,596	9,876,604	997,008	8,634,671
Investment Earnings	145,000	173,026	28,026	252,037
Miscellaneous	2,886,026	2,344,700	(541,326)	6,748,957
Total revenues	265,722,778	273,207,666	7,484,888	260,865,118
<b>Expenditures:</b>				
Current:				
General government	34,584,696	30,553,554	4,031,142	29,479,030
Human services	57,402,294	53,674,258	3,728,036	52,148,036
Public safety	50,840,870	49,639,910	1,200,960	45,666,801
Economic and physical development	1,774,730	1,549,730	225,000	898,183
Culture and recreation	10,869,452	10,068,625	800,827	9,725,764
Education-community college	6,191,767	6,191,767	-	5,841,767
Education-public schools	-	-	-	-
Debt service:				
Principal	8,846,391	8,846,390	1	5,049,182
Interest and fees	5,641,434	5,629,202	12,232	4,294,663
Installment lease payments	14,162,762	14,317,874	(155,112)	15,246,640
Total expenditures	190,314,396	180,471,310	9,843,086	168,350,066
Revenues over expenditures	75,408,382	92,736,356	17,327,974	92,515,052
<b>Other financing sources (uses):</b>				
Sales of fixed assets	15,266	74,003	58,737	-
Insurance claim proceeds	-	40,140	40,140	-
Transfers from other funds	-	-	-	2,873,943
Transfers to other funds	(82,246,422)	(82,036,119)	210,303	(84,739,475)
Appropriated fund balance	6,822,774	-	(6,822,774)	-
Total other financing (uses)	(75,408,382)	(81,921,976)	(6,513,594)	(81,865,532)
Revenues (under expenditures) and other (uses)	\$ -	10,814,380	10,814,380	10,649,520
Fund balance - beginning of year		80,827,634		70,178,114
Fund balance - end of year		\$ 91,642,014		\$ 80,827,634

**NEW HANOVER COUNTY, NORTH CAROLINA**

**PUBLIC SCHOOLS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL  
Year Ended June 30, 2012**

**With Comparative Actual Amounts for the Year Ended June 30, 2011**

	2012		Variance	2011
	Final Budget	Actual	Positive (Negative)	Actual
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 7,634	\$ 7,634	\$ 14,952
Intergovernmental revenue	263,453	<b>263,453</b>	-	138,659
Total revenues	263,453	<b>271,087</b>	7,634	153,611
<b>Expenditures:</b>				
Current:				
Payments to schools:				
Operating expenditures	62,558,440	<b>62,558,440</b>	-	61,808,440
Debt Service:				
Principal	13,553,610	<b>13,553,610</b>	-	13,980,818
Interest and fees	8,170,199	<b>7,740,315</b>	429,884	8,596,428
Installment lease payments	591,837	<b>591,836</b>	1	-
Total expenditures	84,874,086	<b>84,444,201</b>	429,885	84,385,686
Revenues (under) expenditures	(84,610,633)	<b>(84,173,114)</b>	437,519	(84,232,075)
<b>Other financing sources:</b>				
Transfers from other funds	83,110,633	<b>83,372,666</b>	262,033	84,294,475
Appropriated fund balance	1,500,000	-	(1,500,000)	-
Total other financing sources	84,610,633	<b>83,372,666</b>	(1,237,967)	84,294,475
Revenues and other sources over (under) expenditures	\$ -	<b>(800,448)</b>	\$ (800,448)	62,400
Fund balance - beginning of year		<b>3,354,534</b>		3,292,134
Fund balance - end of year		<b>\$ 2,554,086</b>		<b>\$ 3,354,534</b>



NEW HANOVER COUNTY, NORTH CAROLINA

ROOM OCCUPANCY TAX FUND  
COMPARATIVE BALANCE SHEET  
June 30, 2012 and 2011

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Cash and Investments	\$40,028,676	\$37,135,952
Receivables:		
Other sources (net)	896,586	1,103,656
Total Assets	<u>\$40,925,262</u>	<u>\$38,239,608</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$4,000	\$4,000
Due to component unit	161,801	148,620
Deferred/unearned revenues	261,059	565,738
Total liabilities	<u>426,860</u>	<u>718,358</u>
Fund Balance:		
Restricted:		
Economic and physical development-		
Erosion control	39,620,019	36,983,332
Stabilization by State statute	878,383	537,918
Total Fund balance	<u>40,498,402</u>	<u>37,521,250</u>
Total Liabilities and fund balance	<u>\$40,925,262</u>	<u>\$38,239,608</u>

NEW HANOVER COUNTY, NORTH CAROLINA

ROOM OCCUPANCY TAX FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET (GAAP BASIS) AND ACTUAL

Year Ended June 30, 2012

With Comparative Actual Amounts for the Year Ended June 30, 2011

	2012			2011 Actual
	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues:</b>				
Room occupancy taxes	\$ 3,409,730	\$ 4,163,935	\$ 754,205	\$ 3,630,298
Special assessments	284,898	350,060	65,162	403,610
Investment earnings	50,000	78,266	28,266	117,150
Total revenues	<u>3,744,628</u>	<u>4,592,261</u>	<u>847,633</u>	<u>4,151,058</u>
<b>Expenditures:</b>				
Current:				
Collection fee to New Hanover County	18,000	18,000	-	18,000
Tourism distributions to TDA for the and municipalities	1,269,390	1,477,166	(207,776)	1,389,913
Erosion control	2,407,238	69,943	2,337,295	132,896
Total expenditures	<u>3,694,628</u>	<u>1,565,109</u>	<u>2,129,519</u>	<u>1,540,809</u>
Revenues (under) expenditures	<u>50,000</u>	<u>3,027,152</u>	<u>2,977,152</u>	<u>2,610,249</u>
<b>Other financing sources:</b>				
Transfer to other funds	(50,000)	(50,000)	-	-
Total other financing (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
Revenues and other sources (under) expenditures	<u>\$ -</u>	<u>2,977,152</u>	<u>\$ 2,977,152</u>	<u>2,610,249</u>
Fund - beginning of year		37,521,250		34,911,001
Fund - end of year		<u>\$ 40,498,402</u>		<u>\$ 37,521,250</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**

**SPECIAL FIRE DISTRICT FUND  
COMPARATIVE BALANCE SHEET**

**June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Cash and Investments	\$4,963,082	\$4,223,110
Receivables:		
Intergovernmental	574,148	609,357
Other sources (net)	164,843	188,431
Total Assets	<u>\$5,702,073</u>	<u>\$5,020,898</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$514,129	\$388,725
Deferred/unearned revenues	164,208	187,943
Total liabilities	<u>678,337</u>	<u>576,668</u>
Fund Balance:		
Restricted:		
Stabilization by State statute	797,620	1,069,478
Committed:		
Public safety - Fire Services	4,226,116	3,374,752
Total Fund balance	<u>5,023,736</u>	<u>4,444,230</u>
Total Liabilities and fund balance	<u>\$5,702,073</u>	<u>\$5,020,898</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**

**SPECIAL FIRE DISTRICT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL**

**Year Ended June 30, 2012**

**With Comparative Actual Amounts for the Year Ended June 30, 2011**

	2012			2011 Actual
	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues:</b>				
Ad valorem taxes, including interest	\$ 8,429,197	\$ 8,768,488	\$ 339,291	\$ 7,594,916
Other taxes	1,951,573	2,031,599	80,026	1,926,151
Miscellaneous	-	76,262	76,262	24,148
Intergovernmental revenue	166,134	138,764	(27,370)	351,730
Charges for services	77,800	75,775	(2,025)	80,214
Investment earnings	6,100	11,181	5,081	12,485
Total revenues	<u>10,630,804</u>	<u>11,102,069</u>	<u>471,265</u>	<u>9,989,644</u>
<b>Expenditures:</b>				
Current:				
Operating expenditures	9,340,724	9,008,613	332,111	7,542,270
Capital outlay	622,633	527,128	95,505	375,339
Payments to volunteer fire departments	40,000	-	40,000	635,868
Installment debt payments	1,087,080	1,079,345	7,735	913,414
Total expenditures	<u>11,090,437</u>	<u>10,615,086</u>	<u>475,351</u>	<u>9,466,891</u>
Revenues (under) expenditures	<u>(459,633)</u>	<u>486,983</u>	<u>946,616</u>	<u>522,753</u>
<b>Other financing sources (uses):</b>				
Appropriated fund balance	62,241	-	(62,241)	-
Long-term debt issued	397,392	-	(397,392)	943,319
Sale of fixed assets	-	92,523	92,523	-
Transfer from other funds	-	-	-	20,258
Transfer to other funds	-	-	-	(645,541)
Total other financing sources (uses)	<u>459,633</u>	<u>92,523</u>	<u>(367,110)</u>	<u>318,036</u>
Revenues and other sources (under) expenditures	<u>\$ -</u>	<u>579,506</u>	<u>\$ 579,506</u>	<u>840,789</u>
Fund - beginning of year		4,444,230		3,603,441
Fund - end of year		<u>\$ 5,023,736</u>		<u>\$ 4,444,230</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**LOCAL LAW ENFORCEMENT BLOCK GRANT FUND**  
**COMPARATIVE BALANCE SHEET**  
**June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Cash and Investments	\$ 16,007	\$ 15,977
Total Assets	\$ 16,007	\$ 15,977
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
Fund Balance:		
Restricted:		
Public safety - Local law enforcement grant	16,007	15,977
Total Fund balance	16,007	15,977
Total Liabilities and fund balance	\$ 16,007	\$ 15,977

NEW HANOVER COUNTY, NORTH CAROLINA

LOCAL LAW ENFORCEMENT BLOCK GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET (GAAP BASIS) AND ACTUAL

Year Ended June 30, 2012

With Comparative Actual Amounts for the Year Ended June 30, 2011

	2012			2011 Actual
	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues:</b>				
Intergovernmental revenue	\$ 53,663	\$ 53,663	\$ -	\$ 66,389
Investment earnings	-	30	30	50
Total revenues	53,663	53,693	30	66,439
<b>Expenditures:</b>				
Current:				
Operating expenditures	53,663	53,663	-	66,390
Total expenditures	53,663	53,663	-	66,390
Revenues over expenditures	\$ -	\$ 30	\$ 30	\$ 49
Fund - beginning of year		15,977		15,928
Fund - end of year		<u>\$ 16,007</u>		<u>\$ 15,977</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**EMERGENCY TELEPHONE SYSTEM FUND-ARTICLE 3**  
**COMPARATIVE BALANCE SHEET**  
**June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
	<hr/>	<hr/>
Cash and Investments	\$ 681,787	\$ 980,991
Receivables:		
Other sources (net)	53,415	80,606
Total Assets	<hr/> <b>\$ 735,202</b>	<hr/> <b>\$ 1,061,597</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 2,800	\$ 14,189
Total liabilities	<hr/> 2,800	<hr/> 14,189
Fund Balance:		
Restricted:		
Public safety - Emergency telephone system	678,987	668,151
Stabilization by State statute	53,415	379,257
Total Fund balance	<hr/> 732,402	<hr/> 1,047,408
Total Liabilities and fund balance	<hr/> <b>\$ 735,202</b>	<hr/> <b>\$ 1,061,597</b>

**NEW HANOVER COUNTY, NORTH CAROLINA**

**EMERGENCY TELEPHONE SYSTEM FUND - ARTICLE 3  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL**

**Year Ended June 30, 2012**

**With Comparative Actual Amounts for the Year Ended June 30, 2011**

	2012			2011 Actual
	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues:</b>				
Other taxes	\$ 535,090	\$ 640,978	\$ 105,888	\$ 967,276
Investment earnings	-	2,250	2,250	6,189
Total revenues	<u>535,090</u>	<u>643,228</u>	<u>108,138</u>	<u>973,465</u>
<b>Expenditures:</b>				
Current:				
Operating expenditures	819,867	694,905	124,962	116,834
Capital outlay	264,515	263,329	1,186	262,840
Total expenditures	<u>1,084,382</u>	<u>958,234</u>	<u>126,148</u>	<u>379,674</u>
Revenues (under) expenditures	<u>(549,292)</u>	<u>(315,006)</u>	<u>234,286</u>	<u>593,791</u>
<b>Other financing sources (uses):</b>				
Appropriated fund balance	549,292	-	(549,292)	-
Transfer to other funds	-	-	-	(1,844,891)
Total other financing sources (uses)	<u>549,292</u>	<u>-</u>	<u>(549,292)</u>	<u>(1,844,891)</u>
Revenues and other sources (under) expenditures	<u>\$ -</u>	<u>(315,006)</u>	<u>\$ (315,006)</u>	<u>(1,251,100)</u>
Fund - beginning of year		1,047,408		2,298,508
Fund - end of year		<u>\$ 732,402</u>		<u>\$ 1,047,408</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**

**REVOLVING LOAN PROGRAM  
COMPARATIVE BALANCE SHEET  
June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Cash and Investments	\$ 69,766	\$ 59,433
Receivables:		
Intergovernmental revenues	-	147
<b>Total Assets</b>	<b>\$ 69,766</b>	<b>\$ 59,580</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 800	\$ -
<b>Total liabilities</b>	<b>800</b>	<b>-</b>
Fund Balance:		
Restricted:		
Stabilization by State statute	-	147
Assigned:		
Revolving loans	68,966	59,433
<b>Total Fund balance</b>	<b>68,966</b>	<b>59,580</b>
<b>Total Liabilities and fund balance</b>	<b>\$ 69,766</b>	<b>\$ 59,580</b>

