



Comprehensive Annual Financial Report

**New Hanover County, North Carolina
For The Fiscal Year Ended June 30, 2011**

**Jonathan Barfield, Jr., Chairman
Board of Commissioners**

**Bruce T. Shell
County Manager**

**Avril M. Pinder
Finance Director**

**Prepared by
New Hanover County Finance Department
www.nhcgov.com**



NEW HANOVER COUNTY, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2011

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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 2011

BOARD OF COMMISSIONERS



Jonathan Barfield, Jr.
Chairman



Jason R. Thompson, Jr.
Vice-Chairman



Brian M. Berger
Commissioner



Ted Davis, Jr.
Commissioner



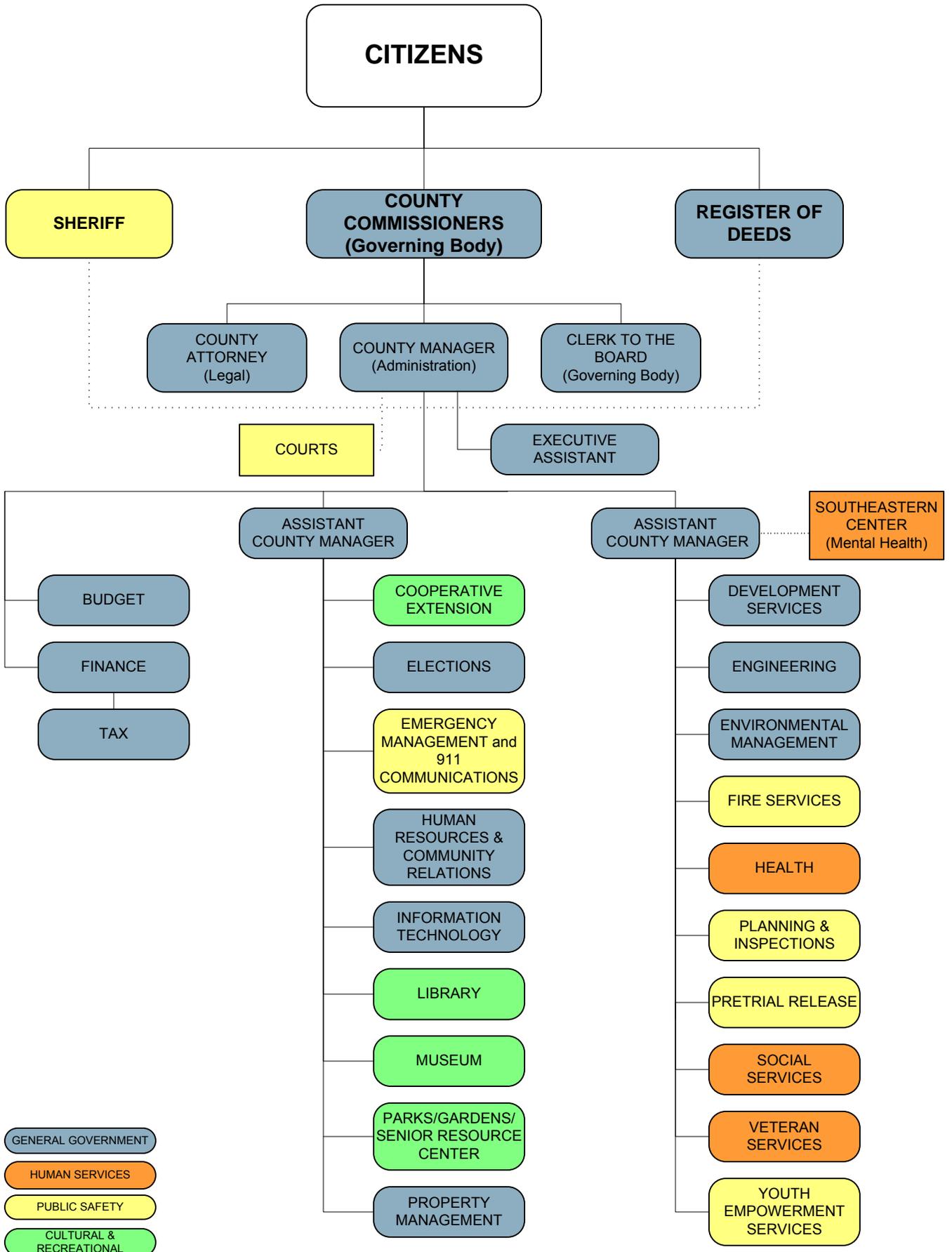
Richard G. Catlin
Commissioner

OTHER ELECTED OFFICIALS

Jennifer H. MacNeish
Registrar

Edward J. McMahon
Sheriff

NEW HANOVER COUNTY ORGANIZATIONAL CHART



Letter of Transmittal





NEW HANOVER COUNTY FINANCE DEPARTMENT

AVRIL M. PINDER
Finance Director

BARBARA D. MCCLURE
Assistant Finance Director

October 31, 2011

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, 2011.

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, 2011, are free of material misstatement. The independent audit concluded that the County's financial statements for the fiscal year June 30, 2011, 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

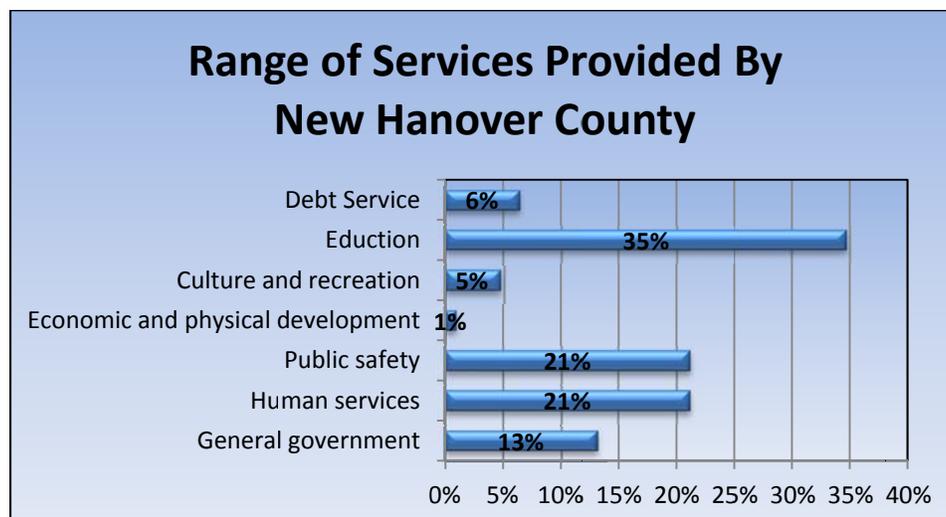


New Hanover County, established in 1729, is located in the tidewater section of Southeastern North Carolina on the Atlantic Coast. It is set between the Atlantic Ocean and the Cape Fear River. The surrounding terrain is low lying, with an average elevation of less than 40 feet and the highest elevation 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 over 206,000. 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.

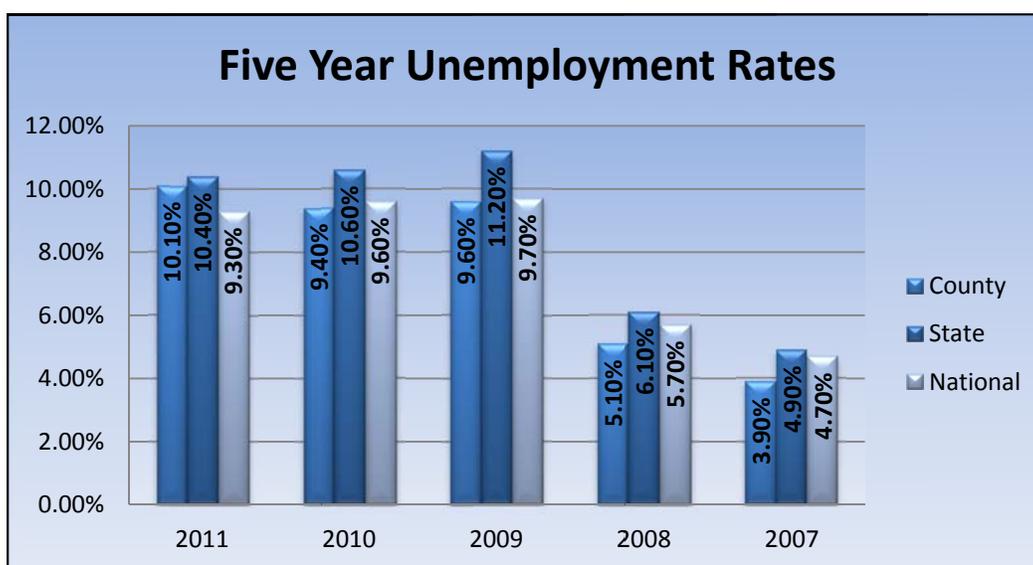
The County provides its citizens with a wide range of services including human services, public safety, economic and physical development, culture and recreation, storm water management and environmental protection. However, the majority of the annual budget consists of public safety, human services and education. The County also extends financial support to certain agencies and commissions to assist their efforts in serving citizens. Among these is the Southeastern Center for Mental Health Local Management Entity and WAVE Transit Authority.



ECONOMIC CONDITION AND OUTLOOK

Total personal income, the total income earned by individuals from all sources, in the New Hanover County Area is forecast to grow 3.3 percent during 2011, with the growth rate stabilizing to around three percent in both 2012 and 2013.

William W. Hall Jr., professor of economics and senior economist with the Swain Center for Business and Economic Services at the University of North Carolina Wilmington Cameron School of Business, announced the predictions during the Joint Economic Growth Summit at UNCW. The County continued to feel the effects of the national recession in fiscal year 2011. Unlike previous recoveries, area employment has been slow to recover during the current expansion, which officially dates from the middle of 2009. While higher than historic averages, unemployment in the County remains slightly below the State rate of 10.4 percent.



Retail sales showed strong growth during the fiscal year. Sales rose an estimated 6.5 percent between 2009 and 2010. Retailers account for 17 percent of the total employment in the area, second only to health care and education.

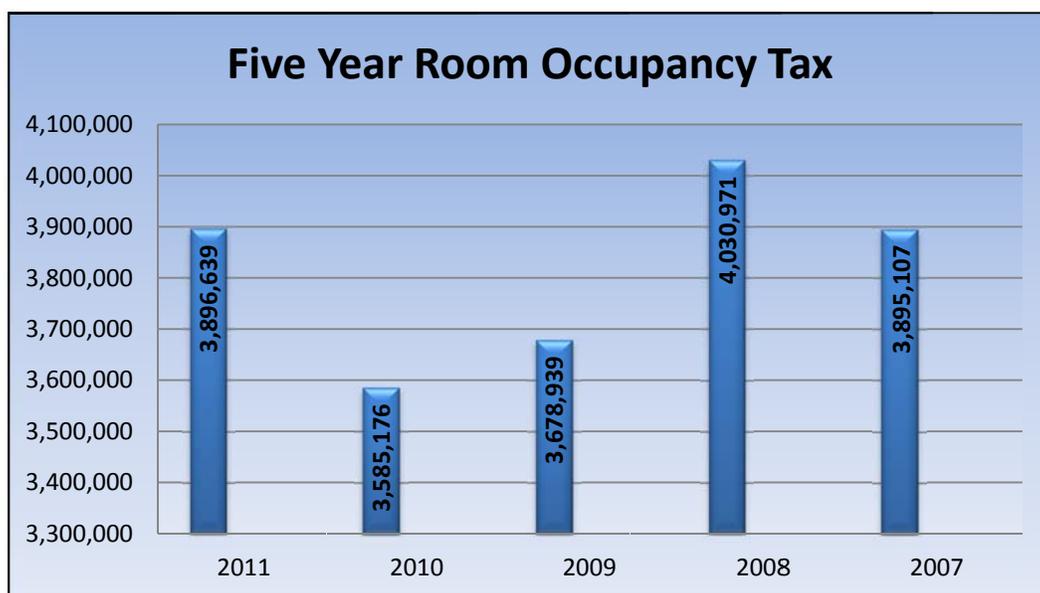


New Hanover County continues to attract a diverse base of employers, including manufacturing, retail, pharmaceutical, and healthcare. The County's top ten employers make up only 23.03 percent of the total employment within the County.

Top Ten Employers	2011			Percentage of Total County Employment
	Employer	Employees	Rank	
New Hanover Health Network	4,738	1	5.10%	
New Hanover County Board of Education	3,666	2	3.95%	
Wal-Mart Stores, Inc	2,592	3	2.79%	
General Electric Hitachi Nuclear Energy	2,100	4	2.26%	
University of NC at Wilmington	1,898	5	2.04%	
New Hanover County	1,571	6	1.69%	
PPD, Inc.	1,500	7	1.61%	
Verizon Wireless	1,346	8	1.45%	
Corning, Inc.	1,000	9	1.08%	
City of Wilmington	981	10	1.06%	

Sources: Wilmington Chamber of Commerce

After a drop in 2009 and 2010, room occupancy tax collections in New Hanover County have resumed growing as well. Collections rose 5 percent over 2010.



The County maintains a diverse taxpayer base, with its top ten taxpayers representing 3.3% 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 Value
Taxpayer	Taxable Assessed Value	Rank	Value
Progress Energy	\$ 268,847,860	1	0.80%
General Electric Company	247,908,705	2	0.73%
Corning, Inc.	208,791,834	3	0.62%
Celanese Corporation	82,052,900	4	0.24%
BellSouth Telecommunications	69,556,925	5	0.21%
Arteva Specialties	61,449,671	6	0.18%
Centro Independence LLC	50,436,737	7	0.15%
Wal-Mart	49,306,319	8	0.15%
River Ventures	45,889,678	9	0.14%
Global Nuclear Fuel Americas LLC	41,351,413	10	0.12%
Total	\$ 1,125,592,042		3.33%

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 4,500 people. In 2010, New Hanover Regional began to expand its physician group, which acquired several local doctors and practices. It 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 2010, the hospital wrapped up a multi-year overhaul and expansion of the main campus. The \$249 million effort involved building a surgical pavilion, the 195,000-square-foot women's and children's hospital and renovating a 40-year-old tower of patient rooms.

Manufacturing

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. The County is home to several large manufacturing facilities.

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. 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.

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. Public walking tours of the studio are available to the sets of current television shows being produced as well as sets that were once home to the more than 350 shows and movies that were produced in the area, including *Nights in Rodanthe*, *One Tree Hill*, *Dawson's Creek*, *Teenage Mutant Ninja Turtles Movie*, and *Matlock*.

Iron Man 3, the movie, which will be helmed by Shane Black, will begin filming in June of next year in Wilmington, North Carolina. North Carolina beat out Michigan to attract the multimillion dollar project.



Education

The County is also 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. For the 12th straight year, *US News & World Report* has ranked UNCW as one of the top 10 public regional undergraduate universities in the South and was named as a 2010 Military Friendly School by *G.I. Jobs* magazine.



With over 26,500 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. In November of 2010, the newly constructed Wilmington Convention Center opened. With its 30,000 square foot Exhibit Hall, a 12,000 square foot Grand Ballroom and an additional 5,784 square feet of meeting space, the Convention Center is the largest convention center on the North Carolina coast.





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 2010, the economic impact of tourism in New Hanover County was estimated at \$400.88 million, a 6.9% increase from 2009. Travel and tourism also generated \$37.31 million in state and local tax receipts. The "2010 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 9 among North Carolina's 100 counties in tourism expenditures.

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.

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. The Wilmington-based Ports Authority recently reported that container movements at the Port of Wilmington increased by more than 14 percent over the previous year, while break bulk cargo increased by more than 30 percent.

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 4th largest in the State and offers non-stop flights to 7 major cities including: New York, Atlanta, Philadelphia, Washington DC, Charlotte, Orlando-Sanford, and Chicago. Located midway on the East Coast, nearly 822,000 travelers passed through the airport last year, beating the old record set in 2008 by nearly 7,000 passengers.



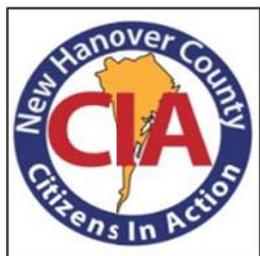
MAJOR INITIATIVES

Citizen Interaction



County Commissioners continued the program “Underneath it All”, designed to educate area residents about the responsibilities and partnerships forged by the County which improve and sustain the community’s quality of life. This program includes town hall meetings throughout the community to allow the Commissioners to re-introduce our citizens to the vast array of programs and services provided by the County and the Citizens to voice

concerns and issues to the Commissioners they feel are important to the community and County government.



In January of 2011, the County began “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 represents the path forward in decision-making for the next five years. This plan will change how we do business. The strategic focus areas identified are:

- Effective County Management
- Intelligent Growth and Economic Development
- Productive Strategic Partnerships
- Safety and Education
- Strong Financial Performance
- Superior Public Health

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.



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, 2011 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, 2010. This was the thirtieth consecutive year that the County has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and



efficiently organized CAFR. The CAFR must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



In addition, the government has received the GFOA's Distinguished Budget Presentation Award for its annual budget document for Fiscal Year 2010-2011. This marks the twentieth 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.

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 2011 CAFR:

Amy Bradshaw
Lori Colon
Teresa Hewett
Jette Lawrence
Katrina Morris
Lisa Wurtzbacher

Linda Brothers
Kellie Daughtry
Barbara Hull
Teresa Lettley
Lyn Sanders

Lena Butler
Debbie Grymes
Charlene Larkins
JD Limberger
Beverly Thomas

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,


Avril M. Pinder
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, 2010

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. Davison

President

Jeffrey R. Emer

Executive Director



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"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, 2011, 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, the New Hanover County ABC Board, or the New Hanover County Tourism Development Authority, which are 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, the New Hanover County ABC Board, and the New Hanover County Tourism Development Authority, 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

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13 South Center Street ♦ Taylorsville, North Carolina 28681 ♦ Phone 828-632-9025 ♦ Fax 828-632-9085
Toll Free Both Locations 1-800-948-0585 ♦ Website: www.martinstarnes.com

New Hanover County, North Carolina, as of June 30, 2011, 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 31, 2011, 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 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 31, 2011

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, 2011. 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 xiii and the County's financial statements, which follow this narrative.

Financial Highlights

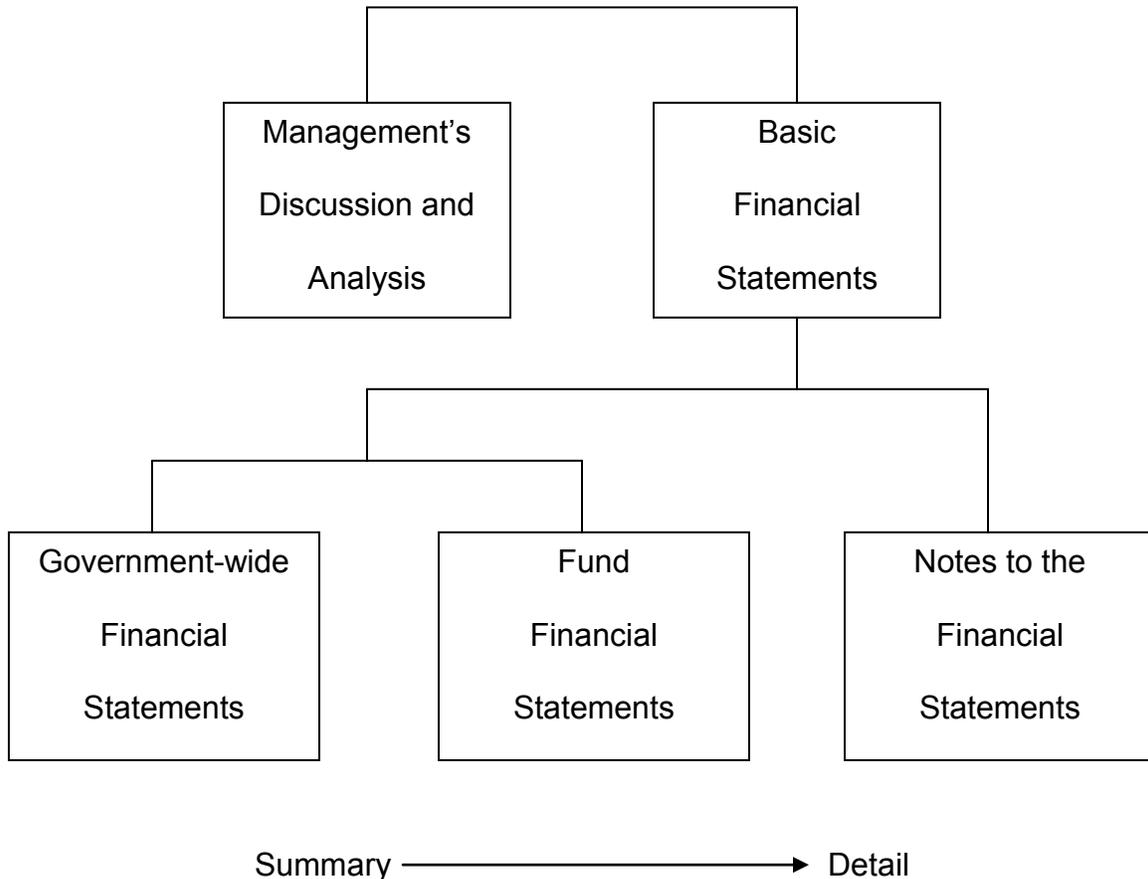
- The government's total net assets decreased by \$3,939,851, a lesser amount than in the prior fiscal year. This is primarily due to a decrease in net assets from governmental activities. In 2010, net assets decreased by \$24,721,693.
- The liabilities of New Hanover County (primary government) exceeded its assets at the close of the fiscal year by \$52,292,480 (*net deficiency*).
- As of the close of the current fiscal year, New Hanover County's governmental funds reported combined ending fund balances of \$193,270,259 a decrease of \$18,273,750 in comparison with the prior year. Approximately 67.40 percent of this total amount, or \$130,258,620, is restricted or unspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$51,963,479 or 20.52 percent of total General Fund expenditures for the fiscal year.
- New Hanover County's total bonded and installment debt decreased by \$26,174,031 (5.64 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 is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements.

Immediately following the notes is certain **required supplemental information**. This section contains funding information about the County's pension plans and other post employment benefits. After the notes and required supplemental information, **supplemental information** is provided to show details about the County's non-major governmental 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.

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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 258,267,079	\$ 261,315,128	\$ 205,649	\$ (827,816)	\$ 258,472,728	\$ 260,487,312
Capital assets	166,644,413	166,044,474	15,723,374	17,847,637	182,367,787	183,892,111
Total assets	\$ 424,911,492	\$ 427,359,602	\$ 15,929,023	\$ 17,019,821	\$ 440,840,515	\$ 444,379,423
Long-term liabilities outstanding	461,832,080	\$ 481,068,236	\$ 9,432,773	\$ 9,982,317	\$ 471,264,853	\$ 491,050,553
Other liabilities	21,456,518	17,558,338	411,624	688,969	21,868,142	18,247,307
Total liabilities	\$ 483,288,598	\$ 498,626,574	\$ 9,844,397	\$ 10,671,286	\$ 493,132,995	\$ 509,297,860
Net assets (deficit):						
Invested in capital assets, net of related debt	\$ 58,853,344	\$ 55,968,137	\$ 14,575,511	\$ 16,238,444	\$ 73,428,855	\$ 72,206,581
Restricted	130,178,769	45,015,518	-	-	130,178,769	45,015,518
Unrestricted	(247,409,219)	(172,250,627)	(8,490,885)	(9,889,909)	(255,900,104)	(182,140,536)
Total net assets	\$ (58,377,106)	\$ (71,266,972)	\$ 6,084,626	\$ 6,348,535	\$ (52,292,480)	\$ (64,918,437)

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 \$52,292,480 as of June 30, 2011. As of June 30, 2010, the liabilities of New Hanover County exceeded assets by \$64,918,437. The County's net assets decreased by \$3,939,851 for the fiscal year ended June 30, 2011. Comparatively, the County's net assets decreased \$24,721,693 in 2010. Net assets are reported in three categories: Invested in capital assets, net of related debt of \$73.4 million; Restricted net assets of \$130.1 million; and Unrestricted net assets (deficit) of \$(255.9) 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 \$73.4 million at June 30, 2011. 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 \$130.1 million at June 30, 2011. 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 \$(255.9) million at June 30, 2011. 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 \$188.4 million of the outstanding debt on the County's financial statements was related to assets included in the public schools financial statements and \$92.6 million related to assets included in the community college financial statements – a total of \$281 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 collection percentage of 98.27, higher than the statewide average of 97.05 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	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 8,714,885	\$ 8,929,381	\$ 12,282,592	\$ 12,548,760	\$ 20,997,477	\$ 21,478,141
Operating grants and contributions	42,960,426	43,499,099	426,674	368,072	43,387,100	43,867,171
Capital grants and contributions	1,576,193	6,429,061	-	-	1,576,193	6,429,061
General revenues:						
Property taxes	166,565,832	160,751,779	-	-	166,565,832	160,751,779
Other Taxes	53,966,748	47,259,548	-	-	53,966,748	47,259,548
Other	535,567	695,767	28	24	535,595	695,791
Total revenues	274,319,651	267,564,635	12,709,294	12,916,856	287,028,945	280,481,491
Expenses:						
General government	36,568,270	43,718,901	-	-	36,568,270	43,718,901
Human services	52,463,115	53,703,464	-	-	52,463,115	53,703,464
Public safety	58,689,889	56,726,590	-	-	58,689,889	56,726,590
Economic and physical development	2,590,876	5,934,637	-	-	2,590,876	5,934,637
Environmental protection	-	-	-	-	-	-
Culture and recreation	13,046,607	15,257,799	-	-	13,046,607	15,257,799
Education	96,348,851	100,584,303	-	-	96,348,851	100,584,303
Interest and fees on long-term debt	17,842,985	15,296,312	-	-	17,842,985	15,296,312
Environmental management	-	-	13,418,203	13,981,178	13,418,203	13,981,178
Total expenses	277,550,593	291,222,006	13,418,203	13,981,178	290,968,796	305,203,184
Increase (decrease) in net assets before transfers & special item	(3,230,942)	(23,657,371)	(708,909)	(1,064,322)	(3,939,851)	(24,721,693)
Special item - net assets contributed to Cape Fear Public Utility Authority and other funds	-	-	-	-	-	-
Transfers	(445,000)	678,051	445,000	(678,051)	-	-
Increase (decrease) in net assets	(3,675,942)	(22,979,320)	(263,909)	(1,742,373)	(3,939,851)	(24,721,693)
Net assets - beginning of year	(71,266,972)	(48,287,652)	6,348,535	7,202,164	(64,918,437)	(41,085,488)
Prior period adjustment	16,565,808	-	-	888,744	16,565,808	888,744
Net assets - beginning of year, as restated	(54,701,164)	(48,287,652)	6,348,535	8,090,908	(48,352,629)	(40,196,744)
Net assets - ending	\$ (58,377,106)	\$ (71,266,972)	\$ 6,084,626	\$ 6,348,535	\$ (52,292,480)	\$ (64,918,437)

Governmental activities. Governmental activities increased the County's net assets by \$12,889,866, which includes a prior period adjustment of \$16,565,808 that is disclosed in note 12 of the notes to the financial statements. Absent this prior period adjustment, governmental activities decreased the County's net assets by \$3,675,942. Key elements of this decrease are as follows:

- Decrease in revenues from capital grants and contributions, including less ARRA money received.
- Increase in public safety expenses due to the consolidation of fire services in unincorporated areas of the County.
- Increase in interest and fees on long term debt due to new debt issues at the end of fiscal year 2010.

The decrease in net assets was less than the prior year's decrease in net assets. This can be attributed to the following items that offset a portion of the current year's decrease in net assets as represented in the items above:

- Increased sales tax revenues generated from Article 46.
- Increased property tax revenues due to an increase in property tax rates.
- Decreased expenses in various functions including general government, human services, economic and physical development, education and culture and recreation after continued focus on cost containment.

Business-type activities: Business-type activities decreased New Hanover County's net assets by \$263,909, accounting for 6.7 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 \$1,742,373.

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 \$51,963,479, while total fund balance was \$84,182,168. 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, 2011, unassigned fund balance for the General Fund represented 20.52 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 \$60,684,149, while total fund balance was \$84,182,168. 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 23.97% of General Fund expenditures, while total fund balance represents 33.25% 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 \$37,521,250, as compared to \$34,911,001 at June 30, 2010. The majority of this fund balance for both years, approximately 98.57 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 \$41,329,659, as compared to a \$63,001,583 fund balance at June 30, 2010. The decrease in this fund balance is due to the capital outlay expenditures during the year.

Other nonmajor 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 \$30,237,182, of which 12.99 percent is restricted for various purposes, 76.75 percent is restricted for capital project funds, and 10.26 percent is not restricted. At June 30, 2010, fund balance for other governmental funds was \$40,161,177.

At June 30, 2011, the governmental funds of New Hanover County reported a combined fund balance of \$193,270,259, an 8.64 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, 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 \$4.3 million, due primarily to the increase in intergovernmental revenues.

Amendments to general government activities increased budgeted expenditures by \$2.3 million due mainly to a transfer to the Enterprise Fund and increased expenditures for Legion Stadium. Amendments to human services activities increased budgeted expenditures by \$1.2 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 \$4.5 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 other tax revenue is primarily due to increased sales tax revenues from Article 46. The negative variance in intergovernmental revenue and positive variance in miscellaneous revenues is due primarily to a reclassification of revenues between the two revenue accounts. The positive variance in general government expenditures, human services expenditures, and public safety expenditures is primarily due to continued cost containment across a variety of departments and activities.

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 \$(8,490,885). The change in total net assets for the fiscal year ended June 30, 2011, was \$(263,909) for the Environmental Management Fund. This compares to unrestricted net assets (deficit) of \$(9,889,909) in the Environmental Management Fund at June 30, 2010; as well as the change in total net assets for the fund for the fiscal year ended June 30, 2010, of \$(1,742,373).

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, 2011, totals \$182,367,787 (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)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 42,635,027	\$ 38,001,399	\$ 2,459,201	\$ 2,459,201	\$ 45,094,228	\$ 40,460,600
Buildings	135,066,435	135,072,254	22,983,152	22,983,152	158,049,587	158,055,406
Other improvements	23,630,423	22,602,937	19,239,040	19,239,040	42,869,463	41,841,977
Equipment and vehicles	44,803,417	51,069,778	27,457,906	27,482,251	72,261,323	78,552,029
Construction in progress	7,599,238	5,381,336	-	-	7,599,238	5,381,336
Total before depreciation	<u>253,734,540</u>	<u>252,127,704</u>	<u>72,139,299</u>	<u>72,163,644</u>	<u>325,873,839</u>	<u>324,291,348</u>
Less accumulated depreciation	(87,090,127)	(86,083,230)	(56,415,925)	(54,316,007)	(143,506,052)	(140,399,237)
Total net of depreciation	<u>\$ 166,644,413</u>	<u>\$ 166,044,474</u>	<u>\$ 15,723,374</u>	<u>\$ 17,847,637</u>	<u>\$ 182,367,787</u>	<u>\$ 183,892,111</u>

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, 2011, the carrying value of New Hanover County's total bonded debt outstanding was \$325,844,881, all of which is debt backed by the full faith and credit of the County.

New Hanover County's Outstanding Debt
Figure 5

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 325,844,881	\$ 345,974,985	\$ -	\$ 175,000	\$ 325,844,881	\$ 346,149,985
Installment debt	110,956,943	116,539,540	1,147,863	1,434,193	112,104,806	117,973,733
Total long-term debt	<u>\$ 436,801,824</u>	<u>\$ 462,514,525</u>	<u>\$ 1,147,863</u>	<u>\$ 1,609,193</u>	<u>\$ 437,949,687</u>	<u>\$ 464,123,718</u>

New Hanover County's total bonded and installment debt decreased by \$26,174,031 (5.64 percent) during the past fiscal year due to decreased general obligation bonds and installment debt. General obligation debt decreased \$20.31 million and installment debt decreased by \$5.86 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 \$2,179,212,876. The County has \$94,000,000 in bonds authorized but unissued at June 30, 2011.

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, 2012

Governmental Activities: The County has approved a \$262.2 million general fund budget for fiscal year 2011-2012, which represents a \$9.1 million increase from the actual expenditures and other financing uses for the year ended June 30, 2011. Increases are expected in revenues for the year ended June 30, 2012 primarily due to an increase in budgeted sales taxes 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, an increase of \$3.35 over last year's fee.

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.



NEW HANOVER COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash, cash equivalents and investments	\$ 136,637,457	\$ 13,745	\$ 136,651,202
Receivables - net of allowances for doubtful accounts	5,244,964	905,490	6,150,454
Internal balances	2,920,351	(2,920,351)	-
Due from other governments	17,407,189	88,314	17,495,503
Due from component units	231,813	-	231,813
Due from primary government	-	-	-
Inventory	17,235	2,108,211	2,125,446
Prepays	62,616	-	62,616
Restricted cash, cash equivalents and investments	51,298,702	-	51,298,702
Restricted receivables - net of allowances for doubtful accounts	-	-	-
Unamortized bond issuance costs and intangible capital assets	2,242,802	10,240	2,253,042
Pension asset	-	-	-
Investment in affiliates	-	-	-
Other long term assets	42,203,950	-	42,203,950
Capital assets:			
Land and construction in progress	50,234,265	2,459,201	52,693,466
Other capital assets, net of depreciation	116,410,148	13,264,173	129,674,321
Total assets	424,911,492	15,929,023	440,840,515
LIABILITIES			
Accounts payable and accrued expenses	16,306,455	403,483	16,709,938
Accrued interest payable	4,524,856	8,141	4,532,997
Accrued expenses	-	-	-
Due to component unit	148,620	-	148,620
Due to primary government	-	-	-
Due to affiliates	-	-	-
Deferred Revenues - current portion	-	-	-
Unearned revenues	476,587	-	476,587
Long-term liabilities, net of unamortized charges, discounts and premiums			
Due within one year	36,049,382	336,086	36,385,468
Due in more than one year	425,782,698	9,096,687	434,879,385
Total liabilities	483,288,598	9,844,397	493,132,995
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	58,853,344	14,575,511	73,428,855
Restricted for:			
Passenger facility charges projects	-	-	-
Endowments, specific purpose donations and grants	-	-	-
Working capital	-	-	-
Promotion and tourism	-	-	-
Stabilization by state statue	26,390,555	-	26,390,555
Register of deeds	775,135	-	775,135
Human services	3,256,506	-	3,256,506
Public safety	1,240,057	-	1,240,057
Economic and physical development	36,983,332	-	36,983,332
Culture and recreation	10,138,240	-	10,138,240
Education	51,394,944	-	51,394,944
Unrestricted (deficit)	(247,409,219)	(8,490,885)	(255,900,104)
Total net assets (deficit)	\$ (58,377,106)	\$ 6,084,626	\$ (52,292,480)

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
\$ 10,748,158	\$ 327,055,000	\$ 4,778,250	\$ 1,282,742
1,223,793	87,092,000	473	666,049
-	-	-	-
-	-	-	-
-	-	-	148,620
-	16,914,000	2,097,315	-
-	9,153,000	39,610	19,648
2,167,886	8,869,000	-	-
206,492	2,562,000	-	-
-	47,423,000	-	-
-	4,491,000	-	-
-	5,773,000	-	-
70,278	11,098,000	-	-
25,333,741	30,027,000	4,946,076	-
39,246,885	407,882,000	7,015,819	45,982
78,997,233	958,339,000	18,877,543	2,163,041
728,306	95,791,000	1,938,708	169,420
-	-	-	-
456,657	-	-	-
-	-	-	-
-	-	231,813	-
-	4,149,000	-	-
15,600	-	-	-
287,200	-	-	-
664,875	6,742,000	-	12,566
2,683,153	334,481,000	-	-
4,835,791	441,163,000	2,170,521	181,986
61,112,127	157,784,000	11,961,895	45,982
2,362,327	-	-	-
-	12,900,000	-	-
-	-	918,112	-
-	-	-	938,208
-	-	-	814,669
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
10,686,988	346,492,000	3,827,015	182,196
\$ 74,161,442	\$ 517,176,000	\$ 16,707,022	\$ 1,981,055

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, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 36,568,270	\$ 3,149,377	\$ 3,278,802	\$ -
Human services	52,463,115	1,924,882	32,328,961	-
Public safety	58,689,889	3,322,685	4,111,279	535,384
Economic and physical development	2,590,876	-	-	72,441
Culture and recreation	13,046,607	317,941	3,241,384	276,120
Education	96,348,851	-	-	692,248
Interest and fees on long-term debt	17,842,985	-	-	-
Total governmental activities	277,550,593	8,714,885	42,960,426	1,576,193
Business-type activities:				
Environmental Management	13,418,203	12,282,592	426,674	-
Total business-type activities	13,418,203	12,282,592	426,674	-
Total primary government	\$ 290,968,796	\$ 20,997,477	\$ 43,387,100	\$ 1,576,193
Component Units:				
NHC Airport Authority	\$ 11,040,846	\$ 7,274,796	\$ -	\$ 5,994,574
New Hanover Regional Medical Center	635,125,000	662,395,000	-	758,000
NHC ABC Board	24,324,663	23,870,904	-	-
NHC Tourism Development Authority	3,694,936	-	-	-
Total component units	\$ 674,185,445	\$ 693,540,700	\$ -	\$ 6,752,574

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

Transfers
 Total general revenues and transfers
 Change in net assets

Net assets - beginning of year
 Prior period adjustment
 Net assets - beginning of year, as restated
 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
\$ (30,140,091)	\$ -	\$ (30,140,091)	\$ -	\$ -	\$ -	\$ -
(18,209,272)	-	(18,209,272)	-	-	-	-
(50,720,541)	-	(50,720,541)	-	-	-	-
(2,518,435)	-	(2,518,435)	-	-	-	-
(9,211,162)	-	(9,211,162)	-	-	-	-
(95,656,603)	-	(95,656,603)	-	-	-	-
(17,842,985)	-	(17,842,985)	-	-	-	-
(224,299,089)	-	(224,299,089)	-	-	-	-
-	(708,937)	(708,937)	-	-	-	-
-	(708,937)	(708,937)	-	-	-	-
(224,299,089)	(708,937)	(225,008,026)	-	-	-	-
-	-	-	2,228,524	-	-	-
-	-	-	-	28,028,000	-	-
-	-	-	-	-	(453,759)	-
-	-	-	-	-	-	(3,694,936)
-	-	-	2,228,524	28,028,000	(453,759)	(3,694,936)
166,565,832	-	166,565,832	-	-	-	-
47,359,441	-	47,359,441	-	-	-	-
3,630,298	-	3,630,298	-	-	-	3,260,949
2,977,009	-	2,977,009	-	-	-	-
-	-	-	-	7,673,000	-	-
535,567	28	535,595	45,546	6,175,000	44,465	3,098
-	-	-	1,716,450	1,338,000	37,448	281,725
221,068,147	28	221,068,175	1,761,996	15,186,000	81,913	3,545,772
(445,000)	445,000	-	-	-	-	-
220,623,147	445,028	221,068,175	1,761,996	15,186,000	81,913	3,545,772
(3,675,942)	(263,909)	(3,939,851)	3,990,520	43,214,000	(371,846)	(149,164)
(71,266,972)	6,348,535	(64,918,437)	70,170,922	473,962,000	17,078,868	2,130,219
16,565,808	-	16,565,808	-	-	-	-
(54,701,164)	6,348,535	(48,352,629)	70,170,922	473,962,000	17,078,868	2,130,219
\$ (58,377,106)	\$ 6,084,626	\$ (52,292,480)	\$ 74,161,442	\$ 517,176,000	\$ 16,707,022	\$ 1,981,055

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
6/30/2011**

	General	Room Occupancy Tax Special Revenue	\$164 Million CFCC Capital Project	Other Governmental Funds	Total Governmental Funds
ASSETS					
Assets:					
Cash, cash equivalents and investments	\$ 74,272,050	\$ 37,135,952	\$ -	\$ 25,229,455	\$ 136,637,457
Receivables - net of allowances for doubtful accounts	20,387,706	1,103,656	-	1,160,791	22,652,153
Receivables - interfund loans	2,929,236	-	-	-	2,929,236
Due from component units	231,813	-	-	-	231,813
Inventory	17,235	-	-	-	17,235
Prepays	62,616	-	-	-	62,616
Restricted cash, cash equivalents and investments	366,128	-	46,067,386	4,865,188	51,298,702
Total assets	<u>\$ 98,266,784</u>	<u>\$ 38,239,608</u>	<u>\$ 46,067,386</u>	<u>\$ 31,255,434</u>	<u>\$ 213,829,212</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 10,743,304	\$ 4,000	\$ 4,737,727	\$ 821,424	\$ 16,306,455
Interfund loans	-	-	-	8,885	8,885
Due to component unit	-	148,620	-	-	148,620
Deferred/unearned revenues	3,341,312	565,738	-	187,943	4,094,993
Total liabilities	<u>14,084,616</u>	<u>718,358</u>	<u>4,737,727</u>	<u>1,018,252</u>	<u>20,558,953</u>
Fund balances:					
Nonspendable:					
Inventory	17,235	-	-	-	17,235
Prepays	62,616	-	-	-	62,616
Restricted:					
Stabilization by State statute	23,418,168	537,918	-	2,434,469	26,390,555
Restricted - all other	775,135	36,983,332	41,329,659	24,700,088	103,788,214
Committed	-	-	-	3,568,365	3,568,365
Assigned	7,945,535	-	-	59,433	8,004,968
Unassigned	51,963,479	-	-	(525,173)	51,438,306
Total fund balances	<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>
Total liabilities and fund balances	<u>\$ 98,266,784</u>	<u>\$ 38,239,608</u>	<u>\$ 46,067,386</u>	<u>\$ 31,255,434</u>	
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					166,644,413
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds					42,203,950
Liabilities for earned but deferred revenues in the funds					3,618,406
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					(464,114,134)
Net assets of governmental activities					<u>\$ (58,377,106)</u>

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, 2011**

	General	Room Occupancy Tax Special Revenue	\$164Million CFCC Capital Project	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 205,278,763	\$ 3,630,298	\$ -	\$ 10,488,343	\$ 219,397,404
Intergovernmental revenue	39,943,451	-	-	1,776,176	41,719,627
Special assessments	145,898	403,610	-	-	549,508
Charges for services	8,634,671	-	-	80,214	8,714,885
Investment earnings	266,989	117,150	115,088	36,340	535,567
Miscellaneous	6,748,957	-	-	780,731	7,529,688
Total revenues	<u>261,018,729</u>	<u>4,151,058</u>	<u>115,088</u>	<u>13,161,804</u>	<u>278,446,679</u>
Expenditures:					
Current:					
General government	29,479,030	-	-	-	29,479,030
Human services	52,148,036	-	-	-	52,148,036
Public safety	45,666,801	-	-	8,389,333	54,056,134
Economic and physical development	898,183	1,540,809	-	-	2,438,992
Culture and recreation	9,725,764	-	-	398,446	10,124,210
Education-community college and schools	5,841,767	-	-	-	5,841,767
Education-public schools	61,808,440	-	-	-	61,808,440
Capital outlay	-	-	21,787,012	16,354,215	38,141,227
Debt service:					
Principal - bonds	19,030,000	-	-	-	19,030,000
Interest and fees - bonds	12,588,240	-	-	-	12,588,240
Installment debt payments	15,549,491	-	-	913,414	16,462,905
Total expenditures	<u>252,735,752</u>	<u>1,540,809</u>	<u>21,787,012</u>	<u>26,055,408</u>	<u>302,118,981</u>
Revenues over (under) expenditures	<u>8,282,977</u>	<u>2,610,249</u>	<u>(21,671,924)</u>	<u>(12,893,604)</u>	<u>(23,672,302)</u>
Other financing sources (uses):					
Long-term debt issued	-	-	-	5,648,108	5,648,108
Premium on long-term debt issued	-	-	-	195,444	195,444
Transfers from other funds	2,873,943	-	-	150,258	3,024,201
Transfers to other funds	(445,000)	-	-	(3,024,201)	(3,469,201)
Total other financing sources (uses)	<u>2,428,943</u>	<u>-</u>	<u>-</u>	<u>2,969,609</u>	<u>5,398,552</u>
Net change in fund balances	10,711,920	2,610,249	(21,671,924)	(9,923,995)	(18,273,750)
Fund balance - beginning of year	<u>73,470,248</u>	<u>34,911,001</u>	<u>63,001,583</u>	<u>40,161,177</u>	<u>211,544,009</u>
Fund balances - end 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>

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, 2011**

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

Net change in fund balances-total governmental funds	\$ (18,273,750)
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.	599,939
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.	(3,693,486)
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.	24,168,200
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>(6,476,845)</u>
Change in net assets of governmental activities	<u><u>\$ (3,675,942)</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Ad valorem, including interest	\$ 158,778,525	\$ 158,778,525	\$ 157,919,322	\$ (859,203)
Other	41,769,705	41,769,705	47,359,441	5,589,736
Total taxes	<u>200,548,230</u>	<u>200,548,230</u>	<u>205,278,763</u>	<u>4,730,533</u>
Special assessments	136,642	136,642	145,898	9,256
Intergovernmental revenue	37,611,253	41,337,393	39,804,792	(1,532,601)
Charges for services	8,384,351	8,364,539	8,634,671	270,132
Investment earnings	117,000	117,000	252,037	135,037
Miscellaneous-drainage fund	-	-	-	-
Miscellaneous	6,081,250	6,693,429	6,748,957	55,528
Total revenues	<u>252,878,726</u>	<u>257,197,233</u>	<u>260,865,118</u>	<u>3,667,885</u>
Expenditures:				
Current:				
General government	30,535,892	32,830,673	29,479,030	3,351,643
Human services	54,359,447	55,593,655	52,148,036	3,445,619
Public safety	44,166,285	48,654,042	45,666,801	2,987,241
Economic and physical development	873,225	898,225	898,183	42
Culture and recreation	9,552,314	10,340,233	9,725,764	614,469
Education-community college	5,841,767	5,841,767	5,841,767	-
Debt service:				
Principal	5,924,182	5,924,182	5,049,182	875,000
Interest and fees	4,504,360	4,504,360	4,294,663	209,697
Installment lease payments	15,243,692	15,714,620	15,246,640	467,980
Total expenditures	<u>171,001,164</u>	<u>180,301,757</u>	<u>168,350,066</u>	<u>11,951,691</u>
Revenues over expenditures	<u>81,877,562</u>	<u>76,895,476</u>	<u>92,515,052</u>	<u>15,619,576</u>
Other financing sources (uses):				
Long term debt issued	-	-	-	-
Transfers from other funds	1,041,123	3,137,956	2,873,943	(264,013)
Transfers to other funds	(82,918,685)	(83,363,684)	(84,739,475)	(1,375,791)
Proceeds of refunding bonds	-	-	-	-
Premium refunding bonds	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-
Appropriated fund balance	-	3,330,252	-	(3,330,252)
Total other financing (uses)	<u>(81,877,562)</u>	<u>(76,895,476)</u>	<u>(81,865,532)</u>	<u>(4,970,056)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>10,649,520</u>	<u>\$ 10,649,520</u>
Fund balance - beginning of year			70,178,114	
Fund balance - end of year			<u>80,827,634</u>	
A legally budgeted Public Schools Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			14,952	
Intergovernmental revenue			138,659	
Transfer-in from General Fund			84,294,475	
Expenditures			(61,808,440)	
Debt service:				
Principal			(13,980,818)	
Interest and fees			(8,293,577)	
Installment lease payments			(302,851)	
Fund balance - beginning of year			3,292,134	
Fund balance - end of year (Exhibit 4)			<u>84,182,168</u>	

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

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ROOM OCCUPANCY TAX FUND
For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Room occupancy taxes	\$ 3,409,730	\$ 3,409,730	\$ 3,630,298	\$ 220,568
Special assessments	310,071	310,071	403,610	93,539
Investment earnings	-	-	117,150	117,150
Total revenues	<u>3,719,801</u>	<u>3,719,801</u>	<u>4,151,058</u>	<u>431,257</u>
Expenditures:				
Current:				
Collection fee to New Hanover County	18,000	18,000	18,000	-
Tourism distributions to TDA for the County and municipalities	1,269,390	1,269,390	1,389,913	(120,523)
Erosion control	2,432,411	2,432,411	132,896	2,299,515
Total expenditures	<u>3,719,801</u>	<u>3,719,801</u>	<u>1,540,809</u>	<u>2,178,992</u>
Revenues over expenditures	-	-	<u>2,610,249</u>	<u>2,610,249</u>
Other financing (uses):				
Appropriated fund balance	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,610,249</u>	<u>\$ 2,610,249</u>
Fund balance - beginning of year			<u>34,911,001</u>	
Fund balance - end of year			<u>\$ 37,521,250</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, 2011**

	Environmental Management Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 13,745
Receivables	993,804
Inventory	2,108,211
Total current assets	3,115,760
Noncurrent assets:	
Capital assets:	
Land and construction in progress	2,459,201
Other capital assets, net of depreciation	13,264,173
Total capital assets	15,723,374
Unamortized bond issuance costs	10,240
Total noncurrent assets	15,733,614
Total assets	18,849,374
LIABILITIES	
Current liabilities:	
Current portion of long-term obligations	336,086
Accounts payable and accrued expenses	411,624
Interfund loans	2,920,351
Total current liabilities	3,668,061
Noncurrent liabilities:	
Accrued landfill closure and postclosure care costs	8,128,494
Long-term obligations, net of unamortized charge, discount and premium	968,193
Total noncurrent liabilities	9,096,687
Total liabilities	12,764,748
NET ASSETS	
Invested in capital assets, net of related debt	14,575,511
Unrestricted (deficit)	(8,490,885)
Total net assets	\$ 6,084,626

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, 2011**

	<u>Environmental Management Fund</u>
Operating revenues:	
Charges for service	\$ 11,475,857
Other	806,735
Total operating revenues	<u>12,282,592</u>
Operating expenses:	
Personnel	4,062,479
System maintenance	7,123,946
Depreciation	2,176,258
Total operating expenses	<u>13,362,683</u>
Operating income	<u>(1,080,091)</u>
Non-operating revenues (expenses):	
Investment earnings	28
Intergovernmental revenues	426,674
Interest and fees	(53,303)
Amortization of bond issuance costs	(2,217)
Net non-operating revenues	<u>371,182</u>
Income before transfers and capital contributions	(708,909)
Transfers from other funds	<u>445,000</u>
Change in net assets	(263,909)
Total net assets - beginning of year	6,348,535
Total net assets - end of year	<u><u>\$ 6,084,626</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, 2011**

	Environmental Management Fund
	<u> </u>
<i>Cash flows from operating activities:</i>	
Cash received from customers	\$ 11,790,836
Cash payments for community development	
Cash payments to suppliers for system maintenance	(7,496,978)
Cash payments to employees for services	(4,150,693)
Other operating revenues	810,081
Net cash provided by operating activities	<u>953,246</u>
<i>Cash flows from noncapital financing activities:</i>	
Transfers from other funds	445,000
Increase (Decrease) in Interfund Loan	(1,265,550)
Proceeds from intergovernmental revenue	426,674
Net cash used by noncapital financing activities	<u>(393,876)</u>
<i>Cash flows from capital and related financing activities:</i>	
Acquisitions and construction of capital assets	(55,341)
Principal paid on long-term debt	(455,978)
Interest paid on long-term debt	(62,651)
Net cash used by capital and related financing activities	<u>(573,970)</u>
<i>Cash flows from investing activities:</i>	
Interest earned on investments	28
Net cash provided by investing activities	<u>28</u>
<i>Net decrease in cash and cash equivalents</i>	(14,572)
Cash and cash equivalents - beginning of year	<u>28,317</u>
Cash and cash equivalents - end of year	<u><u>\$ 13,745</u></u>
<i>Reconciliation of operating loss to net cash provided by operating activities:</i>	
Operating loss	\$ (1,080,091)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	2,176,258
Loss on disposal of capital assets	3,346
Change in assets and liabilities:	
(Increase) Decrease in receivables	314,979
(Increase) Decrease in inventory	(99,683)
Increase (Decrease) in accounts payable and accrued expenses	(361,563)
Net cash provided by operating activities	<u><u>\$ 953,246</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, 2011

	Law Enforcement Officers' Pension Trust Fund	Agency Funds
ASSETS	<u> </u>	<u> </u>
Cash	\$ 674,952	\$ 13,559,208
Receivables	47,458	3,039,686
Total assets	<u>722,410</u>	<u>16,598,894</u>
LIABILITIES		
Liabilities:		
Accounts payable and accrued expenses	17,167	585,218
Due to other governmental units	-	3,254,167
Escrow funds and deposits	-	12,759,509
Total liabilities	<u>17,167</u>	<u>16,598,894</u>
NET ASSETS		
Held in trust for employees' pension benefits	<u>\$ 705,243</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, 2011

	Law Enforcement Officers' Pension Trust Fund
Additions:	
Employer contributions	\$ 387,914
Interest earnings	1,607
Total additions	<u>389,521</u>
Deductions:	
Salaries and benefits	362,887
Contracted services	693
Total deductions	<u>363,580</u>
Change in net assets	25,941
Net assets - beginning of year	679,302
Net assets - end of year	<u>\$ 705,243</u>

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



NEW HANOVER COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Exhibit 13
(Cont.)