NEW HANOVER COUNTY, NORTH CAROLINA

REVOLVING LOAN PROGRAM  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET (GAAP BASIS) AND ACTUAL

Year Ended June 30, 2012

With Comparative Actual Amounts for the Year Ended June 30, 2011

	2012			2011 Actual
	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues:</b>				
Miscellaneous revenue	\$ 7,000	\$ 17,397	\$ 10,397	\$ 22,410
Investment earnings	-	131	131	194
Total revenues	7,000	17,528	10,528	22,604
<b>Expenditures:</b>				
Current:				
Operating expenditures	59,432	8,142	51,290	25,561
Total expenditures	59,432	8,142	51,290	25,561
Revenues (under) expenditures	(52,432)	9,386	61,818	(2,957)
<b>Other financing sources (uses):</b>				
Appropriated fund balance	52,432	-	(52,432)	-
Total other financing sources (uses)	52,432	-	(52,432)	-
Revenues and other sources (under) expenditures	\$ -	9,386	\$ 9,386	(2,957)
Fund - beginning of year		59,580		62,537
Fund - end of year		\$ 68,966		\$ 59,580

NEW HANOVER COUNTY, NORTH CAROLINA

PARKS FOUNDATION  
COMPARATIVE BALANCE SHEET  
June 30, 2012 and 2011

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Cash and Investments	\$ -	\$ 3,761
Total Assets	<u>\$ -</u>	<u>\$ 3,761</u>

**FUND BALANCE**

Fund Balance:		
Restricted:		
Parks and recreation - Parks Foundation	\$ -	\$ 3,761
Total Fund balance	<u>\$ -</u>	<u>\$ 3,761</u>

NEW HANOVER COUNTY, NORTH CAROLINA

PARKS FOUNDATION  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET (GAAP BASIS) AND ACTUAL  
 Year Ended June 30, 2012  
 With Comparative Actual Amounts for the Year Ended June 30, 2011

	2012			2011 Actual
	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues:</b>				
Contributions	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	1
Total revenues	-	-	-	1
<b>Expenditures:</b>				
Current:				
Operating expenditures	-	3,761	(3,761)	-
Total expenditures	-	3,761	(3,761)	-
Revenues over (under) expenditures	<u>\$ -</u>	<u>(3,761)</u>	<u>\$ (3,761)</u>	1
Fund - beginning of year		3,761		3,760
Fund - end of year		<u>\$ -</u>		<u>\$ 3,761</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**

**AIRLIE GARDENS FOUNDATION, INC.**

**COMPARATIVE BALANCE SHEET**

**June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Cash and Investments	\$ 2,084,948	\$ 1,971,159
Receivables:		
Other sources (net)	1,905	6,130
Prepays	1,802	-
Total Assets	<u>\$ 2,088,655</u>	<u>\$ 1,977,289</u>
 <b>LIABILITIES AND FUND BALANCE</b>  		
Liabilities:		
Accounts payable	\$ 151,956	\$ 207,039
Total liabilities	<u>151,956</u>	<u>207,039</u>
Fund Balance:		
Non-spendable:		
Prepays	1,802	-
Restricted:		
Parks and recreation -		
Airlie Gardens Foundation, Inc.	1,932,992	1,764,120
Stabilization by State statute	1,905	6,130
Total Fund balance	<u>1,936,699</u>	<u>1,770,250</u>
Total Liabilities and fund balance	<u>\$ 2,088,655</u>	<u>\$ 1,977,289</u>

NEW HANOVER COUNTY, NORTH CAROLINA

AIRLIE GARDENS FOUNDATION, INC.  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET (GAAP BASIS) AND ACTUAL

Year Ended June 30, 2012

With Comparative Actual Amounts for the Year Ended June 30, 2011

	2012		Variance Positive (Negative)	2011 Actual
	Final Budget	Actual		
<b>Revenues:</b>				
Public support and revenue		\$ 793,263	\$ 793,263	\$ 653,194
Investment earnings	-	32,667	32,667	28,343
Miscellaneous	-	778	778	551
Total revenues	-	826,708	826,708	682,088
<b>Expenditures:</b>				
Current:				
Operating expenditures		660,259	(660,259)	398,446
Total expenditures	-	660,259	(660,259)	398,446
Revenues over (under) expenditures	\$ -	166,449	\$ 166,449	283,642
Fund - beginning of year		1,770,250		1,486,608
Fund - end of year		\$ 1,936,699		\$ 1,770,250

**NEW HANOVER COUNTY, NORTH CAROLINA**

**PUBLIC HEALTH FOUNDATION  
COMPARATIVE BALANCE SHEET**

**June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Cash and Investments	\$22,045	\$20,743
Total Assets	<u>\$22,045</u>	<u>\$20,743</u>

**FUND BALANCE**

Fund Balance:		
Restricted:		
Human services - Public Health Foundation	\$22,045	\$20,743
Total Fund Balance	<u>\$22,045</u>	<u>\$20,743</u>

NEW HANOVER COUNTY, NORTH CAROLINA

PUBLIC HEALTH FOUNDATION  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET (GAAP BASIS) AND ACTUAL

Year Ended June 30, 2012

With Comparative Actual Amounts for the Year Ended June 30, 2011

	2012		Variance Positive (Negative)	2011 Actual
	Final Budget	Actual		
<b>Revenues:</b>				
Contributions	\$ -	\$ 2,271	\$ 2,271	\$ 953
Total revenues	-	2,271	2,271	953
<b>Expenditures:</b>				
Current:				
Operating expenditures	-	969	(969)	2,410
Total expenditures	-	969	(969)	2,410
Revenues over (under) expenditures	\$ -	1,302	\$ 1,302	(1,457)
Fund - beginning of year		20,743		22,200
Fund - end of year		\$ 22,045		\$ 20,743

**NEW HANOVER COUNTY, NORTH CAROLINA**

**\$164 MILLION CFCC BOND EXPENDITURE CAPITAL PROJECT FUND  
COMPARATIVE BALANCE SHEET  
June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Restricted cash	\$ 16,741,168	\$ 46,067,386
Total Assets	<u>\$ 16,741,168</u>	<u>\$ 46,067,386</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 3,000,124	\$ 4,737,727
Interfund loan	20,538	
Total liabilities	<u>3,020,662</u>	<u>4,737,727</u>
Fund Balance:		
Restricted:		
Education - \$164M CFCC bond capital project	13,720,506	41,329,659
Total Fund balance	<u>13,720,506</u>	<u>41,329,659</u>
Total liabilities and fund	<u>\$ 16,741,168</u>	<u>\$ 46,067,386</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**

**\$164 MILLION CFCC BOND EXPENDITURE CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL  
From Inception and for the Year Ended June 30, 2012**

	Total Project Estimate	Actual to June 30, 2012		
		Reported In Prior Years	Current Year	Total
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 115,472	\$ 64,337	\$ 179,809
Total revenues	-	115,472	64,337	179,809
<b>Expenditures:</b>				
Capital Outlay:				
Construction	164,000,000	28,785,813	27,673,490	56,459,303
Total expenditures	164,000,000	28,785,813	27,673,490	56,459,303
Revenues (under) expenditures	(164,000,000)	(28,670,341)	(27,609,153)	(56,279,494)
<b>Other financing sources:</b>				
Long-term debt issued	164,000,000	66,211,254	-	66,211,254
Premium on long-term debt issued	-	3,788,746	-	3,788,746
Total other financing sources	164,000,000	70,000,000	-	70,000,000
Revenues and other sources (under) expenditures	\$ -	41,329,659	(27,609,153)	13,720,506
Fund - beginning of year		-	41,329,659	-
Fund - end of year		\$ 41,329,659	\$ 13,720,506	\$ 13,720,506

NEW HANOVER COUNTY, NORTH CAROLINA

**\$123M SCHOOL BOND EXPENDITURE CAPITAL PROJECT FUND  
COMPARATIVE BALANCE SHEET  
June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Cash and Investments	\$ 1,401,595	\$ 5,322,276
Restricted Cash	-	-
Total Assets	<u>\$ 1,401,595</u>	<u>\$ 5,322,276</u>
 <b>LIABILITIES AND FUND BALANCE</b>  		
Liabilities:		
Accounts payable	\$ 279,689	\$ 310
Total liabilities	<u>279,689</u>	<u>310</u>
Fund Balance:		
Restricted:		
Education - \$123 Million School Bond Capital Project	1,121,906	5,321,966
Total Fund balance	<u>1,121,906</u>	<u>5,321,966</u>
Total Liabilities and fund balance	<u>\$ 1,401,595</u>	<u>\$ 5,322,276</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**

**\$123 MILLION SCHOOL BOND EXPENDITURE CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL**

From Inception and for the Year Ended June 30, 2012

	Total Project Estimate	Actual to June 30, 2012		
		Reported In Prior Years	Current Year	Total
<b>Revenues:</b>				
Intergovernmental revenue	\$ 6,524,753	\$ 6,524,753	\$ -	\$ 6,524,753
Investment earnings	3,187,924	3,241,633	1,142	3,242,775
Total revenues	<u>9,712,677</u>	<u>9,766,386</u>	<u>1,142</u>	<u>9,767,528</u>
<b>Expenditures:</b>				
Capital Outlay:				
Construction	129,524,753	126,385,795	2,864,655	129,250,450
Contingency	-	-	-	-
Total expenditures	<u>129,524,753</u>	<u>126,385,795</u>	<u>2,864,655</u>	<u>129,250,450</u>
Revenues (under) expenditures	<u>(119,812,076)</u>	<u>(116,619,409)</u>	<u>(2,863,513)</u>	<u>(119,482,922)</u>
<b>Other financing sources:</b>				
Long-term debt issued	123,000,000	123,000,000	-	123,000,000
Premium on long-term debt issued	1,600,000	2,129,299	-	2,129,299
Transfers to other funds	(4,787,924)	(3,187,924)	(1,336,547)	(4,524,471)
Total other financing sources	<u>119,812,076</u>	<u>121,941,375</u>	<u>(1,336,547)</u>	<u>120,604,828</u>
Revenues and other sources (under) expenditures	<u>\$ -</u>	<u>5,321,966</u>	<u>(4,200,060)</u>	<u>1,121,906</u>
Fund - beginning of year		-	5,321,966	-
Fund - end of year		<u>\$ 5,321,966</u>	<u>\$ 1,121,906</u>	<u>\$ 1,121,906</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**

**\$35.5 MILLION PARKS & REC BONDS CAPITAL PROJECT FUND  
COMPARATIVE BALANCE SHEET  
June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Cash and Investments	\$ 6,978,679	\$ 8,468,721
Receivables:		
Intergovernmental	-	4,896
Total Assets	<u>\$ 6,978,679</u>	<u>\$ 8,473,617</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 466,870	\$ 50,099
Total liabilities	<u>466,870</u>	<u>50,099</u>
Fund Balance:		
Restricted:		
Stabilization by State statute	80,457	53,159
Parks & Recreation - Capital Projects	<u>6,431,352</u>	<u>8,370,359</u>
Total Fund balance	<u>6,511,809</u>	<u>8,423,518</u>
Total Liabilities and fund balance	<u>\$ 6,978,679</u>	<u>\$ 8,473,617</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**

**\$35.5 MILLION PARKS & REC BONDS CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL  
From Inception and for the Year Ended June 30, 2012**

	Total Project Estimate	Actual to June 30, 2012		
		Reported In Prior Years	Current Year	Total
<b>Revenues:</b>				
Investment earnings	\$ 69,531	\$ 316,390	\$ 12,382	\$ 328,772
Sales tax refund	28,773	33,668	4,896	38,564
Total revenues	<u>98,304</u>	<u>350,058</u>	<u>17,278</u>	<u>367,336</u>
<b>Expenditures:</b>				
Capital Outlay:				
Land	4,046,150	4,045,189	-	4,045,189
Construction	34,463,195	26,295,655	1,800,683	28,096,338
Total expenditures	<u>38,509,345</u>	<u>30,340,844</u>	<u>1,800,683</u>	<u>32,141,527</u>
Revenues (under) expenditures	<u>(38,411,041)</u>	<u>(29,990,786)</u>	<u>(1,783,405)</u>	<u>(31,774,191)</u>
<b>Other financing sources:</b>				
Long-term debt issued	35,500,000	34,179,083	-	34,179,083
Premium on long-term debt issued	1,696	1,325,876	1,696	1,327,572
Transfers to other funds	(121,805)	(121,805)	(130,000)	(251,805)
Transfers from other funds	3,031,150	3,031,150	-	3,031,150
Total other financing sources	<u>38,411,041</u>	<u>38,414,304</u>	<u>(128,304)</u>	<u>38,286,000</u>
Revenues and other sources (under) expenditures	<u>\$ -</u>	8,423,518	(1,911,709)	6,511,809
Fund - beginning of year		-	8,423,518	-
Fund - end of year		<u>\$ 8,423,518</u>	<u>\$ 6,511,809</u>	<u>\$ 6,511,809</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**SEMH & HEALTH ADM. BUILDING CAPITAL PROJECT FUND**  
**COMPARATIVE BALANCE SHEET**  
**June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Cash and Investments	\$ -	\$ 3,235,763
Total Assets	\$ -	\$ 3,235,763
<b>FUND BALANCE</b>		
Fund Balance:		
Restricted:		
Human services - SEMH & Admin. Building	\$ -	\$ 3,235,763
Total Fund Balance	\$ -	\$ 3,235,763

**NEW HANOVER COUNTY, NORTH CAROLINA**

**SEMH & HEALTH ADM. BUILDING CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL  
From Inception and for the Year Ended June 30, 2012**

	Total Project Estimate	Actual to June 30, 2012		
		Reported In Prior Years	Current Year	Total
<b>Revenues:</b>				
Intergovernmental revenues	\$ 5,000,000	\$ 3,000,000	\$ -	\$ 3,000,000
Investment earnings	-	277,541	5,997	283,538
Total revenues	5,000,000	3,277,541	5,997	3,283,538
<b>Expenditures:</b>				
Capital Outlay:				
Construction	22,946,195	41,778	3,241,760	3,283,538
Total expenditures	22,946,195	41,778	3,241,760	3,283,538
Revenues (under) expenditures	(17,946,195)	3,235,763	(3,235,763)	-
<b>Other financing sources:</b>				
Long-term debt issued	17,946,195	-	-	-
Total other financing sources	17,946,195	-	-	-
Revenues and other sources (under) expenditures	\$ -	3,235,763	(3,235,763)	-
Fund - beginning of year		-	3,235,763	-
Fund - end of year		\$ 3,235,763	\$ -	\$ -

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**SMITH CREEK PARK CAPITAL PROJECT FUND**  
**COMPARATIVE BALANCE SHEET**  
**June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Cash and Investments	\$ 15,192	\$ 62,724
Receivables:		
Intergovernmental	-	271,224
Total Assets	\$ 15,192	\$ 333,948
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ -	\$ 134,146
Total liabilities	-	134,146
Fund Balance:		
Restricted:		
Stabilization by state statute	-	716,090
Committed	15,192	-
Unassigned	-	(516,288)
Total Fund Balance	15,192	199,802
Total Liabilities and fund balance	\$ 15,192	\$ 333,948

**NEW HANOVER COUNTY, NORTH CAROLINA**

**SMITH CREEK PARK CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL  
From Inception and for the Year Ended June 30, 2012**

	Total Project Estimate	Actual to June 30, 2012		
		Reported In Prior Years	Current Year	Total
<b>Revenues:</b>				
Intergovernmental revenues	\$ 1,144,206	\$ 913,292	\$ 230,914	\$ 1,144,206
Investment earnings	78,592	83,295	5	83,300
Sales tax refund	-	3,594	2,138	5,732
Fees	35,000	35,000	-	35,000
Total revenues	<u>1,257,798</u>	<u>1,035,181</u>	<u>233,057</u>	<u>1,268,238</u>
<b>Expenditures:</b>				
Capital Outlay:				
Construction	1,357,798	935,379	507,667	1,443,046
Total expenditures	<u>1,357,798</u>	<u>935,379</u>	<u>507,667</u>	<u>1,443,046</u>
Revenues (under) expenditures	<u>(100,000)</u>	<u>99,802</u>	<u>(274,610)</u>	<u>(174,808)</u>
<b>Other financing sources:</b>				
Transfer from other funds	115,000	115,000	90,000	205,000
Transfers to other funds	(15,000)	(15,000)	-	(15,000)
Total other financing sources	<u>100,000</u>	<u>100,000</u>	<u>90,000</u>	<u>190,000</u>
Revenues and other sources (under) expenditures	<u>\$ -</u>	<u>199,802</u>	<u>(184,610)</u>	<u>15,192</u>
Fund - beginning of year		-	199,802	-
Fund - end of year		<u>\$ 199,802</u>	<u>\$ 15,192</u>	<u>\$ 15,192</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**

**PUBLIC SCHOOL BUILDING CAPITAL FUND CAPITAL PROJECT FUND  
COMPARATIVE BALANCE SHEET  
June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
	<hr/>	<hr/>
Receivables:		
Intergovernmental	\$ 279,689	\$ -
Total Assets	<hr/> <u>\$ 279,689</u>	<hr/> <u>\$ -</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 91,538	\$ -
Interfund loan	188,151	-
Total Liabilities	<hr/> <u>279,689</u>	<hr/> <u>-</u>
Fund Balance:		
Restricted:		
Stabilization by state statute	279,689	-
Unassigned	<hr/> <u>(279,689)</u>	<hr/> <u>-</u>
Total Fund balance	<hr/> <u>-</u>	<hr/> <u>-</u>
Total liabilities and fund balance	<hr/> <u>\$ 279,689</u>	<hr/> <u>\$ -</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**

**PUBLIC SCHOOL BUILDING CAPITAL FUND CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL  
From Inception and for the Year Ended June 30, 2012**

	Total Project Estimate	Actual to June 30, 2012		
		Reported In Prior Years	Current Year	Total
<b>Revenues:</b>				
Intergovernmental revenues	\$ 8,386,805	\$ 2,586,030	\$ 2,739,369	\$ 5,325,399
Total revenues	8,386,805	2,586,030	2,739,369	5,325,399
<b>Expenditures:</b>				
Capital Outlay:				
Construction	8,386,805	2,586,030	2,739,369	5,325,399
Total expenditures	8,386,805	2,586,030	2,739,369	5,325,399
Revenues (under) expenditures	\$ -	-	-	-
Fund - beginning of year		-	-	-
Fund - end of year		\$ -	\$ -	\$ -

**NEW HANOVER COUNTY, NORTH CAROLINA**

**BURN PIT CAPITAL PROJECT FUND  
COMPARATIVE BALANCE SHEET  
June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Cash and Investments	\$ 133,606	\$ 150,987
Total Assets	<u>\$ 133,606</u>	<u>\$ 150,987</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ -	\$ 405
Total Liabilities	<u>-</u>	<u>405</u>
Fund Balance:		
Restricted:		
Physical and economic development - Burn Pit	133,606	150,582
Total Fund balance	<u>133,606</u>	<u>150,582</u>
Total Liabilities and fund balance	<u>\$ 133,606</u>	<u>\$ 150,987</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**

**BURN PIT CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL  
From Inception and for the Year Ended June 30, 2012**

	Total Project Estimate	Actual to June 30, 2012		
		Reported In Prior Years	Current Year	Total
<b>Revenues:</b>				
Intergovernmental revenues	\$ 1,512,650	\$ 1,482,931	\$ 29,718	\$ 1,512,649
Investment earnings	269,934	269,687	308	269,995
Total revenues	<u>1,782,584</u>	<u>1,752,618</u>	<u>30,026</u>	<u>1,782,644</u>
<b>Expenditures:</b>				
Capital Outlay:				
Utilities	81,877	63,968	-	63,968
Contracted Services	2,193,808	2,031,170	47,002	2,078,172
Training and travel	1,899	1,898	-	1,898
Total expenditures	<u>2,277,584</u>	<u>2,097,036</u>	<u>47,002</u>	<u>2,144,038</u>
Revenues (under) expenditures	<u>(495,000)</u>	<u>(344,418)</u>	<u>(16,976)</u>	<u>(361,394)</u>
<b>Other financing sources:</b>				
Transfer from other funds	625,000	625,000	-	625,000
Transfers to other funds	(130,000)	(130,000)	-	(130,000)
Total other financing sources	<u>495,000</u>	<u>495,000</u>	<u>-</u>	<u>495,000</u>
Revenues and other sources (under) expenditures	<u>\$ -</u>	<u>150,582</u>	<u>(16,976)</u>	<u>133,606</u>
Fund - beginning of year		-	150,582	-
Fund - end of year		<u>\$ 150,582</u>	<u>\$ 133,606</u>	<u>\$ 133,606</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**QUALIFIED SCHOOL CONSTRUCTION BOND EXPENDITURE CAPITAL PROJECT**  
**FUND**  
**COMPARATIVE BALANCE SHEET**  
**June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Restricted cash	\$ 929,435	\$ 4,685,613
Total Assets	\$ 929,435	\$ 4,685,613
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 46,787	\$ -
Total liabilities	46,787	-
Fund Balance:		
Restricted:		
Education-Qualified School Construction	882,648	4,685,613
Total fund balance	882,648	4,685,613
Total Liabilities and fund balance	\$ 929,435	\$ 4,685,613

NEW HANOVER COUNTY, NORTH CAROLINA

QUALIFIED SCHOOL CONSTRUCTION BOND EXPENDITURE CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET (GAAP BASIS) AND ACTUAL

From Inception and for the Year Ended June 30, 2012

	Total Project Estimate	Actual to June 30, 2012		
		Reported In Prior Years	Current Year	Total
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 5,255	\$ 4,941	\$ 10,196
Total revenues	-	5,255	4,941	10,196
<b>Expenditures:</b>				
Capital Outlay:				
Construction	4,925,744	245,386	3,807,906	4,053,292
Total expenditures	4,925,744	245,386	3,807,906	4,053,292
Revenues (under) expenditures	(4,925,744)	(240,131)	(3,802,965)	(4,043,096)
<b>Other financing sources:</b>				
Long-term debt issued	4,925,744	4,925,744	-	4,925,744
Total other financing sources	4,925,744	4,925,744	-	4,925,744
Revenues and other sources (under) expenditures	<u>\$ -</u>	4,685,613	(3,802,965)	882,648
Fund - beginning of year		-	4,685,613	-
Fund - end of year		<u>\$ 4,685,613</u>	<u>\$ 882,648</u>	<u>\$ 882,648</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**MURRAYVILLE FIRE STATION CAPITAL PROJECT FUND**  
**COMPARATIVE BALANCE SHEET**  
**June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Restricted cash	\$ 162,684	\$ 166,836
Total Assets	\$ 162,684	\$ 166,836
<b>FUND BALANCE</b>		
Fund Balance:		
Restricted:		
Stabilization by State statute	\$ -	\$ 30,808
Public safety - Murrayville Fire Station	162,684	136,028
Total Fund balance	\$ 162,684	\$ 166,836

**NEW HANOVER COUNTY, NORTH CAROLINA**

**MURRAYVILLE FIRE STATION CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL  
From Inception and for the Year Ended June 30, 2012**

	Total Project Estimate	Actual to June 30, 2012		
		Reported In Prior Years	Current Year	Total
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 23,379	\$ -	\$ 23,379
Sales tax refund	-	54,036	-	54,036
Total revenues	-	77,415	-	77,415
<b>Expenditures:</b>				
Capital Outlay:				
Construction	3,549,966	3,460,545	4,152	3,464,697
Total expenditures	3,549,966	3,460,545	4,152	3,464,697
Revenues (under) expenditures	(3,549,966)	(3,383,130)	(4,152)	(3,387,282)
<b>Other financing sources:</b>				
Long-term debt issued	3,549,966	3,549,966	-	3,549,966
Total other financing sources	3,549,966	3,549,966	-	3,549,966
Revenues and other sources (under) expenditures	\$ -	166,836	(4,152)	162,684
Fund - beginning of year		-	166,836	-
Fund - end of year		\$ 166,836	\$ 162,684	\$ 162,684

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**CONTROLLED SUBSTANCE TAX CAPITAL PROJECT FUND**  
**COMPARATIVE BALANCE SHEET**  
**June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Cash and Investments	\$18,956	\$46,796
Total Assets	\$18,956	\$46,796
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$11,135	\$1,829
Total liabilities	11,135	1,829
Fund Balance:		
Restricted:		
Public safety - Controlled substance tax	7,821	44,967
Total Fund balance	7,821	44,967
Total Liabilities and fund balance	\$18,956	\$46,796

**NEW HANOVER COUNTY, NORTH CAROLINA**

**CONTROLLED SUBSTANCE TAX CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL  
From Inception and for the Year Ended June 30, 2012**

	Total Project Estimate	Actual to June 30, 2012		
		Reported In Prior Years	Current Year	Total
<b>Revenues:</b>				
Intergovernmental revenue	\$ 1,258,191	\$ 1,157,340	\$ 90,338	\$ 1,247,678
Miscellaneous	49,729	49,707	-	49,707
Investment earnings	29,071	29,007	68	29,075
Total revenues	<u>1,336,991</u>	<u>1,236,054</u>	<u>90,406</u>	<u>1,326,460</u>
<b>Expenditures:</b>				
Supplies	655,272	524,367	114,145	638,512
Capital Outlay	627,626	614,218	13,407	627,625
Contracted Services	20,444	18,853	-	18,853
Total expenditures	<u>1,303,342</u>	<u>1,157,438</u>	<u>127,552</u>	<u>1,284,990</u>
Revenues (under) expenditures	<u>33,649</u>	<u>78,616</u>	<u>(37,146)</u>	<u>41,470</u>
<b>Other financing sources:</b>				
Transfers to other funds	(33,649)	(33,649)	-	(33,649)
Total other financing sources	<u>(33,649)</u>	<u>(33,649)</u>	<u>-</u>	<u>(33,649)</u>
Revenues and other sources (under) expenditures	<u>\$ -</u>	<u>44,967</u>	<u>(37,146)</u>	<u>7,821</u>
Fund - beginning of year		-	44,967	-
Fund - end of year		<u>\$ 44,967</u>	<u>\$ 7,821</u>	<u>\$ 7,821</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**FEDERAL FORFEITED PROPERTY CAPITAL PROJECT FUND**  
**COMPARATIVE BALANCE SHEET**  
**June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Cash and Investments	\$345,243	\$296,704
Receivables:		
Other sources	(1,499)	-
Total Assets	\$343,744	\$296,704
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$27,994	\$9,732
Total Liabilities	27,994	9,732
Fund Balance:		
Restricted:		
Stabilization by State statute	75,603	17,653
Public safety - Federal forfeited property	240,147	269,319
Total Fund balance	315,750	286,972
Total Liabilities and fund balance	\$343,744	\$296,704