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 206,000 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, 2011**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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

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.

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
2131 S. 17th Street
Wilmington, N.C. 28401

New Hanover County ABC Board
523 S. 17th 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, 2011**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, 2011

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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.

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, 2010 through February 28, 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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.

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, 2010 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**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.

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 \$1,000 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.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

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.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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.

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
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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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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 assets of the Medical Center are recorded net of amortization and include good-will associated with the acquisition of net assets from other health care providers. Goodwill is recorded at historical cost and amortized over the estimated life of the expected economic benefit using the straight-line method. Intangible capital assets also include bond financing costs incurred when the Medical Center issued revenue bonds. These 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 bond.

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, 2011 have been made.

The Medical Center is self-insured for group medical insurance 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, 2011 have been made.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**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.

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:

Nonspendable 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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.

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	\$775,135	\$0	\$0	\$0
Human services	0	0	0	3,256,506
Public safety	0	0	0	1,134,442
Economic and physical development	0	36,983,332	0	150,582
Culture and recreation	0	0	0	10,138,240
Education	0	0	41,329,659	10,020,318
	\$775,135	\$36,983,332	\$41,329,659	\$24,700,088

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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

Committed for economic and physical development – portion fund balance budgeted by the Board to be used for Masons Inlet relocation.

Purpose	Other Governmental Funds
Public safety	3,374,752
Economic and physical development	193,613
	\$3,568,365

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.

Assigned for 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	\$3,000,000	\$0
Post employment benefits	1,600,000	0
Public schools	3,345,535	0
Revolving loans	0	59,433
	\$7,945,535	\$59,433

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, 2011

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	\$ 84,182,168
Less:	
Inventories	17,235
Prepays	62,616
Stabilization by State Statute	23,418,168
Remaining Fund Balance	\$ 60,684,149

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	\$2,734,138
Room Occupancy Tax	0
\$164M CFCC Capital Project	0
Special fire district	459,623
Emergency telephone system	298,651
Smith Creek Park	444,866
\$35.5M parks & recreation	48,263
Murrayville fire station	30,808
Federal forfeited property	17,653
Masons Inlet relocation	161,747
Total encumbrances	\$4,195,749

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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 (\$251,647,365) 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)	\$166,644,413
Other long-term assets are not available to pay for current period expenditures	42,203,950
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide	3,618,406
Debt issuance costs expensed in the funds as incurred but recorded as an asset and amortized in the government-wide statements	2,242,802
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	(436,801,524)
Accrued interest payable	(4,524,856)
Compensated absences	(5,733,156)
Net pension obligation	(561,456)
Net OPEB obligation	(18,550,944)
Claims and judgments	(185,000)
Total adjustment	<u>(\$251,647,365)</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, 2011

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 \$14,597,808 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 9,948,396
Loss on disposal of assets	(433,542)
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.	(8,914,915)
 New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities. It affects only the government-wide statement of net assets.	 (5,869,063)
 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.	 29,950,528
Amortization of debt issuance costs and charges on debt	(200,897)
Net amortization of discounts and premiums on debt	1,631,536
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	(1,343,904)
Claims and judgments	(56,895)
Compensated absences	(416,699)
Net pension obligation	(122,567)
Net OPEB obligation	(5,880,684)
 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	(4,175,800)
Special assessments deferred in the fund statements	(465,926)
Other miscellaneous revenue deferred in the fund statements	(103,354)

NEW HANOVER COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Exhibit 13
(Cont.)

Reversal of deferred tax revenue recorded at June 30, 2010	(1,351,513)
Recording of deferred revenue – taxes receivable in the fund statements as of June 30, 2011	<u>2,403,107</u>
Total adjustment	<u>\$14,597,808</u>

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 \$14,135,334 during the fiscal year ended June 30, 2011.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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, 2011, was as follows:

Fund	Level
Governmental Funds:	
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
Proprietary Fund:	
Environmental Management Operating	Fund

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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, 2011, the County's deposits had a carrying amount of \$103,120,489 and a bank balance of \$102,956,918. Of the bank balance, \$1,218,618 was covered by federal depository insurance and \$101,738,300 was covered by collateral held under the Pooling Method.

At June 30, 2011, the Authority's deposits had a carrying amount of \$9,236,892 and a bank balance of \$9,312,383. 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, 2010, the Medical Center's deposits had a carrying amount of \$46,052,000 and a bank balance of \$59,090,000. 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.

At September 30, 2010, 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 \$8,006,000 and \$13,690,000 respectively. Bank balances in excess of federal depository insurance limits are uninsured and uncollateralized.

At September 30, 2010, 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 \$636,000 and \$903,000 respectively.

At June 30, 2011, the ABC Board's deposits had a carrying amount of \$4,746,050 and a bank balance of \$5,169,895. Bank balances over the federal depository insurance limits are collateralized under the dedicated method.

At June 30, 2011, the TDA's deposits had a carrying amount of \$152,543 and a bank balance of \$183,100. Of the bank balance, \$183,100 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

NEW HANOVER COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Exhibit 13
(Cont.)

Investments

At June 30, 2011, the County had the following investments and maturities:

Investment Type	Fair Value	Less Than 6 Months	6-12 Months	More Than 12 Months
US Government Agencies	54,989,369	48,500,000	11,500,000	0
Commercial Paper	4,999,139	5,000,000		
NC Capital Management Trust- Cash Portfolio	36,567,330	0	0	0
Money Market- Airlie Foundation	196,582			
Fixed Income Securities- Airlie Foundation	582,068	0	0	0
Mutual Funds - Airlie Foundation	868,775			
Money Market	399,422	0	0	0
Advance Payment	365,656			
Total	\$ 98,968,341	\$ 53,500,000	\$ 11,500,000	\$ -

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, 2011. 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, 2011, the Airlie Gardens Foundation had \$582,068 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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 6.45%, 10.57%, 10.06%, and 1.29% of the County's investments excluding investments with NC Capital Management Trust, respectively.

At June 30, 2011, the Authority's investments of \$3,678,152 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.

At September 30, 2010, the Medical Center's investment balance (including \$5,174,000 and \$479,000 from Lower Cape Fear Hospice and Pender Memorial Hospital, respectively; and \$273,628,000 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	\$38,593	\$0	\$7,268	\$31,325	\$0	\$0
US Government Agencies	125,061	0	32,085	16,704	38,091	38,181
NC Capital Management Trust - Cash Portfolio	\$56,193	0	0	0	0	0
Department of State Treasurer Short Term Investment fund (STIF)	67	0	0	0	0	0
Department of State Treasurer Trust Funds Investment Program- Equity Investment Fund	49,076	0		0	0	0
Bond Funds	4,060	0		0	0	0
Mutual Funds	6,133	0		0	0	0
Municipal Bonds	2,029	0	0	0	0	0
Total	\$281,212	\$ -	\$39,353	\$48,029	\$38,091	\$38,181

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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.

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, 2010. The Medical Center's investment portfolio holds debentures and mortgage backed securities issued by Fannie Mae, Freddie Mac, Vendor 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 as of September 30, 2010.

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 and broad duration fixed income securities, and investment in a commingled investment pool established and administered by the North Carolina State Treasurers 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, 2010 securities issued/guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae represent 20.8%, 13.3%, and 6.2% of the Medical Center's investment portfolio, respectively.

At June 30, 2011 the TDA had \$1,130,199 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 interest rate, credit, custodial credit or concentration of credit risks.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Cash, cash equivalents and investments of the County can be summarized as follows as of June 30, 2011:

	Total
Cash on hand and undeposited items	\$81,489
Deposits	103,120,489
Investments	98,968,341
Total	\$202,170,319
Primary Government Unrestricted	\$136,637,457
Primary Government Restricted	51,298,702
Law Enforcement Officers' Pension Trust Fund - Unrestricted	674,952
Agency Funds - Unrestricted	13,559,208
Total	\$202,170,319

Cash, cash equivalents and investments of the Authority can be summarized as follows as of June 30, 2011:

	Total
Cash on hand	\$1,000
Deposits	9,236,892
Investments	3,678,152
Total	\$12,916,044
Unrestricted	\$10,748,158
Restricted	2,167,886
Total	\$12,916,044

Cash, cash equivalents and investments of the Medical Center can be summarized as follows as of September 30, 2010:

	Total
Cash on hand	\$18,000
Deposits	54,694,000
Investments	281,212,000
Total	\$335,924,000
Unrestricted	\$327,055,000
Restricted	8,869,000
Total	\$335,924,000

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Cash, cash equivalents and investments of the ABC Board can be summarized as follows as of June 30, 2011:

	Total
Cash on hand	\$32,200
Deposits	4,746,050
Investments	0
Total Unrestricted	\$4,778,250

Cash, cash equivalents and investments of the TDA can be summarized as follows as of June 30, 2011:

	Total
Deposits	152,543
Investments	1,130,199
Total Unrestricted	\$1,282,742

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 \$25,620,000 at June 30, 2011 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, 2011.

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. After restructuring, the note receivable is being repaid in 17 semiannual payments of \$40,646 including

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

interest at a rate of 2.55% with the final installment due to be paid in March of 2018. The note receivable balance is \$518,142 at June 30, 2011 and is recorded as other long-term receivables of governmental activities on the statement of net assets.

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 \$16,065,808 at June 30, 2011 which is recorded as other long-term receivables of governmental activities on the statement of net assets. The related long-term debt balances of \$32,815,000, 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, 2011.

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, 2011:

Governmental Activities:	Property Taxes (Other Sources)	Other Governmental Units	Other Sources (1)	Total
General				
Local Sales Tax	\$0	\$12,241,208	\$0	\$12,241,208
Grants	0	3,386,476	0	3,386,476
Other	2,214,163	893,881	1,651,978	4,760,022
Subtotal	2,214,163	16,521,565	1,651,978	20,387,706
Special Revenue	187,943	609,504	1,190,880	1,988,327
Capital Projects	0	276,120	0	276,120
Total- Governmental Activities	2,402,106	17,407,189	2,842,858	22,652,153
Business- Type Activities:				
Enterprise	0	88,314	905,490	993,804
Fiduciary Activities				
Agency Fund	2,471,742	54,980	512,964	3,039,686
Total	\$4,873,848	\$17,550,483	\$4,261,312	\$26,685,643
Primary Government - Unrestricted				\$23,645,957
Agency Funds - Unrestricted				3,039,686
Total				\$26,685,643

(1) Other sources are principally due from customers of New Hanover County and special assessments of \$732,205 which are due annually through fiscal year 2013.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011Allowances 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:

Governmental Activities:	
Allowance for Uncollectible Property Taxes	\$4,062,431
Allowance for Other Uncollectible Receivables	21,709
Total - Governmental Activities	\$4,084,140

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 \$67,761,000.

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):

	Total Property Valuation	Rate per \$100	Levy
2010 Levy - County Wide (1)		\$0.4655	\$157,744,901
Add: Discoveries and fees			1,299,187
Subtotal			159,044,088
Less: Abatements and adjustments			574,004
Total adjusted levy	\$33,806,058,072		\$158,470,084
Collections			\$155,710,693
Percent Collected			98.26%

(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, 2011

Analysis of General Fund property taxes receivable by year:

Tax Year	Taxes Receivable June 30, 2010	2010 Levy Discoveries and Fees	Collections	Abatements and Adjustments	Taxes Receivable June 30, 2011
Prior	\$5,162,083	\$133,151	\$1,565,080	\$327,976	\$3,402,178
2010	0	159,044,088	155,710,692	574,004	2,759,392
Totals	\$5,162,083	\$159,177,239	\$157,275,772	\$901,980	\$6,161,570
Less allowance for uncollectible property taxes					3,947,446
Net property taxes receivable					\$2,214,124

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

	Total Property Valuation	Rate per \$100	Levy
2010 Levy - County Wide (1)		\$0.06	\$7,606,848
Add: Discoveries and fees			97,678
Subtotal			7,704,526
Less: Abatements and adjustments			26,592
Total adjusted levy	\$12,652,477,831		\$7,677,934
Collections			\$7,488,940
Percent Collected			97.54%

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Analysis of Special Fire District property taxes receivable by year:

Tax Year	Taxes Receivable June 30, 2010	2010 Levy Discoveries and Fees	Collections	Abatements and Adjustments	Taxes Receivable June 30, 2011
Prior	\$202,019	\$4,827	\$79,750	\$12,452	\$114,644
2010	0	7,704,526	7,489,650	26,592	188,284
Totals	\$202,019	\$7,709,353	\$7,569,400	\$39,044	\$302,928
Less allowance for uncollectible property taxes					114,985
Net property taxes receivable					\$187,943

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, 2011. These amounts have not been recorded in the financial statements, since they are not available under the modified accrual basis of accounting.

Year Levied	Contingent - Gain Tax Recapture
2007	\$235,773
2008	230,525
2009	214,769
2010	209,962
Total	\$891,029

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**Capital Assets**

Capital assets activity of the primary government for the year ended June 30, 2011 is as follows:

Governmental Activities	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital Assets not being depreciated:				
Land	\$38,001,399	\$4,654,042	\$20,414	\$42,635,027
Construction in progress	5,381,336	8,758,830	6,540,928	7,599,238
Total capital assets not being depreciated	43,382,735	13,412,872	6,561,342	50,234,265
Capital assets being depreciated:				
Buildings	135,072,254	58,561	64,380	135,066,435
Other improvements	22,602,937	1,048,102	20,616	23,630,423
Equipment and vehicles	51,069,778	1,969,789	8,236,150	44,803,417
Total capital assets being depreciated	208,744,969	3,076,452	8,321,146	203,500,275
Less accumulated depreciation for:				
Buildings	37,584,414	3,198,612	46,047	40,736,979
Other improvements	14,649,597	1,125,146	20,616	15,754,127
Equipment and vehicles	33,849,219	4,580,237	7,830,435	30,599,021
Total accumulated depreciation	86,083,230	\$8,903,995	\$7,897,098	87,090,127
Total capital assets being depreciated, net	122,661,739			116,410,148
Governmental activity capital assets, net	\$166,044,474			\$166,644,413

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Business- Type Activities	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital Assets not being depreciated:				
Land	\$2,459,201	\$0	\$0	\$2,459,201
Construction in progress	0	0	0	0
Total capital assets not being depreciated	2,459,201	0	0	2,459,201
Capital assets being depreciated:				
Buildings	22,983,152	0	0	22,983,152
Other improvements	19,239,040	0	0	19,239,040
Equipment and vehicles	27,482,251	55,341	79,686	27,457,906
Total capital assets being depreciated	69,704,443	55,341	79,686	69,680,098
Less accumulated depreciation for:				
Buildings	14,403,299	464,086	0	14,867,385
Other improvements	15,779,724	1,081,070	0	16,860,794
Equipment and vehicles	24,132,984	631,102	76,340	24,687,746
Total accumulated depreciation	54,316,007	\$2,176,258	\$76,340	56,415,925
Total capital assets being depreciated, net	15,388,436			13,264,173
Business-Type activity capital assets, net	\$17,847,637			\$15,723,374

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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

Governmental Activities:	
General government	\$1,814,292
Human Services	549,574
Public Safety	5,253,300
Culture and recreation	1,229,753
Education	57,076
Total depreciation expense - governmental activities	\$8,903,995
Business-type activities	
Environmental Management	\$2,176,258
Total Depreciation - business-type activities	\$2,176,258

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Capital assets activity for the Authority for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Transfer	Balance June 30, 2011
Capital Assets not being depreciated:					
Land	\$13,767,673	\$968,594	\$0	\$0	\$14,736,267
Easements	553,955	13,925	0	0	567,880
Construction in progress	17,600,912	6,457,187	0	(14,028,505)	10,029,594
Total capital assets not being depreciated	31,922,540	7,439,706	0	(14,028,505)	25,333,741
Capital assets being depreciated:					
Buildings and Improvements (Airfield and Building)	88,483,899	396,337	0	13,818,472	102,698,708
Vehicles	1,269,194	0	0	40,090	1,309,284
Machinery and Equipment	3,606,338	46,120	27,391	169,943	3,795,010
Total capital assets being depreciated	93,359,431	442,457	27,391	14,028,505	107,803,002
Less accumulated depreciation for:					
Buildings and Improvements (Airfield and Building)	60,462,710	4,920,033	0	0	65,382,743
Vehicles	861,247	49,505	0	0	910,752
Machinery and Equipment	2,018,134	271,879	27,391	0	2,262,622
Total accumulated depreciation	\$63,342,091	\$5,241,417	\$27,391	0	\$68,556,117
Total capital assets being depreciated, net	30,017,340				39,246,885
Business-Type activity capital assets, net	\$61,939,880				\$64,580,626

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Capital asset activity for the Medical Center for the year ended September 30, 2010:

	Balance October 1, 2009	Additions	Deletions	Balance September 30, 2010
Capital Assets not being depreciated:				
Land	\$14,458,000	\$396,000	\$0	\$14,854,000
Construction in progress	16,117,000	44,367,000	45,311,000	15,173,000
Total capital assets not being depreciated	30,575,000	44,763,000	45,311,000	30,027,000
Capital assets being depreciated:				
Buildings and leasehold improvements	472,669,000	27,843,000	6,364,000	494,148,000
Equipment	258,884,000	27,203,000	23,010,000	263,077,000
Total capital assets being depreciated	731,553,000	55,046,000	29,374,000	757,225,000
Less accumulated depreciation for:				
Buildings and leasehold improvements	336,490,000	42,038,000	29,185,000	349,343,000
Total capital assets being depreciated, net	395,063,000			407,882,000
Capital assets, net	\$425,638,000			\$437,909,000

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Capital assets for the ABC Board at June 30, 2011:

	Balance June 30, 2011
Capital Assets, not being depreciated:	
Land	\$4,946,076
Construction in progress	0
Total capital assets not being depreciated	\$4,946,076
Capital assets being depreciated:	
Buildings and improvements	\$9,180,226
Vehicles	107,165
Fixtures and equipment	769,545
Total capital assets being depreciated	\$10,056,936
Less: Accumulated depreciation	3,041,117
Total capital assets being depreciated, net	\$7,015,819
Capital assets, net	\$11,961,895

Capital asset activity for the TDA for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital Assets being depreciated:				
Equipment	\$106,061	\$4,907	\$9,582	\$101,386
Less: Accumulated depreciation	45,964	19,022	9,582	55,404
Capital assets, net	\$60,097	(\$14,115)	\$0	\$45,982

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**B. Liabilities****Payables**

Accounts payable and accrued expenses at the government-wide level at June 30, 2011 were as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General	\$5,004,135	\$5,739,169	\$10,743,304
Special Revenue	314,435	299,518	613,953
Capital Projects	4,949,198	0	4,949,198
Total-governmental activities	\$10,267,768	\$6,038,687	\$16,306,455
Business-type activities			
Environmental Management	\$283,053	\$120,430	\$403,483
Total-business-type activities	\$283,053	\$120,430	\$403,483

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**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 2011 rate for employees not engaged in law enforcement and for law enforcement officers is 6.44% and 6.41%, respectively, of annual covered payroll. For the Authority, the current rate for employees not engaged in law enforcement and for law enforcement officers is 8.07% and 8.04%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 6.65% 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, 2011, 2010, and 2009 were \$4,313,040, \$3,261,798, and \$3,405,949 respectively.

The Authority's contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$171,573, \$136,925, and \$128,481, respectively.

The ABC Board's contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$114,560, \$97,734, and \$90,822, 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, 2011

All full-time County and Authority law enforcement officers are covered by the LEO System. At December 31, 2010, the LEO System's membership consisted of:

	County	Authority
Retirees receiving benefits	23	1
Active plan members	285	9
Total	308	10

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 \$387,914, or 2.66 % of annual covered payroll and the Authority contributed \$12,835. 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, 2011

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:

	County	Authority
Annual required contribution	\$512,034	\$8,723
Interest on net pension obligation	21,944	1,162
Adjustment to annual required contribution	(23,497)	(1,244)
Annual pension costs	510,481	8,641
Contributions made	387,914	12,835
Increase (decrease) in net pension obligation	122,567	(4,194)
Net pension obligation beginning of year	438,889	23,232
Net pension obligation end of year	\$561,456	\$19,038

The annual required contribution of the County for the fiscal year ended June 30, 2011 was determined as part of the December 31, 2009 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 12.3% per year. The inflation component was 3.75%. 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, 2009 was 21 years.

Trend Information for County			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$361,609	85%	\$387,914
6/30/10	\$409,486	88%	\$438,889
6/30/11	\$510,481	76%	\$561,456

As of December 31, 2009, the most recent actuarial valuation date, the County's plan was 10.56 percent funded. The actuarial accrued liability for benefits was \$4,521,066, and the actuarial value of assets was \$477,368, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,043,698. The covered payroll (annual payroll of active employees covered by the plan) was \$14,565,306, and the ratio of the UAAL to the covered payroll was 27.76 percent.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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, 2011 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.

Trend Information for Authority			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$7,568	169.59%	\$29,188
6/30/10	\$6,879	186.58%	\$23,232
6/30/11	\$8,641	148.54%	\$19,038

As of December 31, 2010, 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 \$365,801, and the ratio of the UAAL to the covered payroll was 14.67 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 Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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, 2011 were \$2,469,816, which consisted of \$787,574 from the County and \$1,682,242 from the law enforcement employees and general employees. Contributions of the Authority for the year ended June 30, 2011 were \$309,957 which consisted of \$111,367 from the Authority and \$198,590 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, 2011, the County's required and actual contributions were \$19,405.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**New Hanover Regional Medical Center (NHRMC) Pension Plan**

NHRMC Plan Description. NHRMC sponsors and has fiduciary responsibility for the 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.

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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.

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, 2010 and 2009:

	2010	2009
Annual required contribution	\$8,960,000	\$8,428,000
Interest on net pension asset	(354,000)	(359,000)
Adjustment to annual required contribution	364,000	423,000
Annual pension cost	8,970,000	8,492,000
Contributions made	8,960,000	8,428,000
Other	5,000	70,000
(Increase) decrease in net pension asset	5,000	(6,000)
Net pension asset, beginning of year	(4,496,000)	(4,490,000)
Net pension asset, end of year	(\$4,491,000)	(\$4,496,000)

The annual required contribution for the basic plan for the 2010 year was determined as part of the January 1, 2009 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. The actuarial funding method is currently the Projected Unit Credit Method, using an amortization period of 30 years. The annual contributions for NHRMC for the years ended September 30, 2010 and 2009 were approximately \$8,960,000 and \$8,428,000, respectively.

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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.

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
9/30/2008	\$8,328,000	99%	\$4,490,000
9/30/2009	\$8,492,000	99%	\$4,496,000
9/30/2010	\$8,970,000	100%	\$4,491,000

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)
1/1/2008	\$163,463,000	\$165,667,000	\$(2,204,000)	99%	\$202,700,000	-1.09%
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%

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

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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.

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, 2010 and 2009:

	2010	2009
Annual required contribution	\$268,000	\$247,000
Interest on net pension obligation	18,000	19,000
Adjustment to annual required contribution	(19,000)	(22,000)
Annual pension cost	267,000	244,000
Contributions made	268,000	247,000
Decrease in net pension obligation	(1,000)	(3,000)
Net pension obligation, beginning of year	232,000	235,000
Net pension obligation, end of year	\$231,000	\$232,000

The annual required contribution for the basic plan for the 2010 year was determined as part of the January 1, 2009 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, using an amortization period of 30 years. The annual contribution for PMH for the years ended September 30, 2010 and 2009 were approximately \$268,000 and \$247,000, respectively.

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The Three-Year Trend Information is as follows:

Trend Information for Pender Memorial Hospital			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/08	\$210,000	101%	\$235,000
9/30/09	\$244,000	101%	\$232,000
9/30/10	\$267,000	100%	\$231,000

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)
1/1/2008	\$3,140,000	\$3,659,000	\$(519,000)	86%	\$5,632,000	-9.22%
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%

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. Until January 1, 2009, LCFH employees were eligible to participate in this plan, and contributions were matched by LCFH.

NHRMC employer required and actual matching contributions totaled approximately \$1,342,000 and \$4,740,000, and employee optional contributions totaled approximately \$8,611,000 and \$8,710,000, for the years ended September 30, 2010 and 2009, respectively. Employer matching contribution percentages were 0.62% and 2.23%, and

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employee contribution percentages were 3.95% and 4.10% of total payroll for the years ended September 30, 2010 and 2009, respectively. LCFH employer and employee contributions are relatively insignificant to total plan activity.

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 year ended September 30, 2010 were \$116,000.

PMH offers one defined contribution plans 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.

Funding Policy

The Medical Center and LCFH match 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 and employer contributions vest after three calendar years of services with 1,000 hours worked in each year. Employer required and actual matching contributions totaled approximately \$4,740,000 (2.23% of total payroll), and employee optional contributions totaled approximately \$8,710,000 (4.10% of total payroll), for the year ended September 30, 2009.

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 are 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 year ended September 30, 2010 were \$116,000.

PMH also offers one defined contribution plans under IRS code section 403(b), which is available to all employees and 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 define 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

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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, 2011 and 2010, the Board's current rate for employees not engaged in law enforcement is 6.65% and 4.8%, 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, 2011 and 2010 were \$114,560 and \$97,734, respectively. The contributions made by the Board equaled the required contribution for each year.

The Board adopted a 401(k) retirement plan effective April 1998. 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, 2011 and 2010 were \$40,604 and \$60,074, 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, 2011 and 2010, the TDA's contributions to the plan totaled \$27,840, and \$46,250, representing 5% and 10%, 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.

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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 \$1,096,000 and \$867,000 as of September 30, 2010 and 2009, respectively, in accordance with the provisions of these plans.

The Medical Center 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, 2008, the date of the latest actuarial valuation:

	Employees
Retirees and dependents receiving benefits	229
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	1,518
Total	1,747

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

Years of Service in Retirement System	Percent of Cost Paid by Retiree
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 9.86% of annual covered payroll. For the current year, the County contributed \$1,100,636 or 1.47 % of annual covered payroll. In 2010, \$933,047 was contributed.

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	\$6,911,756
Interest on net OPEB obligation	\$506,810
Adjustment to annual required contribution	(\$437,246)
Annual OPEB cost (expense)	6,981,320
Contributions made	(1,100,636)
Increase (decrease) in net OPEB obligation	5,880,684
Net OPEB obligation, beginning of year	12,670,260
Net OPEB obligation, end of year	\$18,550,944

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The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009, 2010, and 2011 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

Funded Status and Funding Progress. As of December 31, 2008, 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 \$78,484,700. The covered payroll (annual payroll of active employees covered by the plan) was \$70,084,683, and the ratio of the UAAL to the covered payroll was 112.0 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, 2008 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 3.75 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, 2008, was 30 years.

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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.

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
Total	43

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 2011, the Authority's total contributions were \$9,000 (\$9,000 in 2010).

Annual OPEB Cost and Net OPEB Obligation. The Authority's 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	888
Adjustment to annual required contribution	(235)
Annual OPEB cost (expense)	14,797
Contributions made	(9,000)
Increase in pension obligation	5,797
Net OPEB obligation at July 1, 2010	22,210
Net OPEB obligation at June 30, 2011	\$28,007

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6-30-2009	\$18,160	61.12%	\$12,721
6-30-2010	\$18,489	48.68%	\$22,210
6-30-2011	\$14,797	60.82%	\$28,007

The net OPEB obligation of \$28,007 at June 30, 2011 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.

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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.

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. 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 June 30, 2009, the date of the last actuarial valuation:

Active Members:	
General Employees	37
Retired Members:	
Age 65+	2
Under Age 65	2

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, 2011 and 2010, the Board's contribution were \$33,048 and \$19,167, respectively.

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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:

	2011	2010
Annual required contribution	\$104,936	\$104,936
Interest on net OPEB obligation	0	0
Adjustment to annual required contribution	0	0
Annual OPEB cost	104,936	104,936
Adjustment for prior year OPEB shortage	0	0
Total adjusted current year OPEB	104,936	104,936
Contributions made	33,048	19,167
Increase in net OPEB	71,888	85,769
Net OPEB obligation, beginning of year	295,641	209,872
Net OPEB obligation, end of year	\$367,529	\$295,641

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

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

Funded Status and Funding Progress: As of June 30, 2009, 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 \$880,945. The covered payroll was \$1,980,624 and the ratio of the UAAL to the covered payroll was 44.48%. 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

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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 June 30, 2009 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 ten percent annually, decreasing to 5% with increasing duration. Both rates included a zero percent (0%) inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 30 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. 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

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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, 2011, the County made contributions to the State for death benefits of \$67,060. 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, 2011:

Governmental Activities	Balance July 1, 2010 (1)	Additions/ Transfers	Retirements	Net Unamortized (Charge), Premium and (Discount)	Balance June 30, 2011	Due Within One Year
General Obligation bonds	\$334,069,997	\$0	\$19,030,000	\$10,804,884	\$325,844,881	\$22,400,000
Installment Debt	112,314,686	5,869,063	10,920,528	3,693,422	\$110,956,643	10,511,670
Compensated Absences	5,316,457	3,166,907	2,750,208	0	\$5,733,156	3,137,712
Net pension obligations	438,889	510,481	387,914	0	\$561,456	0
Net OPEB obligations	12,670,260	6,911,756	1,031,072	0	\$18,550,944	0
Claims and judgements	128,105	110,000	53,105	0	\$185,000	0
Total Governmental Activities	\$464,938,394	\$16,568,207	\$ 34,172,827	\$14,498,306	\$ 461,832,080	\$ 36,049,382

(1) Balance at July 1, 2010 is not net of unamortized charges, premiums and discounts of \$16,129,842.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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, 2010 (1)	Additions	Retirements/ Transfers	Unamortized (Charge), Premium and (Discount)	Balance June 30, 2011	Due Within One Year
General Obligation bonds	\$175,000	\$0	\$175,000	\$0	\$0	\$0
Installment Debt	1,395,900	0	280,978	32,941	1,147,863	250,481
Accrued landfill closure and postclosure care costs	8,128,494	0	0	0	8,128,494	0
Compensated Absences	244,630	112,135	200,349	0	156,416	85,605
Total Business- Type Activities	\$9,944,024	\$112,135	\$ 656,327	\$32,941	\$ 9,432,773	\$ 336,086

(1) Balance at July 1, 2011 is not net of unamortized charges, premiums and discounts of \$38,293.

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, 2011:

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

\$28,300,000 public improvement bonds, series 2002 issued June 1, 2002, due in one remaining annual installment of \$1,300,000 through June 1, 2012; interest at rate of 4.5% due semiannually through June 1, 2012; \$1,300,000 principal plus unamortized bond premium of \$185. Serviced by General and Public Schools Fund. \$1,300,185

\$13,745,000 of \$27,045,000 refunding general obligation bonds, Series 2003 issued June 1, 2003, bonds due in one remaining annual installment of \$2,145,000 through March 1, 2012; interest at 5.0% due semiannually through March 1, 2012; \$2,145,000 principal plus unamortized premium of \$54,114, less unamortized charge of \$35,088. Serviced by General and Public Schools Fund. 2,164,106

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

\$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; \$42,800,000 principal plus unamortized premium of \$1,741,773, less unamortized charge of \$2,686,187. Serviced by General Fund and Public Schools Fund.	41,855,586
\$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; \$12,935,000 principal plus unamortized premium of \$350,315, less unamortized charge of \$356,736. Serviced by General Fund and Public Schools Fund.	12,928,579
\$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. \$22,500,000 principal plus unamortized premium of \$49,999, less unamortized charge of \$23,126. Serviced by General Fund and Public Schools Fund.	22,526,873
\$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. \$42,500,000 principal plus unamortized bond premium of \$154,772.	42,654,772
\$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 4.5% due semiannually through June 1, 2029. \$16,500,000 principal plus unamortized bond premium of \$3,794. Serviced by General Fund.	16,503,794

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

\$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. \$41,500,000 principal plus unamortized bond premium of \$1,642,434.	43,142,434
\$15,805,000 2003 refunding water and sewer general obligation bonds due in one remaining annual installment of \$1,125,000 through June 1, 2012, interest at rate of 3.0% due semiannually through June 1, 2012; \$1,125,000 principal plus unamortized premium of \$1,210, less unamortized charge of \$10,953.	1,115,257
\$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. \$48,704,997 principal plus unamortized premium of \$5,059,470.	53,764,467
\$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. \$83,030,000 principal plus unamortized premium of \$4,858,828.	<u>87,888,828</u>
Total General Fund (Governmental Activities)	<u>325,844,881</u>
Total Enterprise Funds (Business-Type Activities)	<u>0</u>
Total General Obligation Bonds (net of unamortized charges and premiums)	<u>\$325,844,881</u>

NEW HANOVER COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Exhibit 13
(Cont.)

Installment debt consists of the following at June 30, 2011:

\$59,390,000 Certificates of Participation, Series 2001 issued October 1, 2001, due in one annual installment through November 15, 2011; interest at rate of 4.00%; principal of \$3,275,000 plus unamortized premium of \$5,761. Serviced by General Fund.	\$3,280,761
\$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 \$23,585,000 plus unamortized premium of \$363,053. Serviced by General Fund and Fire District Special Revenue Fund.	23,948,054
\$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 \$30,175,000 plus unamortized premium of \$1,021,174 , less unamortized charge of \$1,403,286. Serviced by General Fund and Enterprise Funds.	29,792,888
\$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 \$43,630,335 plus unamortized premium of \$3,739,661. Serviced by General Fund, Fire District Special Revenue Fund, and Enterprise Fund.	47,369,996
\$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 \$4,761,553. Serviced by Public Schools Fund.	4,761,553
Other installment debt; interest at rates ranging from 2.60% to 6.0%. Serviced by General Fund, Special Revenue Funds, and Enterprise Funds.	2,951,254
Total Installment Debt - Governmental and Business-Type Activities	\$112,104,506
Total Installment Debt - Governmental Activities	\$110,956,643
Total Installment Debt - Business-Type Activities	\$1,147,863

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Annual maturity requirements on the County's long-term debt (except compensated absences, net pension obligations, claims and judgments and accrued landfill closure and postclosure care costs) with related interest as of June 30, 2011, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2012	\$32,911,670	\$18,295,509	\$250,481	\$41,341	\$51,499,001
2013	31,484,132	16,976,583	255,189	33,565	48,749,469
2014	31,259,415	15,712,297	86,902	26,661	47,085,275
2015	30,864,781	14,400,108	87,658	22,837	45,375,384
2016	30,695,201	13,088,294	88,413	18,924	43,890,832
2017-2021	145,135,289	45,575,465	346,278	38,805	191,095,837
2022-2026	84,832,730	18,736,133	0	0	103,568,863
2027-2031	35,120,000	3,903,961	0	0	39,023,961
Total	\$422,303,218	\$146,688,350	\$1,114,921	\$182,133	\$570,288,622
(Less) unamortized charges	(4,498,966)	0	(16,330)	0	(4,515,296)
Add unamortized premiums	18,997,272	0	49,271	0	19,046,543
Net	\$436,801,524	\$146,688,350	\$ 1,147,862	\$182,133	\$584,819,869

Other

The County's legal debt margin at June 30, 2011 was \$2,179,212,876.

Debt authorized but unissued at June 30, 2011 is as follows:

Cape Fear Community College Bonds	\$94,000,000
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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**Prior Year Defeasance of Debt**

The County defeased certain general obligation bonds and certificates of participation by placing the proceeds of the new debt in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the County's financial statements. On June 30, 2011, \$17,900,000 of bonds and \$36,015,000 of certificate of participation are considered defeased.

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 \$770,000 of which \$385,000 is due within one year. The certificates bear interest at rates ranging from 3.25% 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, with an interest rate of 2.55%. Payments are made semi-annually with varying amounts toward principal, plus interest.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**Long-Term Debt of the Medical Center**

Changes in long-term debt of the Medical Center during the year ended September 30, 2010.

	<i>Balance October 1, 2009 (1)</i>	<i>Additions</i>	<i>Retirements</i>	<i>Deferred (Loss) and Unamortized (Discount)</i>	<i>Balance September 30, 2010</i>	<i>Due Within One Year</i>
Revenue Bonds	\$338,770,000	\$0	\$6,370,000	(\$7,024,000)	\$325,376,000	\$6,665,000
Capital Leases	148,000	0	82,000	0	66,000	59,000
Other Obligations	3,709,000	415,000	454,000	0	3,670,000	18,000
Total	\$342,627,000	\$415,000	\$6,906,000	(\$7,024,000)	\$329,112,000	\$6,742,000

(1) Balance at October 1, 2009 is not net of unamortized discount of \$318,000 and deferred loss on refunding of \$7,215,000.

LCFH has one operating line of credit for \$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.

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 rate swaps at June 30, 2011 of \$12,111,000 are recorded as a liability on the government-wide balance sheet.

The terms, fair values, and underlying bond issued of the outstanding swaps as of September 30, 2010 were as follows (in thousands):

Associated Bond Issues	Notional	Start Date	End Date	Fair Value
Series 2005A-1	\$9,445	December 14, 2005	October 1, 2023	\$(1,270)
Series 2005A-2	9,445	December 14, 2005	October 1, 2023	(1,266)
Series 2005B-1	24,745	December 14, 2005	October 1, 2026	(3,716)
Series 2005B-2	24,745	December 14, 2005	October 1, 2026	(3,713)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

As of September 30, 2010, 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 counter parties 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 2003, 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, 2010, the basis swap had an estimated negative fair value of approximately \$1,875,000, 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 (\$179,000) 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 \$271,000 as of September 30, 2010 and is recorded as a liability in the balance sheet.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**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, 2010:

Series 1999 Revenue Bonds	
Serial revenue bonds with interest rates ranging from 3.1% to 5.25% maturing through 2014	\$18,115,000
Term revenue bonds maturing in 2019, with stated interest of 5.0%	19,730,000
Term revenue bonds maturing in 2028, with stated interest of 5.0%	62,930,000
Series 2005 Refunding Bonds	
Series 2005A Variable Rate Refunding Bonds, demand obligations, with mandatory redemptions annually through 2023	18,895,000
Series 2005B Variable Rate Refunding Bonds, demand obligations with mandatory redemptions annually through 2026	49,500,000
Series 2006 Revenue Bonds	
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
Series 2007 Variable Rate Health Care Facility Revenue Bonds	
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	3,900,000
Series 2008 Revenue Bonds	
Series 2008A Variable Rate Revenue Bonds, demand obligations, with mandatory redemptions annually through 2038	19,665,000
Series 2008B Variable Rate Revenue Bonds, demand obligations, with mandatory redemptions annually through 2038	19,665,000
Total long-term debt	332,400,000
Unamortized Discount	(306,000)
Deferred loss on refundings	(6,718,000)
Total long-term debt, net of unamortized discount and deferred loss	\$325,376,000
Due within one year	\$6,665,000
Due in more than one year	\$318,711,000

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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, the Medical Center (excluding the Foundation component unit) is required to make semiannual debt service payments on unpaid fixed rate debt (1999 and 2006 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, 2010.

Annual maturity requirements on outstanding revenue bonds of the Medical Center with related interest as of September 30, 2010 are as follows (in thousands):

Year Ending September 30	Principal	Interest	Total
2011	\$6,665	\$10,848	\$17,513
2012	6,930	10,726	17,656
2013	11,320	10,566	21,886
2014	11,750	10,280	22,030
2015	12,030	9,961	21,991
2016-2020	68,965	44,554	113,519
2021-2025	85,235	33,420	118,655
2026-2030	94,615	16,400	111,015
2031-2035	26,440	1,529	27,969
2036-2040	8,450	35	8,485
Total	\$332,400	\$148,319	\$480,719

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Interest paid related to these bonds was approximately \$12,760,000 during fiscal year ended September 30, 2010.

Interest received on trustee held funds during fiscal year ended September 30, 2010 amounted to approximately \$0.

Long-Term Debt of the TDA

Changes in long-term liabilities of the TDA for the year ended June 30, 2011 are as follows:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2010	Due Within One Year
Accrued vacation	\$10,142	\$2,424	\$0	\$12,566	\$12,566

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Minimum operating lease payments to be received by the Authority, as of June 30, 2011 for each of the next five years are:

Fiscal Years Ending June 30	Operating Lease Payments
2012	\$1,363,722
2013	1,268,860
2014	1,228,767
2015	1,221,527
2016	1,176,224
Thereafter	12,542,037
Total Minimum Payments	\$18,801,137

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

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

Fiscal Years Ending September 30	Operating Lease Obligations
2011	\$4,965,000
2012	4,235,000
2013	4,225,000
2014	4,042,000
2015	3,011,000
Thereafter	9,137,000
Total Minimum Payments	\$29,615,000

Rent expense on operating leases for the Medical Center total approximately \$7,125,000 and \$7,030,000 in 2010 and 2009, 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 \$51,000 and \$153,000 in 2010 and 2009, 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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.

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

Years Ending September 30	
2011	\$469,000
2012	405,000
2013	317,000
2014	9,000
Total Minimum Payments	\$1,200,000

Rent expense on operating leases for PMH totaled \$429,000 and \$326,000 in 2010 and 2009, respectively.

PMH also leases various capital assets under non-cancelable capital leases. As of September 30, 2010 and 2009, the leased assets had been recorded at \$583,000 and \$730,000, respectively, and had accumulated amortization of \$583,000 and \$730,000, respectively. A summary of capital leases of PMH is as follows at September 30, 2010:

	2010	2009
Capital lease obligations, at varying interest rates from 3.96% to 8.9% collateralized by leased equipment	\$66,000	\$ 148,000
Less current portion	(59,000)	(82,000)
Capital lease obligations, less current portion	\$7,000	\$66,000

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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

Fiscal Years Ending September 30	Capital Lease Obligations
2011	\$60,000
2012	5,000
2013	4,000
Total Minimum Payments	69,000
Less Amount representing interest	(3,000)
Present Value of net minimum payments	\$66,000

The TDA leased its facilities from the County. Rent expense for the facility during the years ended June 30, 2011 and 2010 was \$33,680 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, 2011 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 \$8,128,494 reported as landfill closure and postclosure care liability at June 30, 2011 represents (1) a cumulative amount of \$5,724,902 for final closure and post-closure care based on the full use of the total

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

estimated capacity of the landfill and (2) \$2,403,592 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 postclosure care in 2011. 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.

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, 2011 are composed of the following elements:

	Governmental Activities	
	Deferred Revenue	Unearned Revenue
Prepaid property taxes not yet earned	\$0	\$165,525
Federal and state assistance received not yet earned	0	311,062
Net property tax receivable	2,403,107	0
Special assessments receivable	732,211	0
Scattered Site/SARF receivables	483,088	0
Other	0	0
Total	\$3,618,406	\$476,587
General Fund	\$2,864,725	\$476,587
Special Revenue Funds	753,681	0
Total	\$3,618,406	\$476,587

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Interfund Receivables and Payables

Amounts classified on the balance sheet as "Receivables – interfund loans" and "Interfund loans" at June 30, 2011 include the following:

Receivable Fund	Payable Fund	Amount
General	CDBG Scattered Site Housing Fund to accumulate resources for CDBG projects	8,885
General	Environmental Management Enterprise Fund to provide financing for operating activities	\$2,920,351
Total		\$2,929,236

Due from/to Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
Primary Government:	Component Unit:	
General Fund	New Hanover County ABC Board for Intergovernmental revenues due at June 30, 2011	\$231,813
Component Unit:	Primary Government:	
NHC Tourism Development Authority	Room Occupancy Tax Fund for room occupancy tax collections held by the County	148,620
Total		\$380,433

C. Other

Interfund Transfers

Interfund transfers presented in the fund financial statements for the year ended June 30, 2011, can be summarized as follows:

Transfers Out:	General Fund	Transfers In:			Total
		Special Fire District Fund	Capital Projects Funds	Environmental Management Fund	
General Fund	\$0	\$0	\$0	\$445,000	\$445,000
Special Revenue Funds	2,490,432	0	0	0	2,490,432
Capital Projects Funds	383,511	20,258	130,000	0	533,769
Total	\$2,873,943	\$20,258	\$130,000	\$445,000	\$3,469,201

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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 78% of Environmental Management revenues can be attributed to its largest five (5) customers, one of which is the City of Wilmington.

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. Exclusive of parking lot fees, transactions with two customers accounted for the following revenues and related trade accounts receivable balances at June 30, 2011:

Customer	Revenues	Percentage	Accounts Receivable
A	\$1,116,592	26%	\$105,653
B	546,682	13%	0
	\$1,663,274		\$105,653

Medicare services represented 39% and Medicaid services represented 13% of net patient service revenue of the Medical Center for the fiscal year ended September 30, 2010

LCFH's revenues are 92% from Medicare and 3% from Medicaid for the fiscal year ended September 30, 2010.

PMH's revenues are 57% from Medicare and 17% from Medicaid for the fiscal year ended September 30, 2010.

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, 2011. 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

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

County provided \$1,938,128 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, 2010. Complete financial statements for the Center can be obtained from the Center at 2023 S. 17th Street, Wilmington, N.C. 28401.

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 \$5,841,767 to the College for operating purposes, during the fiscal year ended June 30, 2011. In addition, the County made debt service payments of \$5,600,689 during the fiscal year on general obligation 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, 2011. 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

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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.

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. CCH also operates a smaller non-hospital based lab in the community. A mobile unit providing similar services was also operated, but the mobile unit operations ceased in October 2009.

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 \$6,570,000 and \$9,658,000 for the years ended September 30, 2010 and 2009, respectively) is considered a reduction in the costs of services provided by CCH, resulting in decreased operating costs. During the years ended September 30, 2010 and 2009, the Medical Center recorded per-procedure fees for services provided by CCH, net of the Medical Center's earnings from CCH operations, of approximately \$12,970,000 and \$16,379,000, respectively, which are included in Purchased services and other in the statement of revenues, expenses and changes in net assets. As of September 30, 2010 and 2009, amounts due to CCH of approximately \$4,149,000 and \$4,405,000, 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, 2011.

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

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.

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, 2011. CFPUA paid the County \$2.95 million in connection with debt the County is servicing for CFPUA for the fiscal year ended June 30, 2011. 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	\$2,883,408	\$0
Supplemental Nutrition Assistance Program	38,727,315	0
Medical Assistance	137,916,601	54,420,229
Work First/TAN/AFDC	1,130,868	(272)
Low Income Energy Assistance	816,518	0
Special Assistance	0	1,260,753
Title IV-E -- Foster Care	799,402	208,600
Title IV-E Adoption	1,270,970	284,544
State Foster Home/ At Risk	0	687,661
CWS Adoption Subsidy	0	1,606,049
LINKS	41,214	0
Total	\$183,586,296	\$58,467,564

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**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, 2011, the balance of the County's ADM allocation account related to corporate income taxes was \$93,547. 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, 2011, 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, 2011, the County drew down \$95,229 in public school building capital funds.

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, 2011. As of June 30, 2011, the County's unallocated balance of lottery proceeds was \$3,634,922. \$7,178,247 has been approved by the State for construction projects at June 30, 2011. During the fiscal years ended June 30, 2009, 2010, and 2011 the County drew down \$4,272,545 of these funds, leaving a disbursing account balance of \$2,915,702.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**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 Charter Oak Fire 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. In addition, the insurance provides an additional \$1,000,000 of protection against cumulative retained losses after the County's aggregate costs reach a minimum of \$1,342,393 for claims occurring during the policy period. Any losses beyond this \$1,000,000 limit 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, 2011

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, 2011	June 30, 2010
Unpaid claims at July 1	\$3,815,782	\$4,284,169
Provisions for claims	12,340,462	14,524,610
Payments for claims	(13,308,305)	(13,888,090)
Administrative fees	(1,208,617)	(1,104,907)
Unpaid claims at June 30	\$1,639,322	\$3,815,782

The County carries commercial coverage for all other risks of loss. There has been a shift in insurance providers and a change in insurance coverage philosophy since the previous year to cover replacement cost versus a catastrophic loss. Settled claims have not exceeded coverage in any of the past three fiscal years.

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 \$47.1 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.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

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.

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 \$500,000,000 with a deductible of \$100,000 for all perils except named windstorm. For 2010, the minimum deductible for named storms is \$5,000,000 per location. For 2009 and 2010, the Medical Center was self-insured for workers' compensation and employer's liability up to \$350,000 per claim; the minimum aggregate retention is \$4,200,000. A specific limit of \$25,000,000 applies to worker's compensation. For 2009 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 2009 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, 2011

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, 2010	September 30, 2009	September 30, 2008
Unpaid claims at October 1	\$24,016	\$23,252	\$21,614
Provisions for claims	45,065	45,185	43,613
Payments for claims	(42,251)	(42,632)	(39,998)
Administrative fees	(1,879)	(1,789)	(1,977)
Unpaid claims at September 30	\$24,951	\$24,016	\$23,252

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 County's Director of Finance also serves as the TDA's finance officer. Through the County, the Director of Finance is individually bonded under a Performance Bond in the amount of \$500,000, however, this bonding was not specific to the TDA and the County did not have the required \$50,000 performance bond for the TDA. This was resolved with a proper bond on October 2, 2011.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

At June 30, 2011, 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 \$6.0 million as of June 30, 2011.

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. The agreement was amended in June 2009 with an initial term through October 2012. After October 31, 2012, the agreement allows the Authority to continue the contract by two additional one year periods. The Authority may cancel the agreement at any time after October 31, 2012 by providing USA Parking System, Inc. thirty days prior written notice. For the year ended June 30, 2011, the Authority paid fees and expenses totaling \$382,877 which is included in contracted services.

Estimated future commitments under the agreement are as follows:

2012	383,000
2013	<u>128,000</u>
	<u>\$511,000</u>

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

The Authority has entered into several contracts and agreements as of June 30, 2011 primarily related to construction projects and equipment. The remaining commitment under these contracts and agreements is approximately \$2,300,000.

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, 2009, and renews automatically thereafter.

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.

On August 29, 2008, New Hanover County received a letter from the Internal Revenue Service (the "IRS") informing it that the Medical Center's 2005 Bonds had been selected for audit. The letter indicated only that the IRS routinely examines municipal debt issuances, and requested certain information. The County and the Medical Center provided all requested information. Management does not believe there will be any adverse findings.

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.