**NEW HANOVER COUNTY, NORTH CAROLINA**

**FEDERAL FORFEITED PROPERTY CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL  
From Inception and for the Year Ended June 30, 2012**

	Total Project Estimate	Actual to June 30, 2012		
		Reported In Prior Years	Current Year	Total
<b>Revenues:</b>				
Intergovernmental revenue	\$ 5,070,265	\$ 4,653,587	\$ 506,218	\$ 5,159,805
Miscellaneous	174,272	174,170	-	174,170
Investment earnings	39,733	39,513	423	39,936
Total revenues	<u>5,284,270</u>	<u>4,867,270</u>	<u>506,641</u>	<u>5,373,911</u>
<b>Expenditures:</b>				
Supplies	1,072,427	717,608	162,676	880,284
Capital Outlay	3,216,193	2,867,042	315,187	3,182,229
Contracted Services	131,465	131,463	-	131,463
Total expenditures	<u>4,420,085</u>	<u>3,716,113</u>	<u>477,863</u>	<u>4,193,976</u>
Revenues (under) expenditures	<u>864,185</u>	<u>1,151,157</u>	<u>28,778</u>	<u>1,179,935</u>
<b>Other financing sources:</b>				
Transfers to other funds	(864,185)	(864,185)	-	(864,185)
Total other financing sources	<u>(864,185)</u>	<u>(864,185)</u>	<u>-</u>	<u>(864,185)</u>
Revenues and other sources (under) expenditures	<u>\$ -</u>	<u>286,972</u>	<u>28,778</u>	<u>315,750</u>
Fund - beginning of year		-	286,972	-
Fund - end of year		<u>\$ 286,972</u>	<u>\$ 315,750</u>	<u>\$ 315,750</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**\$38.3M CFCC BOND EXPENDITURE CAPITAL PROJECT FUND**  
**COMPARATIVE BALANCE SHEET**  
**June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Restricted cash	\$12,739	\$12,739
Total Assets	\$12,739	\$12,739

**FUND BALANCE**

Fund Balance:		
Restricted:		
Education - \$38.3M CFCC bond capital project	\$12,739	\$12,739
Total Fund balance	\$12,739	\$12,739

**NEW HANOVER COUNTY, NORTH CAROLINA**

**\$38.3 MILLION CFCC BOND EXPENDITURE CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL  
From Inception and for the Year Ended June 30, 2012**

	Total Project Estimate	Actual to June 30, 2012		
		Reported In Prior Years	Current Year	Total
<b>Revenues:</b>				
Investment earnings	\$ 2,297,424	\$ 2,310,164	\$ -	\$ 2,310,164
Total revenues	2,297,424	2,310,164	-	2,310,164
<b>Expenditures:</b>				
Land	7,623,383	7,623,383	-	7,623,383
Construction	30,676,617	30,676,618	-	30,676,618
Total expenditures	38,300,000	38,300,001	-	38,300,001
Revenues (under) expenditures	(36,002,576)	(35,989,837)	-	(35,989,837)
<b>Other financing sources:</b>				
Long-term debt issued	38,300,000	38,300,000	-	38,300,000
Transfers to other funds	(2,297,424)	(2,297,424)	-	(2,297,424)
Total other financing sources	36,002,576	36,002,576	-	36,002,576
Revenues and other sources (under) expenditures	\$ -	12,739	-	12,739
Fund - beginning of year		-	12,739	-
Fund - end of year		\$ 12,739	\$ 12,739	\$ 12,739

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**MASONS INLET RELOCATION CAPITAL PROJECT FUND**  
**COMPARATIVE BALANCE SHEET**  
**June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Cash and investments	\$ 258,013	\$ 370,310
Total Assets	\$ 258,013	\$ 370,310
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ -	\$ 14,950
Total Liabilities	-	14,950
Fund Balance:		
Restricted:		
Stabilization by State statute	198,380	161,747
Committed:		
Economic & physical development- Masons Inlet relocation	59,633	193,613
Total Fund balance	258,013	355,360
Total Liabilities and fund balance	\$ 258,013	\$ 370,310

NEW HANOVER COUNTY, NORTH CAROLINA

MASONS INLET RELOCATION CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET (GAAP BASIS) AND ACTUAL  
 From Inception and for the Year Ended June 30, 2012

	Total Project Estimate	Actual to June 30, 2012		
		Reported In Prior Years	Current Year	Total
<b>Revenues:</b>				
Investment earnings	\$ 100,000	\$ 132,723	\$ 559	\$ 133,282
Sales tax refund	162	162	-	162
Total revenues	100,162	132,885	559	133,444
<b>Expenditures:</b>				
Land	340,153	340,153	-	340,153
Construction	10,396,801	10,024,164	147,906	10,172,070
Total expenditures	10,736,954	10,364,317	147,906	10,512,223
Revenues (under) expenditures	(10,636,792)	(10,231,432)	(147,347)	(10,378,779)
<b>Other financing sources:</b>				
Transfers from other funds	10,636,792	10,586,792	50,000	10,636,792
Total other financing sources	10,636,792	10,586,792	50,000	10,636,792
Revenues and other sources (under) expenditures	\$ -	355,360	(97,347)	258,013
Fund - beginning of year		-	355,360	-
Fund - end of year		\$ 355,360	\$ 258,013	\$ 258,013

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**SCATTERED SITE HOUSING CAPITAL PROJECT FUND**  
**COMPARATIVE BALANCE SHEET**  
**June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
	<u>          </u>	<u>          </u>
Cash and Investments	\$ -	\$ -
Receivables:		
Intergovernmental	11,550	-
Total Assets	<u>\$ 11,550</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 5,000	\$ -
Interfund loan	10,718	8,885
Total Liabilities	<u>15,718</u>	<u>8,885</u>
Fund Balance:		
Restricted:		
Stabilization by State statute	18,970	-
Unassigned	(23,138)	(8,885)
Total Fund balance	<u>(4,168)</u>	<u>(8,885)</u>
Total Liabilities and fund balance	<u>\$ 11,550</u>	<u>\$ -</u>

**NEW HANOVER COUNTY, NORTH CAROLINA**

**SCATTERED SITE HOUSING CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL  
From Inception and for the Year Ended June 30, 2012**

	Total Project Estimate	Actual to June 30, 2012		
		Reported In Prior Years	Current Year	Total
<b>Revenues:</b>				
Intergovernmental revenue	\$ 2,100,000	\$ 1,154,216	\$ 11,550	\$ 1,165,766
Sales tax refund	-	1,284	-	1,284
Investment earnings	-	5,364	-	5,364
Total revenues	2,100,000	1,160,864	11,550	1,172,414
<b>Expenditures:</b>				
Construction	2,076,657	1,146,406	6,833	1,153,239
Total expenditures	2,076,657	1,146,406	6,833	1,153,239
Revenues (under) expenditures	23,343	14,458	4,717	19,175
<b>Other financing sources:</b>				
Transfers to other funds	(23,343)	(23,343)	-	(23,343)
Total other financing sources	(23,343)	(23,343)	-	(23,343)
Revenues and other sources (under) expenditures	\$ -	(8,885)	4,717	(4,168)
Fund - beginning of year		-	(8,885)	-
Fund - end of year		\$ (8,885)	\$ (4,168)	\$ (4,168)

**NEW HANOVER COUNTY, NORTH CAROLINA**

**BIKE/PEDESTRIAN PATHS CAPITAL PROJECT FUND  
COMPARATIVE BALANCE SHEET  
June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Cash and Investments	\$ 6	\$ -
Receivables:		
Intergovernmental	-	-
Total Assets	\$ 6	\$ -
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
Fund Balance:		
Committed	6	-
Total Fund balance	6	-
Total Liabilities and fund balance	\$ 6	\$ -

NEW HANOVER COUNTY, NORTH CAROLINA

BIKE/PEDESTRIAN PATHS CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET (GAAP BASIS) AND ACTUAL  
 From Inception and for the Year Ended June 30, 2012

	Total Project Estimate	Actual to June 30, 2012		
		Reported In Prior Years	Current Year	Total
<b>Revenues:</b>				
Intergovernmental revenues	\$ 260,000	\$ -	\$ -	\$ -
Investment earnings	-	-	6	6
Total revenues	260,000	-	6	6
<b>Expenditures:</b>				
Capital Outlay:				
Construction	300,000	-	40,000	40,000
Total expenditures	300,000	-	40,000	40,000
Revenues (under) expenditures	(40,000)	-	(39,994)	(39,994)
<b>Other financing sources:</b>				
Transfer from other funds	40,000	-	40,000	40,000
Transfers to other funds	-	-	-	-
Total other financing sources	40,000	-	40,000	40,000
Revenues and other sources (under) expenditures	<u>\$ -</u>	-	6	6
Fund - beginning of year		-	-	-
Fund - end of year		<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 6</u>

NEW HANOVER COUNTY, NORTH CAROLINA

ENVIRONMENTAL MANAGEMENT OPERATING FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES)-  
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
 For the Year Ended June 30, 2012  
 With Comparative Actual Amounts for the Year Ended June 30, 2011

	2012		Variance Positive (Negative)	2011 Actual
	Budget	Actual		
<b>Revenues:</b>				
Charges for service	\$ 11,800,000	\$ 11,705,667	\$ (94,333)	\$ 11,475,857
Intergovernmental revenues	448,180	661,658	213,478	426,673
Investment earnings	-	296	296	-
Other	300,000	574,335	274,335	810,081
Total revenues	12,548,180	12,941,956	393,776	12,712,611
<b>Expenditures:</b>				
Current:				
Salaries and benefits	1,986,263	1,969,388	16,875	4,150,692
Operating expenditures	4,793,347	4,148,548	644,799	7,179,286
Installment debt payments	721,132	291,821	429,311	330,479
Debt service (principal and interest) and fees	-	-	-	188,150
Capital expenditures	1,588,376	1,285,969	302,407	-
Total expenditures	9,089,118	7,695,726	1,393,392	11,848,607
Revenues over (under) expenditures	3,459,062	5,246,230	1,787,168	864,004
<b>Other financing sources (uses):</b>				
Long-term debt issued	1,039,482	1,039,482	-	-
Transfers from other funds	-	-	-	461,061
Transfers to other funds	(2,300,000)	(2,300,000)	-	-
Administrative reserve	(2,567,453)	-	2,567,453	-
Appropriated fund balance	368,909	-	(368,909)	-
Total other financing sources (uses)	(3,459,062)	(1,260,518)	2,198,544	461,061
Revenues and other sources over (under) expenditures and other (uses)	\$ -	\$ 3,985,712	\$ 3,985,712	\$ 1,325,065
<b>Reconciliation of modified accrual basis to full accrual basis:</b>				
Revenues and other sources (under) expenditures and other (uses)		\$ 3,985,712		\$ 1,325,065
Revenues and other sources - capital project funds		1,128		28
Accrued vacation		(29,073)		88,214
Depreciation and amortization expenses		(2,298,769)		(2,173,124)
Capital outlay, costs, capitalized		1,349,079		55,341
Landfill closure costs		(4,915,880)		-
Long-term debt proceeds, premiums		(1,039,482)		-
Principal payments on debt		250,481		455,978
Interest expense accrual		7,048		3,996
Loss on disposal of assets		(19,396)		(3,346)
Transfer (from) to capital project		2,300,000		(16,061)
Change in net assets		\$ (409,152)		\$ (263,909)

**NEW HANOVER COUNTY, NORTH CAROLINA**

**ENVIRONMENTAL MANAGEMENT FUND**

**CELL 6E CONSTRUCTION AND CELL 5 PARTIAL CLOSURE CAPITAL PROJECT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES -**

**BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL**

From Inception and for the Year Ended June 30, 2012

	Total Project Estimate	Actual to June 30, 2012		
		Reported In Prior Years	Current Year	Total
<b>Revenues:</b>				
Investment earnings	\$ -	\$ -	\$ 1,128	\$ 1,128
Total revenues	-	-	1,128	1,128
<b>Expenditures:</b>				
Capital outlay:				
Construction	2,300,000	-	256,035	256,035
Total expenditures	2,300,000	-	256,035	256,035
Revenues (under) expenditures	(2,300,000)	-	(254,907)	(254,907)
<b>Other financing sources:</b>				
Transfers from other funds	2,300,000	-	2,300,000	2,300,000
Total other financing sources	2,300,000	-	2,300,000	2,300,000
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ 2,045,093	\$ 2,045,093

**NEW HANOVER COUNTY, NORTH CAROLINA**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS**

For the Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<b>ROOM OCCUPANCY TAX AGENCY FUND</b>				
<b>Assets</b>				
Cash and investments	\$448,745	\$13,719,754	\$13,693,028	\$475,471
Receivables	492,874	662,030	492,876	662,028
Total assets	<u>\$941,619</u>	<u>\$14,381,784</u>	<u>\$14,185,904</u>	<u>\$1,137,499</u>
<b>Liabilities</b>				
Accounts payable	\$450,243	\$4,561,983	\$4,535,258	\$476,968
Due to other governmental units	491,376	9,819,801	9,650,646	660,531
Total liabilities	<u>\$941,619</u>	<u>\$14,381,784</u>	<u>\$14,185,904</u>	<u>\$1,137,499</u>
<b>TAX CLEARING AGENCY FUND</b>				
<b>Assets</b>				
Cash and investments	\$291,049	\$64,089,876	\$64,051,600	\$329,325
Receivables	2,471,742	63,879,847	63,752,224	2,599,365
Total assets	<u>\$2,762,791</u>	<u>\$127,969,723</u>	<u>\$127,803,824</u>	<u>\$2,928,690</u>
<b>Liabilities</b>				
Due to other governmental units	\$2,762,791	\$127,969,723	\$127,803,824	\$2,928,690
Due to NC Department of Motor Vehicles	-	62,189	62,189	-
Total liabilities	<u>\$2,762,791</u>	<u>\$128,031,912</u>	<u>\$127,866,013</u>	<u>\$2,928,690</u>
<b>SOCIAL SERVICES AGENCY FUND</b>				
<b>Assets</b>				
Cash and investments	\$217,221	\$890,982	\$873,110	\$235,093
Total assets	<u>\$217,221</u>	<u>\$890,982</u>	<u>\$873,110</u>	<u>\$235,093</u>
<b>Liabilities</b>				
Accounts payable	\$24,294	\$425,484	\$419,053	\$30,725
Escrow funds	192,927	465,497	454,056	204,368
Total liabilities	<u>\$217,221</u>	<u>\$890,981</u>	<u>\$873,109</u>	<u>\$235,093</u>
<b>OTHER ESCROWS AGENCY FUND</b>				
<b>Assets</b>				
Cash and investments	\$12,602,194	\$9,052,280	\$12,992,642	\$8,661,832
Receivables	75,070	1,113,124	75,070	1,113,124
Total assets	<u>\$12,677,264</u>	<u>\$10,165,404</u>	<u>\$13,067,712</u>	<u>\$9,774,956</u>
<b>Liabilities</b>				
Accounts payable	\$110,681	\$4,130,064	\$4,152,322	\$88,423
Due to NC Treasurer-ROD Deed of Trust	-	151,840	151,840	-
Escrow funds	12,566,583	6,035,340	8,915,390	9,686,533
Total liabilities	<u>\$12,677,264</u>	<u>\$10,317,244</u>	<u>\$13,219,552</u>	<u>\$9,774,956</u>
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash and investments	\$13,559,209	\$87,752,892	\$91,610,380	\$9,701,721
Receivables	3,039,686	65,655,001	64,320,170	4,374,517
Total assets	<u>\$16,598,895</u>	<u>\$153,407,893</u>	<u>\$155,930,550</u>	<u>\$14,076,238</u>
<b>Liabilities</b>				
Accounts payable	\$585,218	\$9,117,531	\$9,106,633	\$596,116
Due to other governmental units	3,254,167	137,789,524	137,454,470	3,589,221
Due to NC Department of Motor Vehicles	-	62,189	62,189	-
Due to NC Treasurer-ROD Deed of Trust	-	151,840	151,840	-
Escrow funds	12,759,510	6,500,837	9,369,446	9,890,901
Total liabilities	<u>\$16,598,895</u>	<u>\$153,621,921</u>	<u>\$156,144,578</u>	<u>\$14,076,238</u>



**NEW HANOVER COUNTY, NORTH CAROLINA**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY SOURCE  
June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Governmental funds capital assets:</b>		
Land	<b>\$43,141,966</b>	\$42,635,029
Buildings	<b>135,066,435</b>	135,066,435
Improvements other than buildings	<b>25,833,990</b>	23,630,425
Equipment and vehicles	<b>49,431,042</b>	44,803,413
Construction in progress	<b>5,980,241</b>	7,599,237
Total governmental funds capital assets	<b><u>\$259,453,674</u></b>	<u>\$253,734,539</u>
 <b>Investment in governmental funds capital assets by source:</b>		
General obligation bonds	<b>\$20,484,764</b>	\$19,667,383
Federal and state grants	<b>23,362,375</b>	21,316,439
General fund revenues	<b>208,357,441</b>	205,461,722
Contributions	<b>4,336,817</b>	4,336,817
Gifts and other donated	<b>2,912,277</b>	2,952,178
Total governmental funds capital assets	<b><u>\$259,453,674</u></b>	<u>\$253,734,539</u>

NEW HANOVER COUNTY, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
June 30, 2012

FUNCTION AND ACTIVITY	TOTAL	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS	EQUIPMENT AND VEHICLES
<b>General Government:</b>					
Governing Body	\$ 14,686,346	\$ 855,736	\$ 12,724,096	\$ 837,870	\$ 268,644
County Manager	17,643,062	285,450	16,478,929	60,366	818,317
Human Resources	80,545	-	-	5,466	75,079
Finance	71,353	-	-	-	71,353
Information Technology	5,166,887	-	-	138,265	5,028,622
Tax Administration	469,773	16,461	-	136,815	316,497
Legal	16,524	-	-	-	16,524
Elections	942,994	-	-	-	942,994
Register of Deeds	790,122	-	-	-	790,122
Property Management	2,253,808	-	620,282	376,869	1,256,657
Engineering	1,017,513	876,890	-	-	140,623
Planning	6,868,987	6,823,754	-	-	45,233
Total general government	<b>50,007,914</b>	<b>8,858,291</b>	<b>29,823,307</b>	<b>1,555,651</b>	<b>9,770,665</b>
<b>Human Services:</b>					
Health	6,641,740	-	3,998,447	186,746	2,456,547
Public Assistance	7,146,260	500,000	5,212,579	233,119	1,200,562
Human Services Transportation System	493,324	-	-	-	493,324
Human Relations	11,970	-	-	-	11,970
Aging Services	2,527,577	-	2,017,354	398,473	111,750
Total human services	<b>16,820,871</b>	<b>500,000</b>	<b>11,228,380</b>	<b>818,338</b>	<b>4,274,153</b>
<b>Public Safety:</b>					
Public Safety Communications Center	1,549,080	-	-	-	1,549,080
Sheriff	67,270,460	5,396,703	49,494,834	315,581	12,063,342
Emergency Management	14,011,431	-	2,263,382	764,063	10,983,986
Clerk of Court	19,651,392	-	18,819,599	639,683	192,110
Inspections	348,328	-	-	20,855	327,473
Fire Operations	12,934,295	377,686	4,467,244	611,930	7,477,435
Juvenile Services	1,192,631	7,000	1,128,558	-	57,073
Total public safety	<b>116,957,617</b>	<b>5,781,389</b>	<b>76,173,617</b>	<b>2,352,112</b>	<b>32,650,499</b>
<b>Culture and Recreation:</b>					
Library	13,832,160	392,720	12,573,068	157,250	709,122
Parks and Recreation	36,176,557	15,940,171	209,340	18,708,367	1,318,679
Museum	5,304,213	160,101	3,689,486	1,174,356	280,270
Cooperative Extension Service	832,956	40,006	553,380	96,468	143,102
Airlie Gardens	13,541,145	11,469,288	815,857	971,448	284,552
Total culture and recreation	<b>69,687,031</b>	<b>28,002,286</b>	<b>17,841,131</b>	<b>21,107,889</b>	<b>2,735,725</b>
Total	<b>253,473,433</b>	<b>43,141,966</b>	<b>135,066,435</b>	<b>25,833,990</b>	<b>49,431,042</b>
<b>Construction in Progress</b>	<b>5,980,241</b>				
Total governmental funds capital assets	<b>\$ 259,453,674</b>				

**NEW HANOVER COUNTY, NORTH CAROLINA**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
For the Fiscal Year Ended June 30, 2012**

Function and Activity	Governmental Funds Capital Assets June 30, 2011	Additions	Deductions	Transfers	Governmental Funds Capital Assets June 30, 2012
<b>General Government:</b>					
Governing Body	\$ 14,694,519	\$ -	\$ 8,173	\$ -	\$ 14,686,346
County Manager	17,643,062	-	-	-	17,643,062
Human Resources	65,614	14,931	-	-	80,545
Budget	-	-	-	-	-
Finance	71,353	-	-	-	71,353
Information Technology Systems	5,027,956	138,931	-	-	5,166,887
Tax Administration	469,773	-	-	-	469,773
Legal	16,524	-	-	-	16,524
Elections	902,494	40,500	-	-	942,994
Register of Deeds	790,122	-	-	-	790,122
Property Management	2,219,363	42,513	8,068	-	2,253,808
Engineering	921,615	95,898	-	-	1,017,513
Planning	6,879,058	-	10,071	-	6,868,987
Total general government	<u>49,701,453</u>	<u>332,773</u>	<u>26,312</u>	<u>-</u>	<u>50,007,914</u>
<b>Human Services:</b>					
Health	6,626,910	67,330	52,500	-	6,641,740
Veterans Services	-	-	-	-	-
Public Assistance	7,104,360	78,752	36,852	-	7,146,260
Human Services Transportation System	493,324	-	-	-	493,324
Human Relations	11,970	-	-	-	11,970
Aging Services	2,527,577	-	-	-	2,527,577
Total human services	<u>16,764,141</u>	<u>146,082</u>	<u>89,352</u>	<u>-</u>	<u>16,820,871</u>
<b>Public Safety:</b>					
Public Safety Communications Center	1,184,030	365,050	-	-	1,549,080
Sheriff	65,036,848	2,636,165	402,553	-	67,270,460
Emergency Management	12,748,262	1,263,169	-	-	14,011,431
Clerk of Court	19,651,392	-	-	-	19,651,392
Inspections	348,328	-	-	-	348,328
Fire Operations	12,389,936	765,930	221,571	-	12,934,295
Juvenile Services	1,176,765	15,866	-	-	1,192,631
Total public safety	<u>112,535,561</u>	<u>5,046,179</u>	<u>624,123</u>	<u>-</u>	<u>116,957,617</u>
<b>Culture and Recreation:</b>					
Library	13,697,924	134,236	-	-	13,832,160
Parks and Recreation	33,757,909	2,451,943	13,899	(19,396)	36,176,557
Museum	5,304,213	-	-	-	5,304,213
Cooperative Extension Service	832,956	-	-	-	832,956
Airlie Gardens	13,541,145	-	-	-	13,541,145
Total culture and recreation	<u>67,134,147</u>	<u>2,586,179</u>	<u>13,899</u>	<u>(19,396)</u>	<u>69,687,031</u>
Total	<u>246,135,302</u>	<u>8,111,213</u>	<u>753,686</u>	<u>(19,396)</u>	<u>253,473,433</u>
<b>Construction in Progress</b>	<u>7,599,237</u>	<u>3,864,463</u>	<u>5,483,459</u>	<u>-</u>	<u>5,980,241</u>
Total governmental funds capital assets	<u>\$ 253,734,539</u>	<u>\$ 11,975,676</u>	<u>\$ 6,237,145</u>	<u>\$ (19,396)</u>	<u>\$ 259,453,674</u>



## STATISTICAL SECTION

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

### Financial Trends

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time. These schedules include:

- Net Assets by Component
- Changes in Net Assets
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds

### Revenue Capacity

These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax. These schedules include:

- Governmental Funds Tax Revenues by Source
- Assessed Value and Actual Value of Taxable Property
- Principal Property Taxpayers
- Property Tax Levies and Collections
- Direct and Overlapping Property Tax Rates

### Debt Capacity

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future. These schedules include:

- Ratios of Outstanding Debt by Type
- Ratios of General Bonded Debt Outstanding
- Direct and Overlapping Governmental Activities Debt
- Legal Debt Margin

### Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place. These schedules include:

- Demographic and Economic Statistics

### Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs. The schedules include:

- Principal Employers
- Full-Time Equivalent Government Employees by Function
- Operating Indicators by Function
- Capital Asset Statistics by Function

**NEW HANOVER COUNTY, NORTH CAROLINA**

**Table 1**

**Net Assets by Component**

**Last Ten Fiscal Years**

**(Accrual Basis of Accounting)**

	2003	2004	2005
<b>Governmental activities:</b>			
Invested in capital assets, net of related debt	\$ 50,593,901	\$ 52,356,061	\$ 48,307,214
Restricted	22,260,554	24,295,051	28,053,183
Unrestricted (deficit)	(123,302,197)	(105,039,478)	(92,508,730)
<b>Total governmental activities net assets</b>	<b>\$ (50,447,742)</b>	<b>\$ (28,388,366)</b>	<b>\$ (16,148,333)</b>
<b>Business-type activities:</b>			
Invested in capital assets, net of related debt	\$ 81,944,393	\$ 95,420,626	\$ 102,451,280
Unrestricted	37,279,721	40,949,197	48,129,812
<b>Total business-type activities net assets</b>	<b>\$ 119,224,114</b>	<b>\$ 136,369,823</b>	<b>\$ 150,581,092</b>
<b>Primary government:</b>			
Invested in capital assets, net of related debt	\$ 132,538,294	\$ 147,776,687	\$ 150,758,494
Restricted	22,260,554	24,295,051	28,053,183
Unrestricted (deficit)	(86,022,476)	(64,090,281)	(44,378,918)
<b>Total primary government net assets</b>	<b>\$ 68,776,372</b>	<b>\$ 107,981,457</b>	<b>\$ 134,432,759</b>