The ABC Board is currently the subject of a State investigation into certain personnel and operational matters, but no final or preliminary results, if any, are known.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**NOTE 11: SUBSEQUENT EVENTS**

The Medical Center has begun preparing for implementation of the Epic information systems project suite, which will replace most core clinical and revenue systems. The Epic products will provide the Medical Center and the local healthcare community with a fully integrated system, including easily accessible electronic medical records. The \$56 million project will be fully funded from the Medical Center's budget for routine capital expenditures. Implementation will be phased over several years, with the majority of core systems functional and the electronic medical records available by October 2012. The Epic solution will enable the organization to meet criteria necessary to qualify for Meaning Use Stimulus Incentives, which are anticipated to exceed \$13 million.

Effective October 1, 2010, NHRMC Home Care, was created as a wholly-owned subsidiary of PMH to operate home health services previously provided by PMH.

On October 26, 2010, the Medical Center's Board adopted a resolution to request New Hanover County to issue fixed rate Hospital Revenue Refunding Bonds to refund the outstanding amount of approximately \$100,000,000 Series 1999 Bonds ("Refunded 1999 Bonds"). The bond issuance request for the Refunded 1999 Bonds is still pending.

On December 1, 2010, the Medical Center entered into an asset purchase agreement with a local physician group whereby the Medical Center purchased substantially all of the assets of the group for approximately \$1,000,000. In connection with this acquisition, the Medical Center also entered into a fixed term lease agreement with renewal options. Annual lease payments are approximately \$2,000,000 per year.

NOTE 12: PRIOR PERIOD ADJUSTMENT

In 2006, the County signed an inter-local agreement with a municipality located within the County. The agreement stipulated that the municipality would be responsible for reimbursing the County for a portion of debt that would be issued to construct various parks and recreation facilities. The repayments would coincide with the scheduled debt service payments. Debt was issued in 2008 and in the fiscal year ended June 30, 2010, that fell under the inter-local agreement. The debt is in the name of the County and is reported in its entirety in the County's financial statements as Governmental Activity debt. A corresponding asset for the amount of debt that the municipality agreed to repay under the inter-local agreement was not recorded in the Governmental Activities Statement of Net Assets at the time the debt was issued.

Net assets of the Governmental Activities were restated by \$16,565,808 to reflect the amount due the County under terms of the inter-local agreement at June 30, 2010.



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
2010-2011**

<u>Fiscal Years Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
New Hanover County Law Enforcement Officers' Special Separation Allowance		
2002	\$187,461	77.6%
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	79.3%
New Hanover County Airport Authority Law Enforcement Officers' Special Separation Allowance		
2002	\$7,629	58.2%
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%
New Hanover Regional Medical Center Pension Plan		
2001	\$3,140,119	100.0%
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%

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
 2010-2011

<u>Fiscal Years Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
Pender Memorial Hospital Pension Plan		
2001	\$146,401	100.0%
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%
New Hanover County Other Postemployment Benefits (OPEB)		
2008	\$3,927,297	31.8%
2009	\$4,268,246	13.3%
2010	\$6,911,756	13.5%
2011	\$6,981,320	15.8%
New Hanover County Airport Authority Other Postemployment Benefits (OPEB)		
2008	\$18,261	69.0%
2009	\$18,261	60.8%
2010	\$18,261	49.3%
2011	\$14,144	63.6%
New Hanover County ABC Board Other Postemployment Benefits (OPEB)		
2009	\$104,936	0.0%
2010	\$104,936	18.3%
2011	\$104,936	31.5%

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
 2002-2011

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
New Hanover County Law Enforcement Officers' Special Separation Allowance (1)						
12/31/01	\$256,769	\$1,840,553	(\$1,583,784)	13.95%	\$9,401,508	-16.85%
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%
New Hanover County Airport Authority Law Enforcement Officers' Special Separation Allowance (2)						
12/31/01	\$0	\$62,856	(\$62,856)	0.00%	\$364,783	-17.23%
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%
New Hanover Regional Medical Center Pension Plan (2)						
01/01/01	\$119,558,904	\$91,437,360	\$28,121,544	130.75%	\$124,819,834	22.53%
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%
Pender Memorial Hospital Pension Plan (2)						
01/01/01	\$2,400,362	\$2,188,862	\$211,500	109.66%	\$3,439,509	6.15%
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%
New Hanover County Other Post Employment Benefits (OPEB) (2)						
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%
New Hanover County Airport Authority Other Post Employment Benefits (OPEB) (2)						
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%
New Hanover County ABC Board Other Post Employment Benefits (OPEB) (2)						
06/30/09	\$0	\$880,945	(\$880,945)	0.00%	\$1,980,624	-44.48%

Notes:

- (1) Pension Trust 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, 2011**

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	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	20 years
Asset valuation method	Market value

Actuarial Assumptions:

Investment rate of return*	5.00%
Projected salary increases*	4.25% 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, 2011

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

Valuation date	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 years
Asset valuation method	Market value

Actuarial Assumptions:

Investment rate of return*	5.00%
Projected salary increases*	4.5% to 7.85%
Cost of living adjustments	None

* Includes inflation at 3.0%

New Hanover Regional Medical Center Pension Plan

Valuation date	1/1/2009
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, 2011

Pender Memorial Hospital Pension Plan

Valuation date	1/1/2009
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	12/31/2008
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*	10.50% to 5.00%

* Includes inflation at 3.75%

NEW HANOVER COUNTY, NORTH CAROLINA

NOTES TO THE REQUIRED SCHEDULES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

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

* Includes inflation at 0%

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

Valuation date	6/30/2009
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*	10.00% to 5.00%

* Includes inflation at 0%

NEW HANOVER COUNTY, NORTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
6/30/2011**

ASSETS	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Cash and investments	\$ 7,275,174	\$ 17,954,281	\$ 25,229,455
Restricted cash	-	4,865,188	4,865,188
Receivables:			
Intergovernmental	609,504	276,120	885,624
Other sources (net)	275,167	-	275,167
Total assets	\$ 8,159,845	\$ 23,095,589	\$ 31,255,434
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 609,953	\$ 211,471	\$ 821,424
Interfund loans	-	8,885	8,885
Deferred/unearned revenue	187,943	-	187,943
Total liabilities	797,896	220,356	1,018,252
Fund balances:			
Restricted:			
Stabilization State statute	1,455,012	979,457	2,434,469
Restricted - all other	2,472,752	22,227,336	24,700,088
Committed	3,374,752	193,613	3,568,365
Assigned	59,433	-	59,433
Unassigned	-	(525,173)	(525,173)
Total fund balances	7,361,949	22,875,233	30,237,182
Total liabilities and fund balances	\$ 8,159,845	\$ 23,095,589	\$ 31,255,434

NEW HANOVER COUNTY, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
June 30, 2011

ASSETS	Special Fire District	Local Law Enforcement Block Grant	Emergency Tel Sys Article 3
Cash and investments	\$ 4,223,110	\$ 15,977	\$ 980,991
Receivables:			
Intergovernmental	609,357	-	-
Other sources (net)	188,431	-	80,606
Total assets	\$ 5,020,898	\$ 15,977	\$ 1,061,597
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 388,725	\$ -	\$ 14,189
Deferred/unearned revenue	187,943	-	-
Total liabilities	576,668	-	14,189
Fund balances:			
Restricted:			
Stabilizaion by State statute	1,069,478	-	379,257
Restricted - all other	-	15,977	668,151
Committed	3,374,752	-	-
Assigned	-	-	-
Total fund balances	4,444,230	15,977	1,047,408
Total liabilities and fund balances	\$ 5,020,898	\$ 15,977	\$ 1,061,597

Revolving Loan Program	Parks Foundation	Airlie Gardens Foundation, Inc	Public Health Foundation	Total Nonmajor Special Revenue Funds
\$ 59,433	\$ 3,761	\$ 1,971,159	\$ 20,743	\$ 7,275,174
147	-	-	-	609,504
-	-	6,130	-	275,167
\$ 59,580	\$ 3,761	\$ 1,977,289	\$ 20,743	\$ 8,159,845

\$ -	\$ -	\$ 207,039	\$ -	\$ 609,953
-	-	-	-	187,943
-	-	207,039	-	797,896

147	-	6,130	-	1,455,012
-	3,761	1,764,120	20,743	2,472,752
-	-	-	-	3,374,752
59,433	-	-	-	59,433
59,580	3,761	1,770,250	20,743	7,361,949
\$ 59,580	\$ 3,761	\$ 1,977,289	\$ 20,743	\$ 8,159,845

NEW HANOVER COUNTY, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECT GOVERNMENTAL FUNDS
 June 30, 2011

ASSETS	\$123M School Bond Expenditure Capital Project	\$35.5M Park Bond Capital Project	Tidal Creeks Water Quality Capital Project	SEMH & Health Admin Building Capital Project	Smith Creek Park Capital Project	Public School Building Capital Fund Capital Project	Anderson/ Ogden Schools Capital Project	Burn Pit Capital Project	Qualified School Construction Bond Capital Project
Cash and investments	\$ 5,322,276	\$ 8,468,721	\$ -	\$ 3,235,763	\$ 62,724	\$ -	\$ -	\$ 150,987	\$ -
Restricted cash	-	-	-	-	-	-	-	-	4,685,613
Receivables:									
Intergovernmental	-	4,896	-	-	271,224	-	-	-	-
Total assets	\$ 5,322,276	\$ 8,473,617	\$ -	\$ 3,235,763	\$ 333,948	\$ -	\$ -	\$ 150,987	\$ 4,685,613
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued liabilities	\$ 310	\$ 50,099	\$ -	\$ -	\$ 134,146	\$ -	\$ -	\$ 405	\$ -
Interfund loans	-	-	-	-	-	-	-	-	-
Total liabilities	310	50,099	-	-	134,146	-	-	405	-
Fund balances:									
Restricted:									
Stabilization by State statute	-	53,159	-	-	716,090	-	-	-	-
Restricted - all other	5,321,966	8,370,359	-	3,235,763	-	-	-	150,582	4,685,613
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(516,288)	-	-	-	-
Total fund balances	5,321,966	8,423,518	-	3,235,763	199,802	-	-	150,582	4,685,613
Total liabilities and fund balances	\$ 5,322,276	\$ 8,473,617	\$ -	\$ 3,235,763	\$ 333,948	\$ -	\$ -	\$ 150,987	\$ 4,685,613

Murrayville Fire Station Capital Project	Controlled Substance Tax Capital Project	Federal Forfeited Property Capital Project	\$38.3 Million CFCC Bond Expenditure Capital Project	CFCC Public Safety Training Ctr Capital Project	Masons Inlet Relocation Capital Project	Future Jail Expansion Capital Project	Scattered Site Housing Capital Project	Computer/Tax System Upgrades Capital Project	Airport Improvements Capital Project	Total Nonmajor Capital Projects Funds
\$ -	\$ 46,796	\$ 296,704	\$ -	\$ -	\$ 370,310	\$ -	\$ -	\$ -	\$ -	\$ 17,954,281
166,836	-	-	12,739	-	-	-	-	-	-	4,865,188
-	-	-	-	-	-	-	-	-	-	276,120
<u>\$ 166,836</u>	<u>\$ 46,796</u>	<u>\$ 296,704</u>	<u>\$ 12,739</u>	<u>\$ -</u>	<u>\$ 370,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,095,589</u>
\$ -	\$ 1,829	\$ 9,732	\$ -	\$ -	\$ 14,950	\$ -	\$ -	\$ -	\$ -	\$ 211,471
-	-	-	-	-	-	-	8,885	-	-	8,885
-	1,829	9,732	-	-	14,950	-	8,885	-	-	220,356
30,808	-	17,653	-	-	161,747	-	-	-	-	979,457
136,028	44,967	269,319	12,739	-	-	-	-	-	-	22,227,336
-	-	-	-	-	193,613	-	-	-	-	193,613
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(8,885)	-	-	(525,173)
<u>166,836</u>	<u>44,967</u>	<u>286,972</u>	<u>12,739</u>	<u>-</u>	<u>355,360</u>	<u>-</u>	<u>(8,885)</u>	<u>-</u>	<u>-</u>	<u>22,875,233</u>
<u>\$ 166,836</u>	<u>\$ 46,796</u>	<u>\$ 296,704</u>	<u>\$ 12,739</u>	<u>\$ -</u>	<u>\$ 370,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,095,589</u>



NEW HANOVER COUNTY, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 10,488,343	\$ -	\$ 10,488,343
Intergovernmental revenue	418,119	1,358,057	1,776,176
Charges for services	80,214	-	80,214
Investment earnings	47,262	(10,922)	36,340
Miscellaneous	701,256	79,475	780,731
Total revenues	<u>11,735,194</u>	<u>1,426,610</u>	<u>13,161,804</u>
Expenditures:			
Current:			
Public safety	8,389,333	-	8,389,333
Culture and recreation	398,446	-	398,446
Capital outlay	638,179	15,716,036	16,354,215
Debt service:			
Installment debt payments	913,414	-	913,414
Total expenditures	<u>10,339,372</u>	<u>15,716,036</u>	<u>26,055,408</u>
Revenues over (under) expenditures	<u>1,395,822</u>	<u>(14,289,426)</u>	<u>(12,893,604)</u>
Other financing sources (uses):			
Long-term debt issued	943,319	4,704,789	5,648,108
Premium on long-term debt issued	-	195,444	195,444
Transfers to other funds	(2,490,432)	(533,769)	(3,024,201)
Transfers from other funds	20,258	130,000	150,258
Total other financing sources (uses)	<u>(1,526,855)</u>	<u>4,496,464</u>	<u>2,969,609</u>
Revenues and other sources over (under) expenditures and other (uses)	(131,033)	(9,792,962)	(9,923,995)
Fund balances - beginning of year	7,492,982	32,668,195	40,161,177
Fund balances - end of year	<u>\$ 7,361,949</u>	<u>\$ 22,875,233</u>	<u>\$ 30,237,182</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, 2011**

	Special Fire District	Local Law Enforcement Block Grant	Emergency Tel Sys Article 3
Revenues:			
Taxes:			
Ad valorem, including interest	\$ 7,594,916	\$ -	\$ -
Other taxes	1,926,151	-	967,276
Total taxes	<u>9,521,067</u>	-	<u>967,276</u>
Charges for services	80,214	-	-
Intergovernmental revenue	351,730	66,389	-
Investment earnings	12,485	50	6,189
Miscellaneous	24,148	-	-
Total revenues	<u>9,989,644</u>	<u>66,439</u>	<u>973,465</u>
Expenditures:			
Current:			
Public safety	7,542,270	66,390	116,834
Culture and recreation	-	-	-
Payments to volunteer fire departments	635,868	-	-
Capital outlay	375,339	-	262,840
Debt service:			
Installment debt payments	913,414	-	-
Total expenditures	<u>9,466,891</u>	<u>66,390</u>	<u>379,674</u>
Revenues over (under) expenditures	<u>522,753</u>	<u>49</u>	<u>593,791</u>
Other financing sources (uses):			
Long-term debt issued	943,319	-	-
Transfers from other funds	20,258	-	-
Transfers to other funds	(645,541)	-	(1,844,891)
Total other financing sources (uses)	<u>318,036</u>	<u>-</u>	<u>(1,844,891)</u>
Revenues and other sources over (under) expenditures and other (uses)	840,789	49	(1,251,100)
Fund balances - beginning of year	3,603,441	15,928	2,298,508
Fund balances - end of year	<u>\$ 4,444,230</u>	<u>\$ 15,977</u>	<u>\$ 1,047,408</u>

Revolving Loan Program	Parks Foundation	Airlie Gardens Foundation, Inc	Public Health Foundation	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 7,594,916
-	-	-	-	2,893,427
-	-	-	-	10,488,343
-	-	-	-	80,214
-	-	-	-	418,119
194	1	28,343	-	47,262
22,410	-	653,745	953	701,256
22,604	1	682,088	953	11,735,194
25,561	-	-	2,410	7,753,465
-	-	398,446	-	398,446
-	-	-	-	635,868
-	-	-	-	638,179
-	-	-	-	913,414
25,561	-	398,446	2,410	10,339,372
(2,957)	1	283,642	(1,457)	1,395,822
-	-	-	-	943,319
-	-	-	-	20,258
-	-	-	-	(2,490,432)
-	-	-	-	(1,526,855)
(2,957)	1	283,642	(1,457)	(131,033)
62,537	3,760	1,486,608	22,200	7,492,982
\$ 59,580	\$ 3,761	\$ 1,770,250	\$ 20,743	\$ 7,361,949

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, 2011

	\$123M School Bond Expenditure Capital Project	\$35.5M Park Bond Capital Project	Tidal Creeks Water Quality Capital Project	SEMH & Health Admin Building Capital Project	Smith Creek Park Capital Project	Public School Building Capital Fund Capital Project	Anderson/ Ogden Schools Capital Project	Burn Pit Capital Project	Qualified School Construction Bond Capital Project
Revenues:									
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 269,086	\$ 553,587	\$ -	\$ 34,968	\$ -
Investment earnings	(5,429)	37,762	257	10,586	1,544	-	-	555	5,255
Miscellaneous	-	4,896	-	-	2,138	-	-	-	-
Total revenues	(5,429)	42,658	257	10,586	272,768	553,587	-	35,523	5,255
Expenditures:									
Capital outlay	6,049,230	7,679,316	-	34,966	687,473	553,587	-	57,070	245,386
Total expenditures	6,049,230	7,679,316	-	34,966	687,473	553,587	-	57,070	245,386
Revenues over (under) expenditures	(6,054,659)	(7,636,658)	257	(24,380)	(414,705)	-	-	(21,547)	(240,131)
Other financing sources (uses):									
Long-term debt issued	(220,955)	-	-	-	-	-	-	-	4,925,744
Premium on long-term debt issued	195,444	-	-	-	-	-	-	-	-
Transfers to other funds	-	(115,000)	(149,519)	-	(15,000)	-	(10)	-	-
Transfers from other funds	-	15,000	-	-	115,000	-	-	-	-
Total other financing sources (uses)	(25,511)	(100,000)	(149,519)	-	100,000	-	(10)	-	4,925,744
Revenues and other sources over (under) expenditures and other (uses)	(6,080,170)	(7,736,658)	(149,262)	(24,380)	(314,705)	-	(10)	(21,547)	4,685,613
Fund balances - beginning of year	11,402,136	16,160,176	149,262	3,260,143	514,507	-	10	172,129	-
Fund balances - end of year	\$ 5,321,966	\$ 8,423,518	\$ -	\$ 3,235,763	\$ 199,802	\$ -	\$ -	\$ 150,582	\$ 4,685,613

Murrayville Fire Station Capital Project	Controlled Substance Tax Capital Project	Federal Forfeited Property Capital Project	\$38.3 Million CFCC Bond Expenditure Capital Project	CFCC Public Safety Training Ctr Capital Project	Masons Inlet Relocation Capital Project	Future Jail Expansion Capital Project	Scattered Site Housing Capital Project	Computer/Tax System Upgrade Capital Project	Airport Improvements Capital Project	Total Nonmajor Capital Project Funds
\$ -	\$ 71,766	\$ 428,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,358,057
-	103	284	(63,323)	79	1,405	-	-	-	-	(10,922)
-	-	-	-	-	-	-	-	-	72,441	79,475
-	71,869	428,934	(63,323)	79	1,405	-	-	-	72,441	1,426,610
15,205	62,676	172,889	-	6,354	150,884	-	1,000	-	-	15,716,036
15,205	62,676	172,889	-	6,354	150,884	-	1,000	-	-	15,716,036
(15,205)	9,193	256,045	(63,323)	(6,275)	(149,479)	-	(1,000)	-	72,441	(14,289,426)
-	-	-	-	-	-	-	-	-	-	4,704,789
-	-	-	-	-	-	-	-	-	-	195,444
-	-	-	-	(40,516)	-	(5,391)	-	(123,418)	(84,915)	(533,769)
-	-	-	-	-	-	-	-	-	-	130,000
-	-	-	-	(40,516)	-	(5,391)	-	(123,418)	(84,915)	4,496,464
(15,205)	9,193	256,045	(63,323)	(46,791)	(149,479)	(5,391)	(1,000)	(123,418)	(12,474)	(9,792,962)
182,041	35,774	30,927	76,062	46,791	504,839	5,391	(7,885)	123,418	12,474	32,668,195
\$ 166,836	\$ 44,967	\$ 286,972	\$ 12,739	\$ -	\$ 355,360	\$ -	\$ (8,885)	\$ -	\$ -	\$ 22,875,233



NEW HANOVER COUNTY, NORTH CAROLINA

**GENERAL FUND
COMPARATIVE BALANCE SHEET
June 30, 2011 and 2010**

ASSETS	2011	2010
Cash and investments	\$ 74,272,050	\$ 61,810,567
Restricted cash	366,128	64,072
Receivables:		
Interfund loans	2,929,236	4,248,178
Intergovernmental	16,521,565	15,254,611
Other sources (net)	3,866,141	4,189,397
Due from component units	231,813	237,463
Inventory	17,235	17,794
Prepays	62,616	127,462
Total assets	<u>\$ 98,266,784</u>	<u>\$ 85,949,544</u>
 LIABILITIES AND FUND BALANCE 		
Liabilities:		
Accounts payable and accrued liabilities	\$ 10,743,304	\$ 9,895,673
Deferred/unearned revenues	3,341,312	2,583,623
Total liabilities	<u>14,084,616</u>	<u>12,479,296</u>
Fund Balance:		
Nonspendable:		
Inventory	17,235	17,794
Prepays	62,616	127,462
Restricted:		
Stabilization by State statute	23,418,168	23,647,554
Register of Deeds	775,135	692,426
Assigned:		
Subsequent years' expenditures	3,000,000	-
Post employment benefits	1,600,000	1,400,000
Public schools	3,345,535	3,292,134
Unassigned	51,963,479	44,292,878
Total fund balance	<u>84,182,168</u>	<u>73,470,248</u>
Total liabilities and fund balance	<u>\$ 98,266,784</u>	<u>\$ 85,949,544</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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010 Actual
	Final Budget	Actual		
Revenues:				
Taxes:				
Ad valorem, including interest	\$ 158,778,525	\$ 157,919,322	\$ (859,203)	\$ 153,149,665
Other	41,769,705	47,359,441	5,589,736	41,271,837
Total taxes	200,548,230	205,278,763	4,730,533	194,421,502
Special Assessments	136,642	145,898	9,256	171,989
Intergovernmental Revenue	41,337,393	39,804,792	(1,532,601)	40,490,639
Charges for Services	8,364,539	8,634,671	270,132	8,822,208
Investment Earnings	117,000	252,037	135,037	314,172
Miscellaneous	6,693,429	6,748,957	55,528	6,665,020
Total revenues	257,197,233	260,865,118	3,667,885	250,885,530
Expenditures:				
Current:				
General government	32,830,673	29,479,030	3,351,643	29,485,936
Human services	55,593,655	52,148,036	3,445,619	53,253,360
Public safety	48,654,042	45,666,801	2,987,241	45,144,306
Economic and physical development	898,225	898,183	42	1,250,925
Culture and recreation	10,340,233	9,725,764	614,469	9,635,673
Education-community college	5,841,767	5,841,767	-	5,841,767
Education-public schools	-	-	-	-
Debt service:				
Principal	5,924,182	5,049,182	875,000	5,120,663
Interest and fees	4,504,360	4,294,663	209,697	2,996,553
Installment lease payments	15,714,620	15,246,640	467,980	16,087,552
Total expenditures	180,301,757	168,350,066	11,951,691	168,816,735
Revenues over expenditures	76,895,476	92,515,052	15,619,576	82,068,795
Other financing sources (uses):				
Long-term debt issued	-	-	-	969,952
Transfers from other funds	3,137,956	2,873,943	(264,013)	1,174,903
Transfers to other funds	(83,363,684)	(84,739,475)	(1,375,791)	(80,888,692)
Proceeds of refunding bonds	-	-	-	95,920,466
Premuim refunding bonds	-	-	-	10,854,679
Payments to refunded bond escrow agent	-	-	-	(105,943,977)
Appropriated fund balance	3,330,252	-	(3,330,252)	-
Total other financing (uses)	(76,895,476)	(81,865,532)	(4,970,056)	(77,912,669)
Revenues (under expenditures) and other (uses)	\$ -	10,649,520	\$ 10,649,520	4,156,126
Fund balance - beginning of year		70,178,114		66,021,988
Fund balance - end of year		\$ 80,827,634		\$ 70,178,114

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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010 Actual
	Final Budget	Actual		
Revenues:				
Investment earnings	\$ -	\$ 14,952	\$ 14,952	\$ 27,628
Intergovernmental revenue	-	138,659	138,659	-
Total revenues	-	153,611	153,611	27,628
Expenditures:				
Current:				
Payments to schools:				
Operating expenditures	61,808,440	61,808,440	-	61,908,440
Debt Service:				
Principal	13,980,819	13,980,818	1	12,724,337
Interest and fees	9,029,340	8,596,428	432,912	8,453,106
Total expenditures	84,818,599	84,385,686	432,913	83,085,883
Revenues (under) expenditures	(84,818,599)	(84,232,075)	586,524	(83,058,255)
Other financing sources:				
Transfers from other funds	82,330,771	84,294,475	1,963,704	81,953,692
Appropriated fund balance	2,487,828	-	(2,487,828)	-
Total other financing sources	84,818,599	84,294,475	(524,124)	81,953,692
Revenues and other sources over (under) expenditures	\$ -	62,400	\$ 62,400	(1,104,563)
Fund balance - beginning of year		3,292,134		4,396,697
Fund balance - end of year		\$ 3,354,534		\$ 3,292,134



NEW HANOVER COUNTY, NORTH CAROLINA

**ROOM OCCUPANCY TAX FUND
COMPARATIVE BALANCE SHEET**

June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ 37,135,952	\$ 34,515,297
Receivables:		
Other sources (net)	1,103,656	1,444,016
Total assets	\$ 38,239,608	\$ 35,959,313
<i>LIABILITIES AND FUND BALANCE</i>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 4,000	\$ 8,000
Due to component unit	148,620	129,756
Deferred/unearned revenues	565,738	910,556
Total liabilities	718,358	1,048,312
Fund Balance:		
Restricted:		
Economic and physical development-		
Erosion control	36,983,332	34,377,541
Stabilization by State statute	537,918	533,460
Total fund balance	37,521,250	34,911,001
Total liabilities and fund balance	\$ 38,239,608	\$ 35,959,313

NEW HANOVER COUNTY, NORTH CAROLINA

ROOM OCCUPANCY TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
 Year Ended June 30, 2011
 With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Revenues:				
Room occupancy taxes	\$ 3,409,730	\$ 3,630,298	\$ 220,568	\$ 3,338,308
Special assessments	310,071	403,610	93,539	478,403
Investment earnings	-	117,150	117,150	185,384
Total revenues	3,719,801	4,151,058	431,257	4,002,095
Expenditures:				
Current:				
Collection fee to New Hanover County	18,000	18,000	-	18,000
Tourism distributions to TDA for the County and municipalities	1,269,390	1,389,913	(120,523)	1,271,093
Erosion control	2,432,411	132,896	2,299,515	3,175,000
Total expenditures	3,719,801	1,540,809	2,178,992	4,464,093
Revenues over expenditures	-	2,610,249	2,610,249	(461,998)
Other financing (uses):				
Appropriated fund balance	-	-	-	-
Transfer to other funds	-	-	-	(356,671)
Total other financing (uses)	-	-	-	(356,671)
Revenues over expenditures and other (uses)	\$ -	2,610,249	\$ 2,610,249	(818,669)
Fund balance - beginning of year		34,911,001		35,729,670
Fund balance - end of year		\$ 37,521,250		\$ 34,911,001

NEW HANOVER COUNTY, NORTH CAROLINA

**SPECIAL FIRE DISTRICT FUND
COMPARATIVE BALANCE SHEET
June 30, 2011 and 2010**

ASSETS	2011	2010
Cash and investments	\$ 4,223,110	\$ 3,759,837
Restricted cash	-	-
Receivables:		
Intergovernmental	609,357	524,058
Other sources (net)	188,431	95,330
Total assets	<u>\$ 5,020,898</u>	<u>\$ 4,379,225</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 388,725	\$ 680,580
Deferred/unearned revenues	187,943	95,204
Total liabilities	<u>576,668</u>	<u>775,784</u>
Fund Balance:		
Restricted:		
Stabilization by State statute	1,069,478	880,692
Committed:		
Public safety - fire services	3,374,752	2,722,749
Total fund balance	<u>4,444,230</u>	<u>3,603,441</u>
Total liabilities and fund balance	<u>\$ 5,020,898</u>	<u>\$ 4,379,225</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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010 Actual
	Final Budget	Actual		
Revenues:				
Ad valorem taxes, including interest	\$ 7,643,395	\$ 7,594,916	\$ (48,479)	\$ 7,544,501
Other taxes	1,430,266	1,926,151	495,885	1,574,055
Miscellaneous	-	24,148	24,148	379
Intergovernmental revenue	376,109	351,730	(24,379)	210,785
Charges for services	77,800	80,214	2,414	107,173
Investment earnings	4,300	12,485	8,185	20,454
Total revenues	9,531,870	9,989,644	457,774	9,457,347
Expenditures:				
Current:				
Operating expenditures	7,771,792	7,542,270	229,522	6,747,085
Capital outlay	862,878	375,339	487,539	367,722
Payments to volunteer fire departments	790,951	635,868	155,083	721,364
Installment debt payments	1,095,705	913,414	182,291	1,135,800
Total expenditures	10,521,326	9,466,891	1,054,435	8,971,971
Revenues over (under) expenditures	(989,456)	522,753	1,512,209	485,376
Other financing sources (uses):				
Appropriated fund balance	671,420	-	(671,420)	-
Long-term debt issued	943,319	943,319	-	-
Transfers from other funds	20,258	20,258	-	-
Transfers to other funds	(645,541)	(645,541)	-	(645,541)
Total other financing sources (uses)	989,456	318,036	(671,420)	(645,541)
Revenues and other sources over (under) expenditures	\$ -	840,789	\$ 840,789	(160,165)
Fund balance - beginning of year		3,603,441		3,763,606
Fund balance - end of year		\$ 4,444,230		\$ 3,603,441

NEW HANOVER COUNTY, NORTH CAROLINA
LOCAL LAW ENFORCEMENT BLOCK GRANT FUND
COMPARATIVE BALANCE SHEET
June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ 15,977	\$ -
Receivables:		
Intergovernmental	-	72,048
Total assets	\$ 15,977	\$ 72,048
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ -	\$ 2,122
Interfund loans	-	53,998
Total liabilities	-	56,120
Fund Balance:		
Restricted:		
Public safety - Local law enforcement grant	15,977	15,928
Stabilization by State statute	-	72,048
Unassigned	-	(72,048)
Total fund balance	15,977	15,928
Total liabilities and fund balance	\$ 15,977	\$ 72,048

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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Revenues:				
Intergovernmental revenue	\$ 66,390	\$ 66,389	\$ (1)	\$ 72,171
Investment earnings	-	50	50	67
Total revenues	66,390	66,439	49	72,238
Expenditures:				
Current:				
Operating expenditures	66,390	66,390	-	72,171
Total expenditures	66,390	66,390	-	72,171
Revenues over expenditures	\$ -	49	\$ 49	67
Fund balance - beginning of year		15,928		15,861
Fund balance - end of year		\$ 15,977		\$ 15,928

NEW HANOVER COUNTY, NORTH CAROLINA
EMERGENCY TELEPHONE SYSTEM FUND-ARTICLE 3
COMPARATIVE BALANCE SHEET
June 30, 2011 and 2010

ASSETS	2011	2010
Cash and Investments	\$ 980,991	\$ 2,217,902
Receivables:		
Other sources (net)	80,606	80,606
Total assets	\$1,061,597	\$ 2,298,508
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 14,189	\$ -
Total liabilities	14,189	-
Fund Balance:		
Restricted:		
Public safety - Emergency telephone system	668,151	2,217,902
Stabilization by State statute	379,257	80,606
Total fund balance	1,047,408	2,298,508
Total liabilities and fund balance	\$ 1,061,597	\$ 2,298,508

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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Revenues:				
Other taxes	\$ 886,669	\$ 967,276	\$ 80,607	\$ 967,276
Investment earnings	-	6,189	6,189	11,016
Total revenues	886,669	973,465	86,796	978,292
Expenditures:				
Current:				
Operating expenditures	150,970	116,834	34,136	-
Capital outlay	527,355	262,840	264,515	-
Total expenditures	678,325	379,674	298,651	-
Other financing sources (uses):				
Appropriated fund balance	1,900,561	-	(1,900,561)	-
Transfers to other funds	(2,108,905)	(1,844,891)	264,014	(399,362)
Total other financing sources (uses)	(208,344)	(1,844,891)	(1,636,547)	(399,362)
Revenues over other (uses)	\$ -	(1,251,100)	\$ (1,251,100)	578,930
Fund balance - beginning of year		2,298,508		1,719,578
Fund balance - end of year		\$ 1,047,408		\$ 2,298,508

NEW HANOVER COUNTY, NORTH CAROLINA

REVOLVING LOAN PROGRAM
COMPARATIVE BALANCE SHEET

June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ 59,433	\$ 62,295
Receivables:		
Intergovernmental revenues	147	242
Total assets	<u>\$ 59,580</u>	<u>\$ 62,537</u>

FUND BALANCE

Fund Balance:		
Restricted:		
Stabilization by State statute	\$ 147	\$ 242
Assigned:		
Revolving loans	59,433	62,295
Total fund balance	<u>\$ 59,580</u>	<u>\$ 62,537</u>

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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Revenues:				
Misc revenue	\$ 7,000	\$ 22,410	\$ 15,410	\$ 8,093
Investment earnings	-	194	194	460
Total revenues	7,000	22,604	15,604	8,553
Expenditures:				
Current:				
Operating expenditures	62,289	25,561	36,728	48,242
Total expenditures	62,289	25,561	36,728	48,242
Revenues over expenditures	(55,289)	(2,957)	52,332	(39,689)
Other financing sources (uses):				
Appropriated fund balance	55,289	-	(55,289)	-
Total other financing sources (uses)	55,289	-	(55,289)	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>(2,957)</u>	<u>\$ (2,957)</u>	(39,689)
Fund balance - beginning of year		62,537		102,226
Fund balance - end of year		<u>\$ 59,580</u>		<u>\$ 62,537</u>

NEW HANOVER COUNTY, NORTH CAROLINA

PARKS FOUNDATION
COMPARATIVE BALANCE SHEET
June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ 3,761	\$ 3,760
Total assets	<u>\$ 3,761</u>	<u>\$ 3,760</u>
 FUND BALANCE 		
Fund Balance:		
Restricted:		
Parks and recreation - Parks Foundation	\$ 3,761	\$ 3,760
Total fund balance	<u>\$ 3,761</u>	<u>\$ 3,760</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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010 Actual
	Final Budget	Actual		
Revenues:				
Contributions	\$ -	\$ -	\$ -	\$ 50
Investment earnings	-	1	1	1
Total revenues	-	1	1	51
Expenditures:				
Current:				
Operating expenditures	-	-	-	-
Total expenditures	-	-	-	-
Revenues over expenditures	<u>\$ -</u>	<u>1</u>	<u>\$ 1</u>	51
Fund balance - beginning of year		3,760		3,709
Fund balance - end of year		<u>\$ 3,761</u>		<u>\$ 3,760</u>

NEW HANOVER COUNTY, NORTH CAROLINA

**AIRLIE GARDENS FOUNDATION, INC.
COMPARATIVE BALANCE SHEET**

June 30, 2011

ASSETS	2011	2010
Cash and investments	\$ 1,971,159	\$ 1,631,705
Receivables:		
Other sources (net)	6,130	3,358
Total assets	<u>\$ 1,977,289</u>	<u>\$ 1,635,063</u>
 LIABILITIES AND FUND BALANCE 		
Liabilities:		
Accounts payable	\$ 207,039	\$ 148,455
Total liabilities	<u>207,039</u>	<u>148,455</u>
Fund Balance:		
Restricted:		
Parks and recreation -		
Airlie Gardens Foundation, Inc.	1,764,120	1,483,250
Stabilization by State statute	6,130	3,358
Total fund balance	<u>1,770,250</u>	<u>1,486,608</u>
Total liabilities and fund balance	<u>\$ 1,977,289</u>	<u>\$ 1,635,063</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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010 Actual
	Final Budget	Actual		
Revenues:				
Public support and revenue	\$ -	\$ 653,194	\$ 653,194	\$ 645,416
Investment earnings	-	28,343	28,343	31,734
Miscellaneous	-	551	551	379
Total revenues	-	682,088	682,088	677,529
Expenditures:				
Current:				
Operating expenditures	-	398,446	(398,446)	592,510
Total expenditures	-	398,446	(398,446)	592,510
Revenues over (under) expenditures	<u>\$ -</u>	<u>283,642</u>	<u>\$ 283,642</u>	85,019
Fund balance - beginning of year		1,486,608		1,401,589
Fund balance - end of year		<u>\$ 1,770,250</u>		<u>\$ 1,486,608</u>

NEW HANOVER COUNTY, NORTH CAROLINA

PUBLIC HEALTH FOUNDATION
COMPARATIVE BALANCE SHEET

June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ 20,743	\$ 22,200
Total assets	<u>\$ 20,743</u>	<u>\$ 22,200</u>
 FUND BALANCE 		
Fund Balance:		
Restricted:		
Human services - Public Health Foundation	<u>\$ 20,743</u>	<u>\$ 22,200</u>
Total fund balance	<u>\$ 20,743</u>	<u>\$ 22,200</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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010 Actual
	Final Budget	Actual		
Revenues:				
Contributions	\$ -	\$ 953	\$ 953	\$ 32,877
Total revenues	-	953	953	32,877
Expenditures:				
Current:				
Operating expenditures	-	2,410	(2,410)	10,677
Total expenditures	-	2,410	(2,410)	10,677
Revenues over expenditures	\$ -	(1,457)	\$ (1,457)	22,200
Fund balance - beginning of year		22,200		-
Fund balance - end of year		<u>\$ 20,743</u>		<u>\$ 22,200</u>

NEW HANOVER COUNTY, NORTH CAROLINA

**\$164 MILLION CFCC BOND EXPENDITURE CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET**

June 30, 2011 and 2010

ASSETS	2011	2010
Restricted cash	\$ 46,067,386	\$ 63,173,922
Total assets	<u>\$ 46,067,386</u>	<u>\$ 63,173,922</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 4,737,727	\$ 172,339
Total liabilities	<u>4,737,727</u>	<u>172,339</u>
Fund Balance:		
Restricted:		
Education - \$164M CFCC bond capital project	41,329,659	63,001,583
Total fund balance	<u>41,329,659</u>	<u>63,001,583</u>
Total liabilities and fund balance	<u>\$ 46,067,386</u>	<u>\$ 63,173,922</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, 2011

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ -	\$ 384	\$ 115,088	\$ 115,472
Total revenues	-	384	115,088	115,472
Expenditures:				
Capital outlay:				
Construction	164,000,000	6,998,801	21,787,012	28,785,813
Total expenditures	164,000,000	6,998,801	21,787,012	28,785,813
Revenues (under) expenditures	(164,000,000)	(6,998,417)	(21,671,924)	(28,670,341)
Other financing sources:				
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	\$ -	63,001,583	(21,671,924)	41,329,659
Fund - beginning of year		-	63,001,583	-
Fund - end of year		\$ 63,001,583	\$ 41,329,659	\$ 41,329,659

NEW HANOVER COUNTY, NORTH CAROLINA

**\$123M SCHOOL BOND EXPENDITURE CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET
June 30, 2011 and 2010**

ASSETS	2011	2010
Cash and investments	\$ 5,322,276	\$ 43,608
Restricted cash	-	11,358,581
Total assets	<u>\$ 5,322,276</u>	<u>\$ 11,402,189</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 310	\$ 53
Total liabilities	<u>310</u>	<u>53</u>
Fund Balance:		
Restricted:		
Education - \$123 Million School Bond Capital Project	5,321,966	11,402,136
Total fund balance	<u>5,321,966</u>	<u>11,402,136</u>
Total liabilities and fund balance	<u>\$ 5,322,276</u>	<u>\$ 11,402,189</u>

NEW HANOVER COUNTY, NORTH CAROLINA

**\$123M 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, 2011**

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Intergovernmental revenue	\$ 6,524,753	\$ 6,524,753	\$ -	\$ 6,524,753
Investment earnings	3,187,924	3,247,062	(5,429)	3,241,633
Total revenues	9,712,677	9,771,815	(5,429)	9,766,386
Expenditures:				
Capital outlay:				
Construction	129,524,753	120,336,565	6,049,230	126,385,795
Contingency	-	-	-	-
Total expenditures	129,524,753	120,336,565	6,049,230	126,385,795
Revenues (under) expenditures	(119,812,076)	(110,564,750)	(6,054,659)	(116,619,409)
Other financing sources:				
Long-term debt issued	123,000,000	123,220,955	(220,955)	123,000,000
Premium on long-term debt issued	1,600,000	1,933,855	195,444	2,129,299
Transfers to other funds	(4,787,924)	(3,187,924)	-	(3,187,924)
Total other financing sources	119,812,076	121,966,886	(25,511)	121,941,375
Revenues and other sources over (under) expenditures	\$ -	11,402,136	(6,080,170)	5,321,966
Fund balance - beginning of year		-	11,402,136	-
Fund balance - end of year		\$ 11,402,136	\$ 5,321,966	\$ 5,321,966

NEW HANOVER COUNTY, NORTH CAROLINA

**\$35.5 MILLION PARKS & REC BONDS CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET
June 30, 2011 and 2010**

ASSETS	2011	2010
Cash and investments	\$ 8,468,721	\$ 11,872
Restricted cash	-	18,940,006
Receivables:		
Intergovernmental	4,896	-
Total assets	\$ 8,473,617	\$ 18,951,878
 <i>LIABILITIES AND FUND BALANCE</i>		
Liabilities:		
Accounts payable	\$ 50,099	\$ 2,791,702
Total liabilities	50,099	2,791,702
Fund Balance:		
Restricted:		
Stabilization by State statute	53,159	33,580
Parks & Recreation - capital projects	8,370,359	16,126,596
Total fund balance	8,423,518	16,160,176
Total liabilities and fund balance	\$ 8,473,617	\$ 18,951,878

NEW HANOVER COUNTY, NORTH CAROLINA

\$35.5MILLION PARKS & REC BONDS CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) -
BUDGET (GAAP BASIS) AND ACTUAL
From Inception and for the Year Ended June 30, 2011

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ 71,227	\$ 278,628	\$ 37,762	\$ 316,390
Sales tax refund	28,773	28,772	4,896	33,668
Total revenues	100,000	307,400	42,658	350,058
Expenditures:				
Capital outlay:				
Land	4,046,150	4,044,800	389	4,045,189
Construction	34,463,195	18,616,728	7,678,927	26,295,655
Total expenditures	38,509,345	22,661,528	7,679,316	30,340,844
Revenues (under) expenditures	(38,409,345)	(22,354,128)	(7,636,658)	(29,990,786)
Other financing sources:				
Long-term debt issued	35,500,000	34,179,083	-	34,179,083
Premium on long-term debt issued	-	1,325,876	-	1,325,876
Transfers to other funds	(121,805)	(6,805)	(115,000)	(121,805)
Transfers from other funds	3,031,150	3,016,150	15,000	3,031,150
Total other financing sources	38,409,345	38,514,304	(100,000)	38,414,304
Revenues and other sources over (under) expenditures	\$ -	16,160,176	(7,736,658)	8,423,518
Fund balance - beginning of year		-	16,160,176	-
Fund balance - end of year		\$ 16,160,176	\$ 8,423,518	\$ 8,423,518

NEW HANOVER COUNTY, NORTH CAROLINA
TIDAL CREEKS WATER QUALITY CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET
June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ -	\$ 149,262
Total assets	\$ -	\$ 149,262
FUND BALANCE		
Fund Balance:		
Restricted:		
Tidal Creek Water Quality	\$ -	\$ 149,262
Total fund balance	\$ -	\$ 149,262

NEW HANOVER COUNTY, NORTH CAROLINA

**TIDAL CREEKS WATER QUALITY 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, 2011**

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Intergovernmental revenues	\$ 6,525,000	\$ 6,453,087	\$ -	\$ 6,453,087
Investment earnings	87,834	311,210	257	311,467
Sales tax refund	4,384	23,269	-	23,269
Total revenues	6,617,218	6,787,566	257	6,787,823
Expenditures:				
Capital outlay:				
Land	15,433,692	15,384,475	-	15,384,475
Construction	3,746,932	3,567,235	-	3,567,235
Total expenditures	19,180,624	18,951,710	-	18,951,710
Revenues (under) expenditures	(12,563,406)	(12,164,144)	257	(12,163,887)
Other financing sources (uses):				
Long-term debt issued	10,191,418	10,191,418	-	10,191,418
Transfers from other funds	2,839,455	2,589,455	-	2,589,455
Transfers to other funds	(467,467)	(467,467)	(149,519)	(616,986)
Total other financing sources	12,563,406	12,313,406	(149,519)	12,163,887
Revenues and other sources over (under) expenditures	\$ -	149,262	(149,262)	-
Fund balance - beginning of year		-	149,262	-
Fund balance - end of year		\$ 149,262	\$ -	\$ -

NEW HANOVER COUNTY, NORTH CAROLINA

SEMH & HEALTH ADM. BUILDING CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET

June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ 3,235,763	\$ 3,260,143
Total assets	<u>\$ 3,235,763</u>	<u>\$ 3,260,143</u>
 FUND BALANCE		
Fund Balance:		
Restricted:		
Human services - SEMH & Admin. Building	\$ 3,235,763	\$ 3,260,143
Total fund balance	<u>\$ 3,235,763</u>	<u>\$ 3,260,143</u>

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, 2011

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Intergovernmental revenues	\$ 5,000,000	\$ 3,000,000	\$ -	\$ 3,000,000
Investment earnings	-	266,955	10,586	277,541
Total revenues	5,000,000	3,266,955	10,586	3,277,541
Expenditures:				
Capital outlay:				
Construction	22,946,195	6,812	34,966	41,778
Total expenditures	22,946,195	6,812	34,966	41,778
Revenues over (under) expenditures	(17,946,195)	3,260,143	(24,380)	3,235,763
Other financing sources:				
Long-term debt issued	17,946,195	-	-	-
Total other financing sources	17,946,195	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	3,260,143	(24,380)	3,235,763
Fund balance - beginning of year		-	3,260,143	-
Fund balance - end of year		<u>\$ 3,260,143</u>	<u>\$ 3,235,763</u>	<u>\$ 3,235,763</u>

NEW HANOVER COUNTY, NORTH CAROLINA
SMITH CREEK PARK CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET
June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ 62,724	\$ 518,421
Receivables:		
Intergovernmental	271,224	1,456
Total assets	\$ 333,948	\$ 519,877
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 134,146	\$ 5,370
Total liabilities	134,146	5,370
Fund Balance:		
Restricted:		
Stabilization by State statute	716,090	1,456
Assigned:		
Subsequent year's expenditures	-	513,051
Unassigned	(516,288)	-
Total fund balance	199,802	514,507
Total liabilities and fund balance	\$ 333,948	\$ 519,877

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, 2011

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Intergovernmental revenues	\$ 1,144,206	\$ 644,206	\$ 269,086	\$ 913,292
Investment earnings	78,592	81,751	1,544	83,295
Sales tax refund	-	1,456	2,138	3,594
Fees	35,000	35,000	-	35,000
Total revenues	<u>1,257,798</u>	<u>762,413</u>	<u>272,768</u>	<u>1,035,181</u>
Expenditures:				
Capital outlay:				
Construction	1,357,798	247,906	687,473	935,379
Total expenditures	<u>1,357,798</u>	<u>247,906</u>	<u>687,473</u>	<u>935,379</u>
Revenues over (under) expenditures	<u>(100,000)</u>	<u>514,507</u>	<u>(414,705)</u>	<u>99,802</u>
Other financing sources (uses):				
Transfers from other funds	115,000	-	115,000	115,000
Transfers to other funds	(15,000)	-	(15,000)	(15,000)
Total other financing sources	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>514,507</u>	<u>(314,705)</u>	<u>199,802</u>
Fund balance - beginning of year		-	514,507	-
Fund balance - end of year		<u>\$ 514,507</u>	<u>\$ 199,802</u>	<u>\$ 199,802</u>

NEW HANOVER COUNTY, NORTH CAROLINA

PUBLIC SCHOOL BUILDING CAPITAL FUND CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET
June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>
 FUND BALANCE		
Fund Balance:		
Assigned:		
Subsequent years' expenditures	<u>\$ -</u>	<u>\$ -</u>
Total fund balance	<u>\$ -</u>	<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, 2011

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Intergovernmental revenues	\$ 5,510,771	\$ 2,032,443	\$ 553,587	\$ 2,586,030
Total revenues	5,510,771	2,032,443	553,587	2,586,030
Expenditures:				
Capital outlay:				
Construction	5,510,771	2,032,443	553,587	2,586,030
Total expenditures	5,510,771	2,032,443	553,587	2,586,030
Revenues over (under) expenditures	\$ -	-	-	-
Fund balance - beginning of year		-	-	-
Fund balance - end of year		\$ -	\$ -	\$ -

NEW HANOVER COUNTY, NORTH CAROLINA

ANDERSON/OGDEN ELEMENTARY SCHOOLS CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET

June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ -	\$ 10
Total assets	<u>\$ -</u>	<u>\$ 10</u>

FUND BALANCE

Fund Balance:		
Restricted:		
Education - Anderson/Ogden Elementary	\$ -	\$ 10
Total fund balance	<u>\$ -</u>	<u>\$ 10</u>

NEW HANOVER COUNTY, NORTH CAROLINA

**ANDERSON/OGDEN ELEMENTARY SCHOOLS 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, 2011

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Intergovernmental revenues	\$ 6,949,886	\$ 6,949,886	\$ -	\$ 6,949,886
Total revenues	6,949,886	6,949,886	-	6,949,886
Expenditures:				
Capital outlay:				
Construction	11,225,710	11,225,710	-	11,225,710
Total expenditures	11,225,710	11,225,710	-	11,225,710
Revenues (under) expenditures	(4,275,824)	(4,275,824)	-	(4,275,824)
Other financing sources:				
Transfers from other funds	4,275,834	4,275,834	-	4,275,834
Transfers to other funds	(10)	-	(10)	(10)
Total other financing sources	4,275,824	4,275,834	(10)	4,275,824
Revenues and other sources over (under) expenditures	<u>\$ -</u>	10	(10)	-
Fund balance - beginning of year		-	10	-
Fund balance - end of year		<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>

NEW HANOVER COUNTY, NORTH CAROLINA

**BURN PIT CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET**

June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ 150,987	\$ 169,508
Receivables:		
Other sources (net)	-	5,569
Total assets	<u>\$ 150,987</u>	<u>\$ 175,077</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 405	\$ 2,948
Total liabilities	<u>405</u>	<u>2,948</u>
Fund Balance:		
Restricted:		
Physical and economic development - Burn Pit	150,582	172,129
Total fund balance	<u>150,582</u>	<u>172,129</u>
Total liabilities and fund balance	<u>\$ 150,987</u>	<u>\$ 175,077</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, 2011**

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Intergovernmental revenue	\$ 1,378,306	\$ 1,447,963	\$ 34,968	\$ 1,482,931
Investment earnings	266,714	269,132	555	269,687
Total revenues	1,645,020	1,717,095	35,523	1,752,618
Expenditures:				
Capital outlay:				
Utilities	81,877	62,110	1,858	63,968
Contracted services	2,056,244	1,975,958	55,212	2,031,170
Training and travel	1,899	1,898	-	1,898
Total expenditures	2,140,020	2,039,966	57,070	2,097,036
Revenues (under) expenditures	(495,000)	(322,871)	(21,547)	(344,418)
Other financing sources:				
Transfers to other funds	(130,000)	(130,000)	-	(130,000)
Transfers from other funds	625,000	625,000	-	625,000
Total other financing sources:	495,000	495,000	-	495,000
Revenues and other sources over (under) expenditures	\$ -	172,129	(21,547)	150,582
Fund balance - beginning of year		-	172,129	-
Fund balance - end of year		\$ 172,129	\$ 150,582	\$ 150,582