**Source:** County records.

2006	2007	2008	2009	2010	2011	2012
\$ 59,002,384	\$ 72,043,292	\$ 67,481,986	\$ 83,439,070	\$ 55,968,137	\$ 58,853,344	\$ <b>65,250,159</b>
29,964,424	34,667,984	39,177,585	44,795,381	45,015,518	130,178,769	<b>89,136,681</b>
(88,071,607)	(103,984,499)	(110,557,739)	(176,522,103)	(172,250,627)	(247,409,219)	<b>(221,590,023)</b>
<b>\$ 895,201</b>	<b>\$ 2,726,777</b>	<b>\$ (3,898,168)</b>	<b>\$ (48,287,652)</b>	<b>\$ (71,266,972)</b>	<b>\$ (58,377,106)</b>	<b>\$ (67,203,183)</b>
\$ 122,905,015	\$ 149,121,226	\$ 178,756,569	\$ 15,175,229	\$ 16,238,444	\$ 14,575,511	\$ <b>13,081,015</b>
44,494,678	33,168,433	13,176,137	(7,973,065)	(9,889,909)	(8,490,885)	<b>(7,405,541)</b>
<b>\$ 167,399,693</b>	<b>\$ 182,289,659</b>	<b>\$ 191,932,706</b>	<b>\$ 7,202,164</b>	<b>\$ 6,348,535</b>	<b>\$ 6,084,626</b>	<b>\$ 5,675,474</b>
\$ 181,907,399	\$ 221,164,518	\$ 246,238,555	\$ 98,614,299	\$ 72,206,581	\$ 73,428,855	\$ <b>78,331,174</b>
29,964,424	34,667,984	39,177,585	46,200,679	45,015,518	130,178,769	<b>89,136,681</b>
(43,576,929)	(70,816,066)	(97,381,602)	(185,900,466)	(182,140,536)	(255,900,104)	<b>(228,995,564)</b>
<b>\$ 168,294,894</b>	<b>\$ 185,016,436</b>	<b>\$ 188,034,538</b>	<b>\$ (41,085,488)</b>	<b>\$ (64,918,437)</b>	<b>\$ (52,292,480)</b>	<b>\$ (61,527,709)</b>

**NEW HANOVER COUNTY, NORTH CAROLINA**

**Table 2  
Changes in Net Assets  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)**

	2003	2004	2005
<b>Expenses:</b>			
Governmental activities:			
General government	\$ 25,360,597	\$ 22,930,685	\$ 22,735,211
Human services	55,843,890	56,599,476	59,656,469
Public safety	33,259,659	41,202,875	50,863,103
Economic and physical development	1,867,281	1,944,882	1,625,159
Environmental Protection	-	-	-
Culture and recreation	5,844,867	10,346,308	8,953,895
Education	68,568,190	62,175,007	65,419,664
Interest and fees on long-term debt	14,372,648	13,167,607	14,383,524
<b>Total governmental activities expenses</b>	<b>205,117,132</b>	<b>208,366,840</b>	<b>223,637,025</b>
Business-type activities:			
Water and Sewer District	10,949,204	10,852,350	12,012,782
Environmental Management	12,319,682	10,603,313	12,013,594
<b>Total business-type activities expenses</b>	<b>23,268,886</b>	<b>21,455,663</b>	<b>24,026,376</b>
<b>Total primary government expenses</b>	<b>\$ 228,386,018</b>	<b>\$ 229,822,503</b>	<b>\$ 247,663,401</b>
<b>Program revenues:</b>			
Governmental activities:			
Charges for services:			
General government	\$ 3,338,308	\$ 3,719,408	\$ 3,745,357
Human services	1,140,026	1,245,438	1,292,818
Public safety	4,832,674	5,770,241	6,095,398
Economic and physical development	32,362	15,884	180,993
Environmental protection	-	-	-
Culture and recreation	335,795	384,704	317,205
Operating grants and contributions	37,436,121	39,977,442	40,596,299
Capital grants and contributions	21,030,215	5,879,384	1,184,293
<b>Total governmental activities program revenues</b>	<b>68,145,501</b>	<b>56,992,501</b>	<b>53,412,363</b>
Business-type activities:			
Charges for services:			
Water and Sewer District	10,174,249	11,051,713	11,937,188
Environmental Management	12,093,839	12,359,404	13,707,987
Operating grants and contributions	862,228	319,562	355,797
Capital grants and contributions	6,988,844	12,280,800	8,602,855
<b>Total business-type activities program revenues</b>	<b>30,119,160</b>	<b>36,011,479</b>	<b>34,603,827</b>
<b>Total primary government program revenues</b>	<b>\$ 98,264,661</b>	<b>\$ 93,003,980</b>	<b>\$ 88,016,190</b>

Source: County records.

2006	2007	2008	2009	2010	2011	2012
\$ 28,646,061	\$ 25,075,713	\$ 37,732,749	\$ 36,390,593	\$ 43,718,901	\$ 36,568,270	\$ 41,972,224
59,482,529	61,763,804	62,746,345	58,923,066	53,703,464	52,463,115	57,254,304
52,164,537	56,064,864	56,865,683	57,968,693	56,726,590	58,689,889	61,249,146
2,589,960	4,666,707	3,192,042	2,537,751	5,934,637	2,590,876	3,269,578
-	-	-	178,589	-	-	-
10,779,828	11,388,613	11,746,120	21,404,716	15,257,799	13,046,607	13,040,089
76,306,547	87,853,626	98,176,881	122,419,312	100,584,303	96,348,851	105,836,858
13,813,775	14,400,529	14,209,311	15,825,728	15,296,312	17,842,985	16,665,752
243,783,237	261,213,856	284,669,131	315,648,448	291,222,006	277,550,593	299,287,951
12,713,572	15,163,822	20,166,337	-	-	-	-
12,125,044	13,628,225	14,441,845	14,102,891	13,981,178	13,418,203	13,332,838
24,838,616	28,792,047	34,608,182	14,102,891	13,981,178	13,418,203	13,332,838
\$ 268,621,853	\$ 290,005,903	\$ 319,277,313	\$ 329,751,339	\$ 305,203,184	\$ 290,968,796	\$ 312,620,789
\$ 4,155,603	\$ 3,964,266	\$ 3,863,383	\$ 3,427,781	\$ 3,186,784	\$ 3,149,377	\$ 3,511,381
1,349,844	1,341,106	1,913,407	2,210,078	1,948,892	1,924,882	2,108,510
6,176,537	5,631,483	5,161,256	4,322,688	3,499,298	3,322,685	4,054,577
18,256	-	-	2,877,649	-	-	-
-	-	-	7,320	-	-	-
310,590	323,016	320,428	1,190,437	294,407	317,941	1,071,174
38,480,337	39,296,595	39,611,425	41,290,965	43,499,099	42,960,426	46,239,886
7,469,412	2,738,000	8,575,692	2,115,369	6,429,061	1,576,193	3,878,594
57,960,579	53,294,466	59,445,591	57,442,287	58,857,541	53,251,504	60,864,122
13,004,665	15,733,105	16,018,463	-	-	-	-
13,744,115	14,011,076	13,148,959	12,966,160	12,548,760	12,282,592	12,260,605
409,913	516,394	1,636,025	365,405	368,072	426,674	661,657
9,767,281	8,998,927	8,621,273	-	-	-	-
36,925,974	39,259,502	39,424,720	13,331,565	12,916,832	12,709,266	12,922,262
\$ 94,886,553	\$ 92,553,968	\$ 98,870,311	\$ 70,773,852	\$ 71,774,373	\$ 65,960,770	\$ 73,786,384

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**Table 2 (CONTINUED)**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	2003	2004	2005	2006
<b>Net (expense)/revenue:</b>				
Governmental activities	\$ (136,971,631)	\$ (151,374,339)	\$ (170,224,661)	\$ (185,822,658)
Business-type activities	6,850,440	14,555,816	10,577,451	12,087,358
<b>Total primary government net expense</b>	<b>\$ (130,121,191)</b>	<b>\$ (136,818,523)</b>	<b>\$ (159,647,210)</b>	<b>\$ (173,735,300)</b>
<b>General revenues and other changes in net assets:</b>				
<b>Governmental activities:</b>				
Taxes:				
Property taxes	\$ 120,466,313	\$ 122,709,618	\$ 126,325,033	\$ 132,303,679
Sales taxes	30,659,871	41,610,428	46,150,292	51,812,405
Room occupancy taxes	3,251,876	3,001,420	3,202,223	3,544,585
Other taxes	1,882,336	2,664,525	3,722,678	5,880,307
Investment earnings	1,747,814	2,050,325	3,840,774	6,249,595
Miscellaneous	1,405,511	1,181,911	1,487,939	4,995,154
Transfers	(3,280,914)	(1,907,304)	(2,264,245)	(1,919,533)
<b>Total governmental activities</b>	<b>156,132,807</b>	<b>171,310,923</b>	<b>182,464,694</b>	<b>202,866,192</b>
<b>Business-type activities:</b>				
Investment earnings	636,166	682,589	1,369,573	2,811,710
Special item - net assets contributed to CFPUA and other funds	-	-	-	-
Transfers	3,280,914	1,907,304	2,264,245	1,919,533
<b>Total business-type activities</b>	<b>3,917,080</b>	<b>2,589,893</b>	<b>3,633,818</b>	<b>4,731,243</b>
<b>Total primary government</b>	<b>\$ 160,049,887</b>	<b>\$ 173,900,816</b>	<b>\$ 186,098,512</b>	<b>\$ 207,597,435</b>
<b>Change in net assets:</b>				
Governmental activities	\$ 19,161,176	\$ 19,936,584	\$ 12,240,033	\$ 17,043,534
Business-type activities	10,767,354	17,145,709	14,211,269	16,818,601
<b>Total primary government</b>	<b>\$ 29,928,530</b>	<b>\$ 37,082,293</b>	<b>\$ 26,451,302</b>	<b>\$ 33,862,135</b>

**Source:** County records.

2007	2008	2009	2010	2011	2012
\$ (207,919,390)	\$ (225,223,540)	\$ (258,206,161)	\$ (232,364,465)	\$ (224,299,089)	\$ (238,423,829)
10,467,455	4,816,538	(771,326)	(1,064,346)	(708,937)	(410,576)
<b>\$ (197,451,935)</b>	<b>\$ (220,407,002)</b>	<b>\$ (258,977,487)</b>	<b>\$ (233,428,811)</b>	<b>\$ (225,008,026)</b>	<b>\$ (238,834,405)</b>
\$ 138,440,818	\$ 145,564,877	\$ 157,318,774	\$ 160,751,779	\$ 166,565,832	\$ 169,636,356
54,444,788	54,997,366	45,568,819	41,271,837	47,359,441	52,668,352
4,121,562	4,245,495	3,836,382	3,338,308	3,630,298	4,163,935
4,472,729	4,581,292	4,062,176	2,649,403	2,977,009	2,733,756
8,286,962	6,150,700	2,409,565	695,767	535,595	395,353
1,706,135	5,321,087	381,294	-	-	-
(1,722,028)	(2,262,222)	239,667	678,051	(445,000)	-
209,750,966	218,598,595	213,816,677	209,385,145	220,623,175	229,597,752
2,700,483	2,564,287	6,160	24	28	1,424
-	-	(183,725,709)	-	-	-
1,722,028	2,262,222	(239,667)	(678,051)	445,000	-
4,422,511	4,826,509	(183,959,216)	(678,027)	445,028	1,424
<b>\$ 214,173,477</b>	<b>\$ 223,425,104</b>	<b>\$ 29,857,461</b>	<b>\$ 208,707,118</b>	<b>\$ 221,068,203</b>	<b>\$ 229,599,176</b>
\$ 1,831,576	\$ (6,624,945)	\$ (44,389,484)	\$ (22,979,320)	\$ (3,675,942)	\$ (8,826,077)
14,889,966	9,643,047	(184,730,542)	(1,742,373)	(263,909)	(409,152)
<b>\$ 16,721,542</b>	<b>\$ 3,018,102</b>	<b>\$ (229,120,026)</b>	<b>\$ (24,721,693)</b>	<b>\$ (3,939,851)</b>	<b>\$ (9,235,229)</b>

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**Table 3**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year			
	2003	2004	2005	2006
<b>General Fund:</b>				
Reserved	\$ 16,084,166	\$ 22,003,676	\$ 21,154,326	\$ 28,234,515
Unreserved	41,505,087	45,853,905	48,591,036	51,971,455
Nonspendable				
Restricted				
Assigned				
Unassigned				
<b>Total general fund</b>	<b>\$ 57,589,253</b>	<b>\$ 67,857,581</b>	<b>\$ 69,745,362</b>	<b>\$ 80,205,970</b>
<b>All other governmental funds:</b>				
Reserved	\$ 25,652,945	\$ 27,425,437	\$ 31,895,531	\$ 39,174,539
Unreserved, reported in:				
Capital projects funds	23,833,028	21,389,105	13,740,132	21,474,166
Nonspendable				
Restricted				
Restricted, reported in capital				
Projects funds				
Committed				
Committed, reported in capital				
Projects funds				
Assigned				
Unassigned, reported in capital				
Projects funds				
<b>Total all other governmental funds</b>	<b>\$ 49,485,973</b>	<b>\$ 48,814,542</b>	<b>\$ 45,635,663</b>	<b>\$ 60,648,705</b>