NEW HANOVER COUNTY, NORTH CAROLINA

QUALIFIED SCHOOL CONSTRUCTION BOND EXPENDITURE CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Restricted cash	\$ 4,685,613	\$ -
Total assets	<u>\$ 4,685,613</u>	<u>\$ -</u>
FUND BALANCE		
Fund Balance:		
Restricted:		
Education-Qualified School Construction	\$ 4,685,613	\$ -
Total fund balance	<u>\$ 4,685,613</u>	<u>\$ -</u>

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, 2011

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ -	\$ -	\$ 5,255	\$ 5,255
Total revenues	-	-	5,255	5,255
Expenditures:				
Capital outlay:				
Construction	4,925,744	-	245,386	245,386
Total expenditures	4,925,744	-	245,386	245,386
Revenues (under) expenditures	(4,925,744)	-	(240,131)	(240,131)
Other financing sources:				
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	\$ -	-	4,685,613	4,685,613
Fund (deficit) - beginning of year		-	-	-
Fund (deficit) - end of year		\$ -	\$ 4,685,613	\$ 4,685,613

NEW HANOVER COUNTY, NORTH CAROLINA

MURRAYVILLE FIRE STATION CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET
June 30, 2011 and 2010

ASSETS	2011	2010
Restricted cash	\$ 166,836	\$ 182,041
Receivables:		
Intergovernmental	-	-
Total assets	<u>\$ 166,836</u>	<u>\$ 182,041</u>
 FUND BALANCE		
Fund Balance:		
Restricted:		
Stabilization by state statute	\$ 30,808	\$ 32,128
Public safety - Murrayville Fire Station	136,028	149,913
Total fund balance	<u>\$ 166,836</u>	<u>\$ 182,041</u>

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, 2011

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ -	\$ 23,379	\$ -	\$ 23,379
Sales tax refund	-	54,036	-	54,036
Total revenues	-	77,415	-	77,415
Expenditures:				
Capital outlay:				
Construction	3,549,966	3,445,340	15,205	3,460,545
Total expenditures	3,549,966	3,445,340	15,205	3,460,545
Revenues (under) expenditures	(3,549,966)	(3,367,925)	(15,205)	(3,383,130)
Other financing sources:				
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 over (under) expenditures	\$ -	182,041	(15,205)	166,836
Fund balance - beginning of year		--	182,041	--
Fund balance - end of year		\$ 182,041	\$ 166,836	\$ 166,836

NEW HANOVER COUNTY, NORTH CAROLINA
CONTROLLED SUBSTANCE TAX CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET
June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ 46,796	\$ 44,273
Total assets	\$ 46,796	\$ 44,273
<i>LIABILITIES AND FUND BALANCE</i>		
Liabilities:		
Accounts payable	\$ 1,829	\$ 8,499
Total liabilities	1,829	8,499
Fund Balance:		
Restricted:		
Public safety - controlled substance tax	44,967	35,774
Total fund balance	44,967	35,774
Total liabilities and fund balance	\$ 46,796	\$ 44,273

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, 2011

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Intergovernmental revenue	\$ 1,134,443	\$ 1,085,574	\$ 71,766	\$ 1,157,340
Miscellaneous	49,707	49,707	-	49,707
Investment earnings	28,993	28,904	103	29,007
Total revenues	<u>1,213,143</u>	<u>1,164,185</u>	<u>71,869</u>	<u>1,236,054</u>
Expenditures:				
Supplies	544,831	467,877	56,490	524,367
Capital outlay	614,219	608,032	6,186	614,218
Contracted services	20,444	18,853	-	18,853
Total expenditures	<u>1,179,494</u>	<u>1,094,762</u>	<u>62,676</u>	<u>1,157,438</u>
Revenues over (under) expenditures	<u>33,649</u>	<u>69,423</u>	<u>9,193</u>	<u>78,616</u>
Other financing (uses):				
Transfers to other funds	(33,649)	(33,649)	-	(33,649)
Total other financing (uses)	<u>(33,649)</u>	<u>(33,649)</u>	<u>-</u>	<u>(33,649)</u>
Revenues over (under) expenditures and other financing (uses)	<u>\$ -</u>	<u>35,774</u>	<u>9,193</u>	<u>44,967</u>
Fund balance - beginning of year		-	35,774	-
Fund balance - end of year		<u>\$ 35,774</u>	<u>\$ 44,967</u>	<u>\$ 44,967</u>

NEW HANOVER COUNTY, NORTH CAROLINA

**FEDERAL FORFEITED PROPERTY CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET**

June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ 296,704	\$ 37,084
Total assets	<u>\$ 296,704</u>	<u>\$ 37,084</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 9,732	\$ 6,157
Total liabilities	<u>9,732</u>	<u>6,157</u>
Fund Balance:		
Restricted:		
Stabilization by State statute	17,653	-
Public safety - Federal forfeited property	269,319	30,927
Total fund balance	<u>286,972</u>	<u>30,927</u>
Total liabilities and fund balance	<u>\$ 296,704</u>	<u>\$ 37,084</u>

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, 2011

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Intergovernmental revenue	\$ 4,712,696	\$ 4,224,937	\$ 428,650	\$ 4,653,587
Miscellaneous	174,170	174,170	-	174,170
Investment earnings	39,376	39,229	284	39,513
Total revenues	4,926,242	4,438,336	428,934	4,867,270
Expenditures:				
Supplies	1,001,312	653,278	64,330	717,608
Capital outlay	2,929,280	2,758,483	108,559	2,867,042
Construction	131,465	131,463	-	131,463
Total expenditures	4,062,057	3,543,224	172,889	3,716,113
Revenues over expenditures	864,185	895,112	256,045	1,151,157
Other financing (uses):				
Transfers to other funds	(864,185)	(864,185)	-	(864,185)
Total other financing (uses)	(864,185)	(864,185)	-	(864,185)
Revenues over expenditures and other financing (uses)	\$ -	30,927	256,045	286,972
Fund balance - beginning of year		-	30,927	-
Fund balance - end of year		\$ 30,927	\$ 286,972	\$ 286,972

NEW HANOVER COUNTY, NORTH CAROLINA

**\$38.3M CFCC BOND EXPENDITURE CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET
June 30, 2011 and 2010**

ASSETS	2011	2010
Restricted cash	\$ 12,739	\$ 76,062
Total assets	<u>\$ 12,739</u>	<u>\$ 76,062</u>
 FUND BALANCE		
Fund Balance:		
Restricted:		
Education - \$38.3M CFCC bond capital project	\$ 12,739	\$ 76,062
Total fund balance	<u>\$ 12,739</u>	<u>\$ 76,062</u>

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, 2011**

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ 2,297,424	\$ 2,373,487	\$ (63,323)	\$ 2,310,164
Total revenues	2,297,424	2,373,487	(63,323)	2,310,164
Expenditures:				
Capital outlay:				
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)	(35,926,514)	(63,323)	(35,989,837)
Other financing sources (uses):				
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 over (under) expenditures	\$ -	76,062	(63,323)	12,739
Fund balance - beginning of year		-	76,062	-
Fund balance - end of year		\$ 76,062	\$ 12,739	\$ 12,739

NEW HANOVER COUNTY, NORTH CAROLINA

CFCC PUBLIC SAFETY TRAINING CENTER CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET

June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ -	\$ 46,791
Total assets	<u>\$ -</u>	<u>\$ 46,791</u>
 LIABILITIES AND FUND BALANCE		
Fund Balance:		
Committed:		
Education - CFCC public safety training center	\$ -	\$ 46,791
Total fund balance	<u>\$ -</u>	<u>\$ 46,791</u>

NEW HANOVER COUNTY, NORTH CAROLINA

**CFCC PUBLIC SAFETY TRAINING CENTER 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, 2011

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ 40,516	\$ 40,436	\$ 79	\$ 40,515
Total revenues	40,516	40,436	79	40,515
Expenditures:				
Capital outlay:				
Construction	3,500,000	3,493,645	6,354	3,499,999
Total expenditures	3,500,000	3,493,645	6,354	3,499,999
Revenues (under) expenditures	(3,459,484)	(3,453,209)	(6,275)	(3,459,484)
Other financing sources:				
Transfers from other funds	3,500,000	3,500,000	-	3,500,000
Transfers to other funds	(40,516)	-	(40,516)	(40,516)
Total other financing sources	3,459,484	3,500,000	(40,516)	3,459,484
Revenues and other sources over (under) expenditures	\$ -	46,791	(46,791)	-
Fund balance - beginning of year		-	46,791	-
Fund balance - end of year		\$ 46,791	\$ -	\$ -

NEW HANOVER COUNTY, NORTH CAROLINA

**MASONS INLET RELOCATION CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET**

June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ 370,310	\$ 504,839
Total assets	<u>\$ 370,310</u>	<u>\$ 504,839</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 14,950	\$ -
Total liabilities	<u>14,950</u>	<u>-</u>
Fund Balance:		
Restricted:		
Stabilization by State statute	161,747	160,954
Committed:		
Economic & physical development- Masons Inlet relocation	<u>193,613</u>	<u>343,885</u>
Total fund balance	<u>355,360</u>	<u>504,839</u>
Total liabilities and fund balance	<u>\$ 370,310</u>	<u>\$ 504,839</u>

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, 2011

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ -	\$ 131,318	\$ 1,405	\$ 132,723
Sales tax refund	-	162	-	162
Total revenues	-	131,480	1,405	132,885
Expenditures:				
Capital outlay:				
Construction	10,246,639	9,873,280	150,884	10,024,164
Land	340,153	340,153	-	340,153
Total expenditures	10,586,792	10,213,433	150,884	10,364,317
Revenues (under) expenditures	(10,586,792)	(10,081,953)	(149,479)	(10,231,432)
Other financing sources:				
Transfers from other funds	10,586,792	10,586,792	-	10,586,792
Total other financing sources	10,586,792	10,586,792	-	10,586,792
Revenues and other sources over (under) expenditures	\$ -	504,839	(149,479)	355,360
Fund balance - beginning of year		-	504,839	-
Fund balance - end of year		\$ 504,839	\$ 355,360	\$ 355,360

NEW HANOVER COUNTY, NORTH CAROLINA
FUTURE JAIL EXPANSION CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET
June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ -	\$ 5,391
Total assets	\$ -	\$ 5,391
FUND BALANCE		
Fund Balance:		
Restricted:		
Public safety - Future jail expansion	\$ -	\$ 5,391
Total fund balance	\$ -	\$ 5,391

NEW HANOVER COUNTY, NORTH CAROLINA

**FUTURE JAIL EXPANSION 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, 2011**

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ 6,994	\$ 6,994	\$ -	\$ 6,994
Total revenues	6,994	6,994	-	6,994
Expenditures:				
Capital outlay:				
Land	5,380,100	5,380,100	-	5,380,100
Construction	9,603	9,603	-	9,603
Total expenditures	5,389,703	5,389,703	-	5,389,703
Revenues over (under) expenditures	(5,382,709)	(5,382,709)	-	(5,382,709)
Other financing sources (uses):				
Long-term debt issued	5,388,100	5,388,100	-	5,388,100
Transfers to other funds	(5,391)	-	(5,391)	(5,391)
Total other financing sources	5,382,709	5,388,100	(5,391)	5,382,709
Revenues and other sources over expenditures	\$ -	5,391	(5,391)	-
Fund balance - beginning of year		-	5,391	-
Fund balance - end of year		\$ 5,391	\$ -	\$ -

NEW HANOVER COUNTY, NORTH CAROLINA
SCATTERED SITE HOUSING CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET
June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ -	\$ -
Receivables:		
Intergovernmental	-	394
Total assets	\$ -	\$ 394
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ -	\$ -
Interfund loan	8,885	8,279
Total liabilities	8,885	8,279
Fund Balance:		
Restricted:		
Stabilization by State statute	-	1,000
Unassigned	(8,885)	(8,885)
Total fund balance	(8,885)	(7,885)
Total liabilities and fund balance	\$ -	\$ 394

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, 2011**

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Intergovernmental revenue	\$ 2,100,000	\$ 1,154,216	\$ -	\$ 1,154,216
Sales tax refund	-	1,284	-	1,284
Investment earnings	-	5,364	-	5,364
Total revenues	<u>2,100,000</u>	<u>1,160,864</u>	<u>-</u>	<u>1,160,864</u>
Expenditures:				
Capital outlay:				
Construction	2,076,657	1,145,406	1,000	1,146,406
Total expenditures	<u>2,076,657</u>	<u>1,145,406</u>	<u>1,000</u>	<u>1,146,406</u>
Revenues over (under) expenditures	<u>23,343</u>	<u>15,458</u>	<u>(1,000)</u>	<u>14,458</u>
Other financing (uses):				
Transfers to other funds	(23,343)	(23,343)	-	(23,343)
Total other financing (uses)	<u>(23,343)</u>	<u>(23,343)</u>	<u>-</u>	<u>(23,343)</u>
Revenues over (under) expenditures and other financing (uses)	<u>\$ -</u>	<u>(7,885)</u>	<u>(1,000)</u>	<u>(8,885)</u>
Fund balance - beginning of year		-	(7,885)	-
Fund balance - end of year		<u>\$ (7,885)</u>	<u>\$ (8,885)</u>	<u>\$ (8,885)</u>

NEW HANOVER COUNTY, NORTH CAROLINA

COMPUTER SYSTEMS IMPROVEMENTS CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET

June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ -	\$ 123,418
Total assets	<u>\$ -</u>	<u>\$ 123,418</u>
 FUND BALANCE		
Fund Balance:		
Restricted:		
General government - Computer system improvement	\$ -	\$ 123,418
Total fund balance	<u>\$ -</u>	<u>\$ 123,418</u>

NEW HANOVER COUNTY, NORTH CAROLINA

**COMPUTER SYSTEM IMPROVEMENTS 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, 2011**

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Expenditures:				
Capital outlay:				
Construction	\$ 2,369,541	\$ 2,376,582	\$ -	\$ 2,376,582
Contingencies	7,041	-	-	-
Total expenditures	<u>2,376,582</u>	<u>2,376,582</u>	<u>-</u>	<u>2,376,582</u>
Revenues (under) expenditures	<u>(2,376,582)</u>	<u>(2,376,582)</u>	<u>-</u>	<u>(2,376,582)</u>
Other financing sources:				
Long-term debt issued	2,500,000	2,500,000	-	2,500,000
Transfer to other funds	(123,418)	-	(123,418)	(123,418)
Total other financing sources	<u>2,376,582</u>	<u>2,500,000</u>	<u>(123,418)</u>	<u>2,376,582</u>
Revenues and other sources over expenditures	<u>\$ -</u>	123,418	(123,418)	-
Fund balance - beginning of year		-	123,418	-
Fund balance - end of year		<u>\$ 123,418</u>	<u>\$ -</u>	<u>\$ -</u>

NEW HANOVER COUNTY, NORTH CAROLINA
AIRPORT IMPROVEMENTS CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET
June 30, 2011 and 2010

ASSETS	2011	2010
Cash and investments	\$ -	\$ 84,915
Total assets	\$ -	\$ 84,915
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ -	\$ 72,441
Due to component unit	-	-
Total liabilities	-	72,441
Fund balance:		
Committed:		
Airport improvements	-	12,474
Total fund balance	-	12,474
Total liabilities and fund balance	\$ -	\$ 84,915

NEW HANOVER COUNTY, NORTH CAROLINA

**AIRPORT IMPROVEMENTS 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, 2011

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ -	\$ 187,568	\$ -	\$ 187,568
Miscellaneous revenue	-	-	72,441	72,441
Total revenues	-	187,568	72,441	260,009
Expenditures:				
Capital outlay:				
Construction	6,677,710	352,804	-	352,804
Total expenditures	6,677,710	352,804	-	352,804
Revenues over (under) expenditures	(6,677,710)	(165,236)	72,441	(92,795)
Other financing sources:				
Long-term debt issued	6,500,000	-	-	-
Transfers to other funds	(707,205)	(622,290)	(84,915)	(707,205)
Transfers from other funds	800,000	800,000	-	800,000
Total other financing sources	6,592,795	177,710	(84,915)	92,795
Revenues and other sources over expenditures	<u>\$ (84,915)</u>	12,474	(12,474)	-
Fund balance - beginning of year		-	12,474	-
Fund balance - end of year		<u>\$ 12,474</u>	<u>\$ -</u>	<u>\$ -</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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010 Actual
	Budget	Actual		
Revenues:				
Charges for service	\$ 12,645,150	\$ 11,475,857	\$ (1,169,293)	\$ 12,187,502
Intergovernmental revenues	88,750	426,673	337,923	368,072
Other	76,475	810,081	733,606	361,258
Total revenues	12,810,375	12,712,611	(97,764)	12,916,832
Expenditures:				
Current:				
Salaries and benefits	4,215,723	4,150,692	65,031	4,414,982
Operating expenditures	8,616,521	7,179,286	1,437,235	7,871,320
Installment debt payments	480,787	330,479	150,308	457,339
Debt service (principal and interest) and fees	188,150	188,150	-	212,392
Capital expenditures	-	-	-	394,578
Total expenditures	13,501,181	11,848,607	1,652,574	13,350,611
Revenues over (under) expenditures	(690,806)	864,004	1,554,810	(433,779)
Other financing sources (uses):				
Long-term debt issued	-	-	-	665,755
Premium on long-term debt issued	-	-	-	57,506
Payments to refunded bond escrow agent	-	-	-	(717,439)
Transfers from other funds	461,061	461,061	-	-
Transfers to other funds	-	-	-	(1,505,828)
Appropriated fund balance	229,745	-	(229,745)	-
Total other financing sources (uses)	690,806	461,061	(229,745)	(1,500,006)
Revenues and other sources over (under) expenditures and other (uses)	\$ -	\$ 1,325,065	\$ 1,325,065	\$ (1,933,785)
Reconciliation of modified accrual basis to full accrual basis:				
Revenues and other sources (under) expenditures and other (uses)	\$ 1,325,065			\$ (1,933,785)
Revenues and other sources - capital project funds	28			23
Accrued vacation	88,214			6,764
Depreciation and amortization expenses	(2,173,124)			(2,255,369)
Capital outlay, costs, capitalized	55,341			394,840
Long-term debt proceeds, premiums	-			(723,261)
Payments to refunded bond escrow agent	-			717,439
Principal payments on debt	455,978			571,412
Interest expense accrual	3,996			6,682
Effect of debt refinancing, premiums fees capitalized	-			(32,946)
Loss on disposal of assets	(3,346)			-
Transfer (from) to capital project	(16,061)			1,505,828
Change in net assets	\$ (263,909)			\$ (1,742,373)

NEW HANOVER COUNTY, NORTH CAROLINA

**ENVIRONMENTAL MANAGEMENT FUND
CELL 6D 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, 2011**

	Total Project Estimate	Actual to June 30, 2011		
		Reported In Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ 51	\$ 23	\$ 28	\$ 51
Sales tax refund	-	-	-	-
Total revenues	51	23	28	51
Expenditures:				
Capital outlay:				
Construction	1,489,818	1,489,818	-	1,489,818
Total expenditures	1,489,818	1,489,818	-	1,489,818
Revenues (under) expenditures	(1,489,767)	(1,489,795)	28	(1,489,767)
Other financing sources:				
Transfers from other funds	1,505,828	1,505,828	-	1,505,828
Transfers to other funds	(16,061)	-	(16,061)	(16,061)
Total other financing sources	1,489,767	1,505,828	(16,061)	1,489,767
Revenues and other sources over (under) expenditures	\$ -	\$ 16,033	\$ (16,033)	\$ -

NEW HANOVER COUNTY, NORTH CAROLINA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2011**

	Balance			Balance
	June 30, 2010	Additions	Deductions	June 30, 2011
ROOM OCCUPANCY TAX AGENCY FUND				
Assets				
Cash and investments	\$ 394,559	\$ 13,750,662	\$ 13,696,476	\$ 448,745
Receivables	489,052	492,876	489,054	492,874
Total assets	<u>\$ 883,611</u>	<u>\$ 14,243,538</u>	<u>\$ 14,185,530</u>	<u>\$ 941,619</u>
Liabilities				
Accounts payable	\$ 396,056	\$ 4,145,811	\$ 4,091,624	\$ 450,243
Due to other governmental units	487,555	10,097,727	10,093,906	491,376
Total liabilities	<u>\$ 883,611</u>	<u>\$ 14,243,538</u>	<u>\$ 14,185,530</u>	<u>\$ 941,619</u>
TAX CLEARING AGENCY FUND				
Assets				
Cash and investments	\$ 285,955	\$ 63,041,452	\$ 63,036,358	\$ 291,049
Receivables	2,325,533	62,709,586	62,563,377	2,471,742
Total assets	<u>\$ 2,611,488</u>	<u>\$ 125,751,038</u>	<u>\$ 125,599,735</u>	<u>\$ 2,762,791</u>
Liabilities				
Due to other governmental units	\$ 2,611,488	\$ 125,751,038	\$ 125,599,735	\$ 2,762,791
Due to NC Department of Motor Vehicles	-	58,503	58,503	-
Total liabilities	<u>\$ 2,611,488</u>	<u>\$ 125,809,541</u>	<u>\$ 125,658,238</u>	<u>\$ 2,762,791</u>
SOCIAL SERVICES AGENCY FUND				
Assets				
Cash and investments	\$ 233,460	\$ 723,332	\$ 739,571	\$ 217,221
Total assets	<u>\$ 233,460</u>	<u>\$ 723,332</u>	<u>\$ 739,571</u>	<u>\$ 217,221</u>
Liabilities				
Accounts payable	\$ 29,439	\$ 367,293	\$ 372,438	\$ 24,294
Escrow funds	204,021	356,039	367,133	192,927
Total liabilities	<u>\$ 233,460</u>	<u>\$ 723,332</u>	<u>\$ 739,571</u>	<u>\$ 217,221</u>
OTHER ESCROWS AGENCY FUND				
Assets				
Cash and investments	\$ 13,135,925	\$ 5,653,502	\$ 6,187,234	\$ 12,602,193
Receivables	401,024	75,070	401,024	75,070
Total assets	<u>\$ 13,536,949</u>	<u>\$ 5,728,572</u>	<u>\$ 6,588,258</u>	<u>\$ 12,677,263</u>
Liabilities				
Accounts payable	\$ 240,829	\$ 1,858,590	\$ 1,988,738	\$ 110,681
Due to NC Treasurer-ROD Deed of Trust	-	45,355	45,355	-
Escrow funds	13,296,120	3,869,982	4,599,520	12,566,582
Total liabilities	<u>\$ 13,536,949</u>	<u>\$ 5,773,927</u>	<u>\$ 6,633,613</u>	<u>\$ 12,677,263</u>
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and investments	\$ 14,049,899	\$ 83,168,948	\$ 83,659,639	\$ 13,559,208
Receivables	3,215,609	63,277,532	63,453,455	3,039,686
Total assets	<u>\$ 17,265,508</u>	<u>\$ 146,446,480</u>	<u>\$ 147,113,094</u>	<u>\$ 16,598,894</u>
Liabilities				
Accounts payable	\$ 666,324	\$ 6,371,694	\$ 6,452,800	\$ 585,218
Due to other governmental units	3,099,043	135,848,765	135,693,641	3,254,167
Due to NC Department of Motor Vehicles	-	58,503	58,503	-
Due to NC Treasurer-ROD Deed of Trust	-	45,355	45,355	-
Escrow funds	13,500,141	4,226,021	4,966,653	12,759,509
Total liabilities	<u>\$ 17,265,508</u>	<u>\$ 146,550,338</u>	<u>\$ 147,216,952</u>	<u>\$ 16,598,894</u>



NEW HANOVER COUNTY, NORTH CAROLINA

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Governmental funds capital assets:		
Land	\$ 42,635,029	\$ 38,001,399
Buildings	135,066,435	135,072,255
Improvements other than buildings	23,630,425	22,602,938
Equipment and vehicles	44,803,413	51,069,775
Construction in progress	7,599,237	5,381,335
	<hr/>	<hr/>
Total governmental funds capital assets	\$ 253,734,539	\$ 252,127,702
	<hr/>	<hr/>
Investment in governmental funds capital assets by source:		
General obligation bonds	\$ 19,667,383	\$ 14,409,931
Federal and state grants	21,316,439	21,392,874
General fund revenues	205,461,722	209,141,586
Contributions	4,336,817	4,336,817
Gifts and other donated	2,952,178	2,846,494
	<hr/>	<hr/>
Total governmental funds capital assets	\$ 253,734,539	\$ 252,127,702
	<hr/>	<hr/>

NEW HANOVER COUNTY, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
June 30, 2011