**Source:** County records.

Fiscal year					
2007	2008	2009	2010	2011	2012
\$ 26,399,536	\$ 26,484,878	\$ 21,950,297	\$ 24,485,236	\$ -	\$ -
45,956,885	42,019,663	44,071,691	45,692,878	-	-
				79,851	<b>46,790</b>
				24,193,303	<b>21,768,800</b>
				7,945,535	<b>11,454,087</b>
				51,963,479	<b>60,926,423</b>
<b>\$ 72,356,421</b>	<b>\$ 68,504,541</b>	<b>\$ 66,021,988</b>	<b>\$ 70,178,114</b>	<b>\$ 84,182,168</b>	<b>\$ 94,196,100</b>
\$ 36,228,468	\$ 45,990,813	\$ 47,881,841	\$ 45,995,827	\$ -	\$ -
11,032,783	57,064,438	41,423,716	95,370,068	-	-
					<b>1,802</b>
				41,449,014	<b>44,001,373</b>
				64,536,452	<b>23,366,508</b>
				3,374,752	<b>4,226,116</b>
				193,613	<b>74,831</b>
				59,433	<b>68,966</b>
				(525,173)	<b>(302,827)</b>
<b>\$ 47,261,251</b>	<b>\$ 103,055,251</b>	<b>\$ 89,305,557</b>	<b>\$ 141,365,895</b>	<b>\$ 109,088,091</b>	<b>\$ 71,436,769</b>

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**Table 4**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year			
	2003	2004	2005	2006
<b>Revenues:</b>				
Taxes	\$ 156,157,600	\$ 170,039,210	\$ 179,510,144	\$ 193,537,310
Intergovernmental revenue	46,732,391	45,629,680	41,826,632	46,318,701
Special assessments	6,450,362	2,727,217	1,762,456	588,600
Charges for services	9,679,165	11,135,675	11,467,639	12,010,830
Miscellaneous	2,274,919	2,689,503	4,136,828	9,804,195
<b>Total revenues</b>	<b>221,294,437</b>	<b>232,221,285</b>	<b>238,703,699</b>	<b>262,259,636</b>
<b>Expenditures:</b>				
General government	22,434,265	19,714,483	22,418,450	29,368,933
Human services	55,609,626	56,236,427	59,389,334	59,686,429
Public safety	31,375,429	37,948,261	42,876,389	48,324,982
Economic and physical development	1,867,281	1,944,882	1,625,159	2,589,960
Culture and recreation	8,093,538	9,084,074	8,985,440	9,897,296
Education-community college and schools	54,968,282	57,983,369	58,513,627	63,280,896
Stormwater drainage	-	-	-	-
Capital outlay	42,677,725	13,290,196	21,645,262	21,977,861
Debt service:				
Interest and fees - bonds	10,025,115	7,999,793	9,046,742	8,434,272
Principal - bonds	10,115,000	10,304,654	12,140,000	11,220,001
Interest and fees - installment debt				
Principal - installment debt				
Installment debt payments	12,520,131	8,333,737	8,937,062	10,085,823
<b>Total expenditures</b>	<b>249,686,392</b>	<b>222,839,876</b>	<b>245,577,465</b>	<b>264,866,453</b>
<b>Revenues over (under) expenditures</b>	<b>(28,391,955)</b>	<b>9,381,409</b>	<b>(6,873,766)</b>	<b>(2,606,817)</b>
<b>Other financing sources (uses):</b>				
Sale of fixed assets				
Insurance claim proceeds				
Long-term debt issued	13,110,928	-	7,846,913	30,000,000
Transfers from other funds	64,508,047	77,970,906	75,339,629	81,784,172
Transfers to other funds	(67,326,026)	(79,878,210)	(77,603,874)	(83,703,705)
<b>Total other financing sources (uses)</b>	<b>10,292,949</b>	<b>(1,907,304)</b>	<b>5,582,668</b>	<b>28,080,467</b>
Net change in fund balances	<b>\$ (18,099,006)</b>	<b>\$ 7,474,105</b>	<b>\$ (1,291,098)</b>	<b>\$ 25,473,650</b>
Debt service as % of noncapital expenditures	14.85%	12.27%	12.97%	11.73%

**Source:** County records.

Fiscal Year						
2007	2008	2009	2010	2011	2012	
\$ 201,239,764	\$ 209,046,468	\$ 211,395,647	\$ 207,845,642	\$ 219,397,404	\$ 229,052,284	
42,447,237	47,892,597	88,511,868	52,045,370	41,719,627	51,294,237	
205,448	235,651	1,993,591	650,392	549,508	485,862	
11,259,871	11,092,496	9,537,859	8,929,381	8,714,885	10,745,642	
8,668,800	11,657,419	4,535,922	2,527,215	8,065,255	2,843,795	
263,821,120	279,924,631	315,974,887	271,998,000	278,446,679	294,421,820	
29,818,279	32,906,560	29,016,838	29,485,936	29,479,030	30,553,554	
61,353,480	62,122,735	58,211,859	53,253,360	52,148,036	53,674,258	
51,430,478	53,979,168	54,101,446	53,111,567	54,056,134	59,406,202	
4,666,707	3,192,043	2,537,751	5,715,018	2,438,992	3,114,839	
10,450,324	10,999,579	11,318,913	10,228,183	10,124,210	10,732,645	
67,473,345	72,049,228	71,524,315	67,750,207	67,650,207	68,750,207	
-	-	82,996	-	-	-	
35,629,488	38,890,813	62,970,803	39,698,425	38,141,227	44,277,295	
8,815,049	8,298,196	10,866,108	11,449,659	12,588,240	13,369,517	
11,885,000	12,545,000	16,845,000	17,845,000	19,030,000	22,400,000	
4,536,863	4,335,233	6,155,264	5,784,678	4,943,284	5,071,790	
6,677,082	8,708,483	53,584,747	11,438,674	11,519,621	10,917,265	
292,736,095	308,027,038	377,216,040	305,760,707	302,118,981	322,267,572	
(28,914,975)	(28,102,407)	(61,241,153)	(33,762,707)	(23,672,302)	(27,845,752)	
					166,526	
					40,140	
9,400,000	82,306,749	44,933,855	89,301,120	5,843,552	1,696	
85,492,995	91,898,546	85,890,267	84,163,317	3,024,201	1,516,547	
(87,215,023)	(94,160,768)	(85,815,216)	(83,485,266)	(3,469,201)	(1,516,547)	
7,677,972	80,044,527	45,008,906	89,979,171	5,398,552	208,362	
\$ (21,237,003)	\$ 51,942,120	\$ (16,232,247)	\$ 56,216,464	\$ (18,273,750)	\$ (27,637,390)	
11.73%	11.53%	23.53%	15.47%	16.40%	16.50%	

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**Table 5**  
**Governmental Funds Tax Revenues by Source**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(amounts expressed in thousands)**

Fiscal Year	Ad Valorem (Property) Taxes	Sales Taxes	Room Occupancy Taxes	Real Property Revenue Stamp Taxes	Other Taxes	Total Taxes
2003	\$ 120,363	\$ 30,660	\$ 3,252	\$ 1,380	\$ 503	\$ 156,158
2004	122,763	41,610	3,001	2,138	527	170,039
2005	126,435	46,260	3,202	3,114	499	179,510
2006	132,300	51,812	3,545	3,570	2,310	193,537
2007	138,200	54,445	4,122	2,303	2,170	201,240
2008	145,222	54,997	4,245	2,056	2,526	209,046
2009	157,929	45,569	3,836	1,162	2,900	211,396
2010	160,694	41,272	3,338	1,168	1,374	207,846
2011	166,566	47,359	3,630	1,043	1,934	220,532
<b>2012</b>	<b>169,636</b>	<b>52,668</b>	<b>4,164</b>	<b>1,162</b>	<b>1,572</b>	<b>229,202</b>

**Source:** County records.

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**Table 6**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Real Property	Personal Property	Public Service Companies	Total Taxable Assessed Property	Total Direct Tax Rate
2003	\$ 13,977,137,776	\$ 2,615,031,873	\$ 384,040,562	\$ 16,976,210,211	\$ 0.690
2004	14,420,634,198	2,558,812,808	384,537,371	17,363,984,377	0.680
2005	14,884,549,443	2,618,007,183	393,744,013	17,896,300,639	0.680
2006	15,517,664,081	2,816,218,962	420,887,963	18,754,771,006	0.680
2007	16,178,353,253	3,011,560,967	309,421,127	19,499,335,347	0.680
2008	29,119,602,647	3,312,348,337	430,519,407	32,862,470,391	0.420
2009	29,717,299,349	3,258,906,341	448,155,872	33,424,361,562	0.453
2010	30,090,822,904	3,122,851,620	460,830,945	33,674,505,469	0.453
2011	30,261,859,704	3,114,706,992	429,491,376	33,806,058,072	0.466
<b>2012</b>	<b>30,442,282,655</b>	<b>3,313,128,898</b>	<b>435,115,395</b>	<b>34,190,526,948</b>	<b>0.466</b>

**Source:** County Tax Department

**Note:** Property is assessed at actual value; therefore, the assessed values are equal to actual value.  
Tax rates are per \$100 of assessed value.

NEW HANOVER COUNTY, NORTH CAROLINA

Table 7

Principal Property Taxpayers  
Current Fiscal Year and Nine Years Ago

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
General Electric Company	\$ 295,282,009	1	0.86%	\$ 96,088,555	4	0.57%
Progress Energy	277,606,162	2	0.81%	228,828,612	2	1.35%
Corning, Inc.	221,664,226	3	0.65%	301,434,335	1	1.78%
Celanese Corporation	80,728,456	4	0.24%	-	-	-
BellSouth Telecommunications	65,933,702	5	0.19%	99,590,417	3	0.59%
Arteva Specialities	59,474,463	6	0.17%	46,197,399	7	0.27%
River Ventures	55,803,840	7	0.16%	-	-	0.00%
Wal Mart	50,981,353	8	0.15%	-	-	-
Centro Independence LLC	50,442,138	9	0.15%	38,014,279	8	-
Global Nuclear Fuel Americas LLC	46,996,981	10	0.14%	56,539,267	6	0.33%
URDT of North Carolina LLC	-	-	-	59,256,668	5	0.35%
Occidental Electrochemical Corporation	-	-	-	32,854,475	9	0.19%
Landfall Associates	-	-	-	23,830,412	10	0.14%
<b>Total</b>	<u>\$ 1,204,913,330</u>		<u>3.52%</u>	<u>\$ 982,634,419</u>		<u>5.56%</u>
Total taxable assessed value	<u>\$ 34,190,526,948</u>			<u>\$ 16,976,207,211</u>		

Source: County Tax Department.

**NEW HANOVER COUNTY, NORTH CAROLINA**

**Table 8**

**Property Tax Levies and Collections  
Last Ten Fiscal Years**

Fiscal Year	Property Taxes Levied for the Fiscal Year	Property Taxes Collected Within the Fiscal Year of the Levy		Property Tax Collections in Subsequent Years	Property Tax Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 117,478,416	\$ 114,878,468	97.79	\$ 1,927,731	\$ 116,806,199	99.43%
2004	118,502,456	116,273,246	98.12	2,152,668	118,425,914	99.94%
2005	121,948,982	119,911,021	98.33	2,013,235	121,924,256	99.98%
2006	127,712,283	125,732,975	98.45	1,810,494	127,543,469	99.87%
2007	133,831,150	131,522,360	98.27	1,718,400	133,240,760	99.56%
2008	139,222,476	136,794,279	98.26	1,751,897	138,546,176	99.51%
2009	151,208,013	149,085,288	98.60	2,040,367	151,125,655	99.95%
2010	152,793,146	150,719,243	98.64	1,763,311	152,482,554	99.80%
2011	158,470,084	155,710,692	98.25	1,566,776	157,277,468	99.25%
<b>2012</b>	<b>159,752,984</b>	<b>157,409,935</b>	<b>98.53</b>	<b>2,451,860</b>	<b>159,861,795</b>	<b>100.07%</b>

Source: County Tax Department.

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**Table 9**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
**(rate per \$100 of assessed value)**

Fiscal Year	New Hanover County	Special Fire District	City of Wilmington	Wrightsville Beach	Carolina Beach	Kure Beach
2003	0.690	0.050	0.470	0.143	0.395	0.295
2004	0.680	0.060	0.470	0.143	0.380	0.295
2005	0.680	0.060	0.460	0.143	0.380	0.295
2006	0.680	0.060	0.460	0.143	0.380	0.295
2007	0.685	0.060	0.460	0.143	0.380	0.295
2008	0.420	0.050	0.300	0.0634	0.175	0.135
2009	0.4525	0.050	0.3325	0.08	0.175	0.135
2010	0.4525	0.060	0.3325	0.08	0.175	0.135
2011	0.4655	0.060	0.3700	0.099	0.175	0.135
<b>2012</b>	<b>0.4655</b>	<b>0.068</b>	<b>0.3700</b>	<b>0.099</b>	<b>0.175</b>	<b>0.163</b>

Source: County Tax Department.

Overlapping rates are rates of local governments that apply to the property owners within New Hanover County. Not all overlapping rates apply to all New Hanover County property owners; for example the rates of the Special Fire District apply only to the proportion of the New Hanover County's property owners whose property is located within the geographic boundaries of the Special Fire District.

NEW HANOVER COUNTY, NORTH CAROLINA

Table 10

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	Certificates of Participation	Other Installment Debt	General Obligation Bonds	Certificates of Participation	Other Installment Debt			
2003	\$195,325,000	\$100,046,303	\$2,106,462	\$29,885,000	\$39,548,697	\$370,692	\$367,282,154	7.18%	\$2,173.56
2004	187,770,000	96,532,227	1,376,228	24,845,000	37,872,773	606,663	349,002,891	6.27%	1,987.26
2005	175,630,000	92,499,701	8,789,308	19,955,000	36,170,299	519,921	333,564,229	5.50%	1,835.55
2006	194,525,000	87,988,034	8,133,018	15,850,000	34,621,966	320,520	341,438,538	5.20%	1,830.65
2007	182,640,000	82,888,727	16,340,243	11,645,000	32,821,273	708,315	327,043,558	4.71%	1,722.59
2008	238,095,000	76,991,623	27,994,703	7,345,000	72,988,380	1,207,653	424,622,359	6.02%	2,182.50
2009	270,815,000	99,160,947	24,727,589	355,000	1,044,053	760,880	396,863,469	5.55%	1,990.78
2010	334,069,997	62,898,500	49,416,186	175,000	241,500	1,154,399	447,955,582	6.28%	2,213.10
2011	315,039,997	56,820,000	50,443,221	0	215,000	899,921	423,418,139	N/A	2,050.90
<b>2012</b>	<b>292,639,997</b>	<b>50,697,400</b>	<b>45,899,037</b>	<b>0</b>	<b>187,600</b>	<b>1,716,322</b>	<b>391,140,356</b>	<b>N/A</b>	<b>1,867.30</b>

\* Calculation made using population and personal income figures from Demographic and Economic Statistics Table 14.

Source: County records.

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

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**Table 11**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property*	Per Capita**
2003	\$ 195,325,000	1.15%	\$ 1,155.93
2004	187,770,000	1.08%	1,069.18
2005	175,630,000	0.98%	966.47
2006	194,525,000	1.04%	1,042.96
2007	182,640,000	0.94%	961.99
2008	238,095,000	0.72%	1,223.77
2009	270,815,000	0.81%	1,358.48
2010	334,069,997	0.99%	1,650.45
2011	325,844,881	0.96%	1,578.29
<b>2012</b>	<b>302,178,637</b>	<b>0.88%</b>	<b>1,442.60</b>

\* Calculated using taxable value of property from Assessed Value and Actual Value of Taxable Property Table 6.

\*\* Calculated using population figures from Demographic and Economic Statistics Table 14.

**Source:** County records.

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**Table 12**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2012**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
County direct debt	\$ 389,236,432	100.00%	\$ 389,236,432
City of Wilmington debt	186,483,750	100.00%	186,483,750
Town of Wrightsville Beach debt	5,302,023	100.00%	5,302,023
Town of Carolina Beach debt	7,809,613	100.00%	7,809,613
Town of Kure Beach debt	2,329,849	100.00%	2,329,849
<b>Subtotal, overlapping debt</b>			<u>201,925,235</u>
<b>Total direct and overlapping debt:</b>			<u><u>\$ 591,161,667</u></u>

**Source:** County, City of Wilmington, Town of Wrightsville Beach, Town of Carolina Beach, Town of Kure Beach, and NC Department of State Treasurer (LGC).

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**Table 13**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

**New Hanover County**

	2003	2004	2005	2006	2007
Debt limit	\$ 1,358,096,817	\$ 1,389,118,750	\$ 1,431,704,051	\$ 1,500,381,680	\$ 1,559,946,828
Total net debt applicable to limit	312,952,482	299,421,053	403,590,274	385,228,686	400,873,158
Legal debt margin	\$ 1,045,144,335	\$ 1,089,697,697	\$ 1,028,113,777	\$ 1,115,152,994	\$ 1,159,073,670
Total net debt applicable to the limit as a percentage of debt limit	23.04%	21.55%	28.19%	25.68%	25.70%

**Legal Debt Margin Calculation for June 30, 2012**

<b>Total assessed value</b>	<b>\$ 34,190,526,948</b>
<b>Debt limit (8% of assessed value)</b>	<u><b>2,735,242,156</b></u>
<b>Debt applicable to limit:</b>	
<b>General obligation bonds</b>	<b>292,639,997</b>
<b>Certificates of participation</b>	<b>50,885,000</b>
<b>Authorized but unissued debt</b>	<u><b>94,000,000</b></u>
<b>Total net applicable to limit</b>	<u><b>437,524,997</b></u>
<b>Legal debt margin</b>	<u><b>\$ 2,297,717,159</b></u>

2008	2009	2010	2011	2012
\$ 2,618,030,818	\$ 2,673,948,925	\$ 2,693,960,438	\$ 2,704,484,646	\$ 2,735,242,156
359,875,000	552,875,000	491,384,997	476,879,881	437,524,997
<u>\$ 2,258,155,818</u>	<u>\$ 2,121,073,925</u>	<u>\$ 2,202,575,441</u>	<u>\$ 2,227,604,765</u>	<u>\$ 2,297,717,159</u>
13.75%	20.68%	18.24%	17.63%	<b>16.00%</b>

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**Table 14**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Fiscal Year	Population <sup>1</sup>	Personal Income (000's) <sup>1</sup>	Per Capita Personal Income <sup>2</sup>	Median Age <sup>3</sup> (Years)	School Enrollment <sup>4</sup>	Unemployment Rate <sup>1</sup>
2003	\$ 168,977	\$ 5,118,887	\$ 29,607	37.0	\$ 21,639	6.3%
2004	175,620	5,567,376	30,466	36	22,173	4.0%
2005	181,724	6,061,123	32,607	37	23,020	4.5%
2006	186,512	6,569,209	33,705	36	23,848	3.5%
2007	189,856	3,949,636	35,461	38	23,781	3.9%
2008	194,558	7,293,899	36,629	37	23,757	5.1%
2009	199,351	7,152,155	36,662	37	24,095	9.6%
2010	202,411	7,131,435	29,363	37	23,934	9.4%
2011	206,455	N/A	N/A	N/A	24,060	10.1%
<b>2012</b>	<b>209,468</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>9.3%</b>

<sup>1</sup> **Source:** NC State Demographics Web Site.

<sup>2</sup> **Source:** Federal Agency Data: Bureau of Economic Analysis

<sup>3</sup> **Source:** U. S. Census Bureau

<sup>4</sup> **Source:** New Hanover County Board of Education.

**NEW HANOVER COUNTY, NORTH CAROLINA**

**Table 15**

**Principal Employers**

**Current Fiscal Year and Nine Years Ago**

Employer (Top Ten)	2012			2003		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
New Hanover Reginal Medical Center	4,738	1	4.90%	4,000	1	4.74%
New Hanover County Board of Education	3,666	2	3.79%	3,087	2	3.66%
Wal-Mart Stores, Inc	2,592	3	2.68%	-----	-----	-----
General Electric	2,100	4	2.17%	2,100	3	2.49%
University of NC at Wilmington	1,898	5	1.96%	1,493	5	1.77%
New Hanover County	1,574	6	1.63%	1,356	6	1.61%
PPD, Inc.	1,500	7	1.55%	600	10	0.71%
Verizon Wireless	1,346	8	1.39%	-----	-----	-----
Progress Energy	1,070	9	1.11%	-----	-----	-----
Corning Incorporated	1,000	10	1.03%	1,700	4	2.02%
City of Wilmington	-----	-----	-----	927	7	1.10%
NC Department of Transportation	-----	-----	-----	694	8	0.82%
Liberty Home Health Care	-----	-----	-----	650	9	0.77%
Total New Hanover County Employment	<u>96,627</u>			<u>84,318</u>		

**Sources:** Wilmington Chamber of Commerce, NC State Demographics Web Site, and New Hanover County



**NEW HANOVER COUNTY, NORTH CAROLINA**  
**Table 16**  
**Full-Time Equivalent Government Employees by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	217	231	234	238	243	248	263	276	268	<b>268</b>
Human services	461	463	481	486	497	517	524	517	509	<b>495</b>
Public safety	450	485	510	578	586	620	632	632	635	<b>651</b>
Culture and recreation	90	97	98	108	110	115	117	117	123	<b>126</b>
Environmental Management	71	71	71	72	73	88	88	88	88	<b>31</b>
Water and Sewer	41	43	45	55	64	64	0	0	0	<b>0</b>
<b>Total</b>	<b>1,330</b>	<b>1,390</b>	<b>1,439</b>	<b>1,537</b>	<b>1,573</b>	<b>1,652</b>	<b>1,624</b>	<b>1,630</b>	<b>1,623</b>	<b>1,571</b>

**Source:** County Budget Department.

**NEW HANOVER COUNTY, NORTH CAROLINA**

**Table 17**

**Operating Indicators by Function  
Last Ten Fiscal Years**

Function	Fiscal Year			
	2003	2004	2005	2006
<b>Public safety:</b>				
Sheriff:				
# of divisions	6	6	6	7
# of sheriff personnel	302	302	359	367
# of arrests made	3,111	3,035	3,261	6,023
# of service calls	162,878	165,256	171,684	181,351
Fire Services:				
# of stations	8	8	8	6
# of fire personnel	250	250	250	90
# of calls answered	4,321	5,000	5,935	6,704
<b>Culture and recreation:</b>				
Library:				
# of circulations	1,146,543	1,107,522	1,129,675	1,114,502
Museum:				
Attendance	32,081	34,702	36,885	32,251

**Source:** County records.

Fiscal Year					
2007	2008	2009	2010	2011	2012
7	6	6	6	6	6
374	382	420	384	384	423
6,704	6,430	7,011	6,364	6,613	6,506
101,877	175,770	173,502	190,539	190,500	132,492
6	8	8	8	8	8
110	96	95	95	95	217
6,425	5,139	4,676	4,665	4,823	5,600
1,200,000	1,231,467	1,320,486	1,340,000	1,350,000	1,387,929
31,000	38,504	41,683	47,128	49,261	47,223

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**Table 18**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Function	2003	2004	2005	2006
<b>Public safety (1):</b>				
Sheriff:				
# of stations	2	2	2	2
# of vehicles	181	215	260	281
<b>Human services (1):</b>				
Health Department:				
# of vehicles	40	40	40	41
<b>Culture and recreation (1):</b>				
Parks:				
# of parks	24	23	23	23
Park acreage	467	792	807	807

**Source:** County records.

(1) Information represents vehicles currently owned as of June 30, 2012 by the County.

Fiscal Year					
2007	2008	2009	2010	2011	2012
2	2	2	2	2	2
303	321	301	277	290	279
43	45	51	37	29	23
23	34	34	35	35	35
807	1,100	1,100	1,310	1,310	1,310

**NEW HANOVER COUNTY, NORTH CAROLINA**  
**Table 19**  
**ANALYSIS OF CURRENT TAX LEVY**  
**COUNTY - WIDE LEVY**  
**June 30, 2012**

	County - Wide		Total Levy		
			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles	
	Property Valuation	Rate	Amount of Levy		
Original levy:					
Property taxed at current year's rate	\$32,938,570,567	\$0.4655	\$153,329,046	\$153,329,046	\$0
Motor vehicles	1,562,893,321	0.4655	7,275,455	0	7,275,455
Penalties	0		156,275	156,275	0
Total	<u>34,501,463,888</u>		<u>160,760,776</u>	<u>153,485,321</u>	<u>7,275,455</u>
Discoveries:					
Current year	0		595,894	595,894	0
	<u>0</u>		<u>595,894</u>	<u>595,894</u>	<u>0</u>
Abatements	(310,936,940)		(1,603,686)	(1,603,686)	0
Total property valuation	<u>\$34,190,526,948</u>				
Net levy			159,752,984	152,477,529	7,275,455
Uncollected taxes at June 30, 2011			2,343,049	1,433,158	909,891
Current year's taxes collected			<u>\$157,409,935</u>	<u>\$151,044,371</u>	<u>\$6,365,564</u>
Current levy collection percentage			98.53%	99.06%	87.49%

**Secondary Market Disclosures:**

Assessed Valuation:	
Assessment Ratio	100%
Real Property	\$30,442,282,655
Personal Property	3,313,128,898
Public Service Companies	435,115,395
Total Assessed Valuation	<u>34,190,526,948</u>
Tax rate per \$100	0.4655
Levy (includes discoveries, abatements, penalties, fees and cleaning liens)	<u>\$159,752,984</u>

In addition to the County - wide rate, the following table lists the levy by the County on behalf of a Special Fire District for the fiscal year ended June 30, 2012

Special Fire District	<u>\$8,700,633</u>
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