FUNCTION AND ACTIVITY	TOTAL	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS	EQUIPMENT AND VEHICLES
General Government:					
Governing Body	\$ 14,694,519	\$ 855,738	\$ 12,724,096	\$ 837,873	\$ 276,812
County Manager	17,643,062	285,450	16,478,929	60,366	818,317
Human Resources	65,614	-	-	5,466	60,148
Finance	71,353	-	-	-	71,353
Information Technology	5,027,956	-	-	138,265	4,889,691
Tax Administration	469,773	16,461	-	136,815	316,497
Legal	16,524	-	-	-	16,524
Elections	902,494	-	-	-	902,494
Register of Deeds	790,122	-	-	-	790,122
Property Management	2,219,363	-	620,282	376,869	1,222,212
Engineering	921,615	876,890	-	-	44,725
Planning	6,879,058	6,833,825	-	-	45,233
Total general government	49,701,453	8,868,364	29,823,307	1,555,654	9,454,128
Human Services:					
Health	6,626,910	-	3,998,447	148,565	2,479,898
Public Assistance	7,104,360	500,000	5,212,579	233,119	1,158,662
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	16,764,141	500,000	11,228,380	780,157	4,255,604
Public Safety:					
Public Safety Communications Center	1,184,030	-	-	-	1,184,030
Sheriff	65,036,848	5,396,703	49,494,834	315,581	9,829,730
Emergency Management	12,748,262	-	2,263,382	764,063	9,720,817
Clerk of Court	19,651,392	-	18,819,599	639,683	192,110
Inspections	348,328	-	-	20,855	327,473
Fire Operations	12,389,936	377,686	4,467,244	334,147	7,210,859
Juvenile Services	1,176,765	7,000	1,128,558	-	41,207
Total public safety	112,535,561	5,781,389	76,173,617	2,074,329	28,506,226
Culture and Recreation:					
Library	13,697,924	392,720	12,573,068	113,950	618,186
Parks and Recreation	33,757,909	15,423,161	209,340	16,864,063	1,261,345
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	67,134,147	27,485,276	17,841,131	19,220,285	2,587,455
Total	246,135,302	42,635,029	135,066,435	23,630,425	44,803,413
Construction in Progress	7,599,237				
Total governmental funds capital assets	<u>\$ 253,734,539</u>				

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, 2011

Function and Activity	Governmental Funds Capital Assets				Governmental Funds Capital Assets June 30, 2011
	June 30, 2010	Additions	Deductions	Transfers	
General Government:					
Governing Body	\$ 14,700,586	\$ -	\$ 6,067	\$ -	\$ 14,694,519
County Manager	17,879,203	-	236,141	-	17,643,062
Human Resources	66,928	30,361	31,675	-	65,614
Budget	14,433	-	14,433	-	-
Finance	72,053	-	700	-	71,353
Information Technology Systems	5,182,593	101,783	256,420	-	5,027,956
Tax Administration	608,599	13,307	152,133	-	469,773
Legal	19,730	-	3,206	-	16,524
Elections	911,659	-	9,165	-	902,494
Register of Deeds	950,312	-	160,190	-	790,122
Property Management	2,262,726	-	43,363	-	2,219,363
Engineering	936,618	-	15,003	-	921,615
Planning	7,162,666	-	283,608	-	6,879,058
Total general government	50,768,106	145,451	1,212,104	-	49,701,453
Human Services:					
Health	7,042,090	94,951	510,131	-	6,626,910
Veterans Services	998	-	998	-	-
Public Assistance	7,323,502	256,951	476,093	-	7,104,360
Human Services Transportation System	608,090	-	114,766	-	493,324
Human Relations	32,684	-	20,714	-	11,970
Aging Services	2,474,870	104,980	52,273	-	2,527,577
Total human services	17,482,234	456,882	1,174,975	-	16,764,141
Public Safety:					
Public Safety Communications Center	1,187,570	-	3,540	-	1,184,030
Sheriff	68,924,556	898,058	4,785,766	-	65,036,848
Emergency Management	12,842,595	46,471	140,804	-	12,748,262
Clerk of Court	19,706,528	-	55,136	-	19,651,392
Inspections	488,500	-	140,172	-	348,328
Fire Operations	11,733,556	734,524	78,144	-	12,389,936
Juvenile Services	1,197,328	-	20,563	-	1,176,765
Total public safety	116,080,633	1,679,053	5,224,125	-	112,535,561
Culture and Recreation:					
Library	14,140,643	-	442,719	-	13,697,924
Parks and Recreation	28,569,840	5,354,699	166,630	-	33,757,909
Museum	5,318,011	63,708	77,506	-	5,304,213
Cooperative Extension Service	803,600	30,704	1,348	-	832,956
Airlie Gardens	13,583,300	-	42,155	-	13,541,145
Total culture and recreation	62,415,394	5,449,111	730,358	-	67,134,147
Total	246,746,367	7,730,497	8,341,562	-	246,135,302
Construction in Progress	5,381,335	8,758,830	6,540,928	-	7,599,237
Total governmental funds capital assets	\$252,127,702	\$16,489,327	\$14,882,490	\$0	\$253,734,539



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)

	Fiscal Year		
	2002	2003	2004
Governmental activities:			
Invested in capital assets, net of related debt	\$ 44,561,882	\$ 50,593,901	\$ 52,356,061
Restricted	20,470,096	22,260,554	24,295,051
Unrestricted (deficit)	(134,640,896)	(123,302,197)	(105,039,478)
Total governmental activities net assets	\$ (69,608,918)	\$ (50,447,742)	\$ (28,388,366)
Business-type activities:			
Invested in capital assets, net of related debt	\$ 77,363,506	\$ 81,944,393	\$ 95,420,626
Restricted	-	-	-
Unrestricted	31,093,254	37,279,721	40,949,197
Total business-type activities net assets	\$ 108,456,760	\$ 119,224,114	\$ 136,369,823
Primary government:			
Invested in capital assets, net of related debt	\$ 121,925,388	\$ 132,538,294	\$ 147,776,687
Restricted	20,470,096	22,260,554	24,295,051
Unrestricted (deficit)	(103,547,642)	(86,022,476)	(64,090,281)
Total primary government net assets	\$ 38,847,842	\$ 68,776,372	\$ 107,981,457

							Fiscal Year	
2005	2006	2007	2008	2009	2010	2011		
\$ 48,307,214	\$ 59,002,384	\$ 72,043,292	\$ 67,481,986	\$ 83,439,070	\$ 55,968,137	\$ 58,853,344		
28,053,183	29,964,424	34,667,984	39,177,585	44,795,381	45,015,518	130,178,769		
(92,508,730)	(88,071,607)	(103,984,499)	(110,557,739)	(176,522,103)	(172,250,627)	(247,409,219)		
<u>\$ (16,148,333)</u>	<u>\$ 895,201</u>	<u>\$ 2,726,777</u>	<u>\$ (3,898,168)</u>	<u>\$ (48,287,652)</u>	<u>\$ (71,266,972)</u>	<u>\$ (58,377,106)</u>		
\$ 102,451,280	\$ 122,905,015	\$ 149,121,226	\$ 178,756,569	\$ 15,175,229	\$ 16,238,444	\$ 14,575,511		
48,129,812	44,494,678	33,168,433	13,176,137	(7,973,065)	(9,889,909)	(8,490,885)		
<u>\$ 150,581,092</u>	<u>\$ 167,399,693</u>	<u>\$ 182,289,659</u>	<u>\$ 191,932,706</u>	<u>\$ 7,202,164</u>	<u>\$ 6,348,535</u>	<u>\$ 6,084,626</u>		
\$ 150,758,494	\$ 181,907,399	\$ 221,164,518	\$ 246,238,555	\$ 98,614,299	\$ 72,206,581	\$ 73,428,855		
28,053,183	29,964,424	34,667,984	39,177,585	46,200,679	45,015,518	130,178,769		
(44,378,918)	(43,576,929)	(70,816,066)	(97,381,602)	(185,900,466)	(182,140,536)	(255,900,104)		
<u>\$ 134,432,759</u>	<u>\$ 168,294,894</u>	<u>\$ 185,016,436</u>	<u>\$ 188,034,538</u>	<u>\$ (41,085,488)</u>	<u>\$ (64,918,437)</u>	<u>\$ (52,292,480)</u>		

NEW HANOVER COUNTY, NORTH CAROLINA

Table 2

Changes in Net Assets

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal Year		
	2002	2003	2004
Expenses:			
Governmental activities:			
General government	\$ 26,182,339	\$ 25,360,597	\$ 22,930,685
Human services	52,699,244	55,843,890	56,599,476
Public safety	30,732,631	33,259,659	41,202,875
Economic and physical development	1,695,455	1,867,281	1,944,882
Environmental Protection	-	-	-
Culture and recreation	9,446,006	5,844,867	10,346,308
Education	97,394,434	68,568,190	62,175,007
Interest and fees on long-term debt	13,260,979	14,372,648	13,167,607
Total governmental activities expenses	231,411,088	205,117,132	208,366,840
Business-type activities:			
Water and Sewer District	10,117,317	10,949,204	10,852,350
Environmental Management	10,977,908	12,319,682	10,603,313
Total business-type activities expenses	21,095,225	23,268,886	21,455,663
Total primary government expenses	\$ 252,506,313	\$ 228,386,018	\$ 229,822,503
Program revenues:			
Governmental activities:			
Charges for services:			
General government	\$ 2,622,706	\$ 3,338,308	\$ 3,719,408
Human services	1,132,345	1,140,026	1,245,438
Public safety	4,841,740	4,832,674	5,770,241
Economic and physical development	-	32,362	15,884
Environmental protection	-	-	-
Culture and recreation	276,772	335,795	384,704
Operating grants and contributions	37,987,465	37,436,121	39,977,442
Capital grants and contributions	5,925,750	21,030,215	5,879,384
Total governmental activities program revenues	52,786,778	68,145,501	56,992,501
Business-type activities:			
Charges for services:			
Water and Sewer District	9,293,945	10,174,249	11,051,713
Environmental Management	8,372,195	12,093,839	12,359,404
Operating grants and contributions	297,912	862,228	319,562
Capital grants and contributions	7,974,116	6,988,844	12,280,800
Total business-type activities program revenues	25,938,168	30,119,160	36,011,479
Total primary government program revenues	\$ 78,724,946	\$ 98,264,661	\$ 93,003,980

Source: County records.

		Fiscal Year						
		2005	2006	2007	2008	2009	2010	2011
\$	22,735,211	\$ 28,646,061	\$ 25,075,713	\$ 37,732,749	\$ 36,390,593	\$ 43,718,901	\$	36,568,270
	59,656,469	59,482,529	61,763,804	62,746,345	58,923,066	53,703,464		52,463,115
	50,863,103	52,164,537	56,064,864	56,865,683	57,968,693	56,726,590		58,689,889
	1,625,159	2,589,960	4,666,707	3,192,042	2,537,751	5,934,637		2,590,876
	-	-	-	-	178,589	-		-
	8,953,895	10,779,828	11,388,613	11,746,120	21,404,716	15,257,799		13,046,607
	65,419,664	76,306,547	87,853,626	98,176,881	122,419,312	100,584,303		96,348,851
	14,383,524	13,813,775	14,400,529	14,209,311	15,825,728	15,296,312		17,842,985
	223,637,025	243,783,237	261,213,856	284,669,131	315,648,448	291,222,006		277,550,593
	12,012,782	12,713,572	15,163,822	20,166,337	-	-		-
	12,013,594	12,125,044	13,628,225	14,441,845	14,102,891	13,981,178		13,418,203
	24,026,376	24,838,616	28,792,047	34,608,182	14,102,891	13,981,178		13,418,203
\$	247,663,401	268,621,853	290,005,903	319,277,313	329,751,339	305,203,184	\$	290,968,796
\$	3,745,357	\$ 4,155,603	\$ 3,964,266	\$ 3,863,383	\$ 3,427,781	\$ 3,186,784	\$	3,149,377
	1,292,818	1,349,844	1,341,106	1,913,407	2,210,078	1,948,892		1,924,882
	6,095,398	6,176,537	5,631,483	5,161,256	4,322,688	3,499,298		3,322,685
	180,993	18,256	-	-	2,877,649	-		-
	-	-	-	-	7,320	-		-
	317,205	310,590	323,016	320,428	1,190,437	294,407		317,941
	40,596,299	38,480,337	39,296,595	39,611,425	41,290,965	43,499,099		42,960,426
	1,184,293	7,469,412	2,738,000	8,575,692	2,115,369	6,429,061		1,576,193
	53,412,363	57,960,579	53,294,466	59,445,591	57,442,287	58,857,541		53,251,504
	11,937,188	13,004,665	15,733,105	16,018,463	-	-		-
	13,707,987	13,744,115	14,011,076	13,148,959	12,966,160	12,548,760		12,282,592
	355,797	409,913	516,394	1,636,025	365,405	368,072		426,674
	8,602,855	9,767,281	8,998,927	8,621,273	-	-		-
	34,603,827	36,925,974	39,259,502	39,424,720	13,331,565	12,916,832		12,709,266
\$	88,016,190	94,886,553	92,553,968	98,870,311	70,773,852	71,774,373	\$	65,960,770

NEW HANOVER COUNTY, NORTH CAROLINA
Table 2 (CONTINUED)
Changes in Net Assets
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year		
	2002	2003	2004
Net (expense)/revenue:			
Governmental activities	\$ (178,624,310)	\$ (136,971,631)	\$ (151,374,339)
Business-type activities	4,839,238	6,850,440	14,555,816
Total primary government net expense	\$ (173,785,072)	\$ (130,121,191)	\$ (136,818,523)
General revenues and other changes in net assets:			
Governmental activities:			
Taxes:			
Property taxes	\$ 116,305,387	\$ 120,466,313	\$ 122,709,618
Sales taxes	30,869,430	30,659,871	41,610,428
Room occupancy taxes	2,704,805	3,251,876	3,001,420
Other taxes	2,292,454	1,882,336	2,664,525
Investment earnings	3,170,496	1,747,814	2,050,325
Miscellaneous	428,169	1,405,511	1,181,911
Transfers	(4,824,132)	(3,280,914)	(1,907,304)
Total governmental activities	150,946,609	156,132,807	171,310,923
Business-type activities:			
Investment earnings	967,226	636,166	682,589
Special item - net assets contributed to CFPUA and other funds	-	-	-
Transfers	4,824,132	3,280,914	1,907,304
Total business-type activities	5,791,358	3,917,080	2,589,893
Total primary government	\$ 156,737,967	\$ 160,049,887	\$ 173,900,816
Change in net assets:			
Governmental activities	\$ (27,677,701)	\$ 19,161,176	\$ 19,936,584
Business-type activities	10,634,301	10,767,354	17,145,709
Total primary government	\$ (17,043,400)	\$ 29,928,530	\$ 37,082,293

Source: County records.

Fiscal Year						
2005	2006	2007	2008	2009	2010	2011
\$ (170,224,661)	\$ (185,822,658)	\$ (207,919,390)	\$ (225,223,540)	\$ (258,206,161)	\$ (232,364,465)	\$ (224,299,089)
10,577,451	12,087,358	10,467,455	4,816,538	(771,326)	(1,064,346)	(708,937)
\$ (159,647,210)	\$ (173,735,300)	\$ (197,451,935)	\$ (220,407,002)	\$ (258,977,487)	\$ (233,428,811)	\$ (225,008,026)
\$ 126,325,033	\$ 132,303,679	\$ 138,440,818	\$ 145,564,877	\$ 157,318,774	\$ 160,751,779	\$ 166,565,832
46,150,292	51,812,405	54,444,788	54,997,366	45,568,819	41,271,837	47,359,441
3,202,223	3,544,585	4,121,562	4,245,495	3,836,382	3,338,308	3,630,298
3,722,678	5,880,307	4,472,729	4,581,292	4,062,176	2,649,403	2,977,009
3,840,774	6,249,595	8,286,962	6,150,700	2,409,565	695,767	535,595
1,487,939	4,995,154	1,706,135	5,321,087	381,294	-	-
(2,264,245)	(1,919,533)	(1,722,028)	(2,262,222)	239,667	678,051	(445,000)
182,464,694	202,866,192	209,750,966	218,598,595	213,816,677	209,385,145	220,623,175
1,369,573	2,811,710	2,700,483	2,564,287	6,160	24	28
-	-	-	-	(183,725,709)	-	-
2,264,245	1,919,533	1,722,028	2,262,222	(239,667)	(678,051)	445,000
3,633,818	4,731,243	4,422,511	4,826,509	(183,959,216)	(678,027)	445,028
\$ 186,098,512	\$ 207,597,435	\$ 214,173,477	\$ 223,425,104	\$ 29,857,461	\$ 208,707,118	\$ 221,068,203
\$ 12,240,033	\$ 17,043,534	\$ 1,831,576	\$ (6,624,945)	\$ (44,389,484)	\$ (22,979,320)	\$ (3,675,942)
14,211,269	16,818,601	14,889,966	9,643,047	(184,730,542)	(1,742,373)	(263,909)
\$ 26,451,302	\$ 33,862,135	\$ 16,721,542	\$ 3,018,102	\$ (229,120,026)	\$ (24,721,693)	\$ (3,939,851)

NEW HANOVER COUNTY, NORTH CAROLINA
Table 3
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2002	2003	2004	2005
General Fund:				
Reserved	\$ 17,182,890	\$ 16,084,166	\$ 22,003,676	\$ 21,154,326
Unreserved	32,133,408	41,505,087	45,853,905	48,591,036
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	\$ 49,316,298	\$ 57,589,253	\$ 67,857,581	\$ 69,745,362
All other governmental funds:				
Reserved	\$ 38,636,497	\$ 25,652,945	\$ 27,425,437	\$ 31,895,531
Unreserved, reported in:				
Capital projects funds	36,120,797	23,833,028	21,389,105	13,740,132
Restricted	-	-	-	-
Restricted, reported in capital projects funds	-	-	-	-
Committed	-	-	-	-
Committed, reported in capital projects funds	-	-	-	-
Assigned	-	-	-	-
Unassigned, reported in capital projects funds	-	-	-	-
Total all other governmental funds	\$ 74,757,294	\$ 49,485,973	\$ 48,814,542	\$ 45,635,663

Source: County records.

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 28,234,515	\$ 26,399,536	\$ 26,484,878	\$ 21,950,297	\$ 24,485,236	\$ -
51,971,455	45,956,885	42,019,663	44,071,691	45,692,878	-
-	-	-	-	-	79,851
-	-	-	-	-	24,193,303
-	-	-	-	-	7,945,535
-	-	-	-	-	51,963,479
\$ 80,205,970	\$ 72,356,421	\$ 68,504,541	\$ 66,021,988	\$ 70,178,114	\$ 84,182,168
\$ 39,174,539	\$ 36,228,468	\$ 45,990,813	\$ 47,881,841	\$ 45,995,827	\$ -
21,474,166	11,032,783	57,064,438	41,423,716	95,370,068	-
-	-	-	-	-	41,449,014
-	-	-	-	-	64,536,452
-	-	-	-	-	3,374,752
-	-	-	-	-	193,613
-	-	-	-	-	59,433
-	-	-	-	-	(525,173)
\$ 60,648,705	\$ 47,261,251	\$ 103,055,251	\$ 89,305,557	\$ 141,365,895	\$ 109,088,091

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			
	2002	2003	2004	2005
Revenues:				
Taxes	\$ 152,029,659	\$ 156,157,600	\$ 170,039,210	\$ 179,510,144
Intergovernmental revenue	42,646,142	46,732,391	45,629,680	41,826,632
Special assessments	-	6,450,362	2,727,217	1,762,456
Charges for services	9,048,748	9,679,165	11,135,675	11,467,639
Miscellaneous	3,600,390	2,274,919	2,689,503	4,136,828
Total revenues	207,324,939	221,294,437	232,221,285	238,703,699
Expenditures:				
General government	17,066,039	22,434,265	19,714,483	22,418,450
Human services	52,194,427	55,609,626	56,236,427	59,389,334
Public safety	30,667,406	31,375,429	37,948,261	42,876,389
Economic and physical development	1,695,455	1,867,281	1,944,882	1,625,159
Culture and recreation	8,232,102	8,093,538	9,084,074	8,985,440
Education-community college and schools	52,118,282	54,968,282	57,983,369	58,513,627
Stormwater drainage	-	-	-	-
Capital outlay	94,710,527	42,677,725	13,290,196	21,645,262
Debt service:				
Interest and fees - bonds	9,195,190	10,025,115	7,999,793	9,046,742
Principal - bonds	8,110,000	10,115,000	10,304,654	12,140,000
Interest and fees - installment debt				
Principal - installment debt				
Installment debt payments	17,123,114	12,520,131	8,333,737	8,937,062
Total expenditures	291,112,542	249,686,392	222,839,876	245,577,465
Revenues over (under) expenditures	(83,787,603)	(28,391,955)	9,381,409	(6,873,766)
Other financing sources (uses):				
Long-term debt issued	-	13,110,928	-	7,846,913
Transfers from other funds	71,719,367	64,508,047	77,970,906	75,339,629
Transfers to other funds	(76,543,499)	(67,326,026)	(79,878,210)	(77,603,874)
Total other financing sources (uses)	(4,824,132)	10,292,949	(1,907,304)	5,582,668
Net change in fund balances	\$ (88,611,735)	\$ (18,099,006)	\$ 7,474,105	\$ (1,291,098)
Debt service as % of noncapital expenditures	13.86%	14.85%	12.27%	12.97%

Source: County records.

Fiscal Year						
2006	2007	2008	2009	2010	2011	
\$ 193,537,310	\$ 201,239,764	\$ 209,046,468	\$ 211,395,647	\$ 207,845,642	\$ 219,397,404	
46,318,701	42,447,237	47,892,597	88,511,868	52,045,370	41,719,627	
588,600	205,448	235,651	1,993,591	650,392	549,508	
12,010,830	11,259,871	11,092,496	9,537,859	8,929,381	8,714,885	
9,804,195	8,668,800	11,657,419	4,535,922	2,527,215	8,065,255	
262,259,636	263,821,120	279,924,631	315,974,887	271,998,000	278,446,679	
29,368,933	29,818,279	32,906,560	29,016,838	29,485,936	29,479,030	
59,686,429	61,353,480	62,122,735	58,211,859	53,253,360	52,148,036	
48,324,982	51,430,478	53,979,168	54,101,446	53,111,567	54,056,134	
2,589,960	4,666,707	3,192,043	2,537,751	5,715,018	2,438,992	
9,897,296	10,450,324	10,999,579	11,318,913	10,228,183	10,124,210	
63,280,896	67,473,345	72,049,228	71,524,315	67,750,207	67,650,207	
-	-	-	82,996	-	-	
21,977,861	35,629,488	38,890,813	62,970,803	39,698,425	38,141,227	
8,434,272	8,815,049	8,298,196	10,866,108	11,449,659	12,588,240	
11,220,001	11,885,000	12,545,000	16,845,000	17,845,000	19,030,000	
	4,536,863	4,335,233	6,155,264	5,784,678	4,943,284	
	6,677,082	8,708,483	53,584,747	11,438,674	11,519,621	
10,085,823						
264,866,453	292,736,095	308,027,038	377,216,040	305,760,707	302,118,981	
(2,606,817)	(28,914,975)	(28,102,407)	(61,241,153)	(33,762,707)	(23,672,302)	
30,000,000	9,400,000	82,306,749	44,933,855	89,301,120	5,843,552	
81,784,172	85,492,995	91,898,546	85,890,267	84,163,317	3,024,201	
(83,703,705)	(87,215,023)	(94,160,768)	(85,815,216)	(83,485,266)	(3,469,201)	
28,080,467	7,677,972	80,044,527	45,008,906	89,979,171	5,398,552	
\$ 25,473,650	\$ (21,237,003)	\$ 51,942,120	\$ (16,232,247)	\$ 56,216,464	\$ (18,273,750)	
11.73%	7.61%	7.09%	7.46%	9.75%	10.65%	

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
2002	\$ 116,163	\$ 30,869	\$ 2,705	\$ 1,220	\$ 1,073	\$ 152,030
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

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
2002	\$ 13,560,359,786	\$ 2,570,060,708	\$ 393,765,728	\$ 16,524,186,222	\$ 0.690
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

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	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Progress Energy	\$ 268,847,860	1	0.80%	\$ 220,759,130	2	1.34%
General Electric Company	247,908,705	2	0.73%	104,964,248	4	0.64%
Corning, Inc.	208,791,834	3	0.62%	317,170,973	1	1.92%
Celanese Corporation	82,052,900	4	0.24%	-		0.00%
BellSouth Telecommunications	69,556,925	5	0.21%	106,490,176	3	0.64%
Arteva Specialities	61,449,671	6	0.18%	46,709,977	8	0.28%
Centro Independence LLC	50,436,737	7	0.15%	47,669,019	7	0.29%
Wal Mart	49,306,319	8	0.15%	-		-
River Ventures	45,889,678	9	0.14%	-		-
Global Nuclear Fuel Americas LLC	41,351,413	10	0.12%	79,588,622	5	0.48%
URDT of North Carolina LLC	-		-	59,328,527	6	0.36%
Takeda Chemical Products	-		-	35,660,482	9	0.22%
Landfall Associates	-		-	31,239,622	10	0.19%
Total	<u>\$ 1,125,592,042</u>		<u>3.33%</u>	<u>\$ 1,049,580,776</u>		<u>6.35%</u>
Total taxable assessed value	<u>\$ 33,806,058,072</u>			<u>\$ 16,524,186,222</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
2002	\$ 113,912,703	\$ 111,617,810	97.99%	\$ 1,215,533	\$ 112,833,343	99.05%
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%

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
2002	\$ 0.690	\$ 0.050	\$ 0.470	\$ 0.143	\$ 0.370	\$ 0.295
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	0.063	0.175	0.135
2009	0.453	0.050	0.333	0.080	0.175	0.135
2010	0.453	0.060	0.333	0.080	0.175	0.135
2011	0.466	0.060	0.370	0.099	0.175	0.135

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			
2002	\$ 205,915,000	\$ 94,316,030	\$ 3,019,919	\$ 34,490,000	\$ 12,263,970	\$ 764,342	\$ 350,769,261	7.09%	\$ 2,112.38
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	N/A	2,213.10
2011	315,039,997	56,820,000	50,443,221	-	215,000	899,921	423,418,139	N/A	2,050.90

* 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**
2002	\$ 205,915,000	1.25%	\$ 1,240.05
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

* 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, 2011

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
County direct debt	\$ 422,303,218	100.00%	<u>\$ 422,303,218</u>
City of Wilmington debt	214,382,646	100.00%	214,382,646
Town of Wrightsville Beach debt	5,958,277	100.00%	5,958,277
Town of Carolina Beach debt	3,572,175	100.00%	3,572,175
Town of Kure Beach debt	2,052,611	100.00%	2,052,611
Subtotal, overlapping debt			<u>225,965,709</u>
Total direct and overlapping debt:			<u><u>\$ 648,268,927</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

	2002	2003	2004	2005	2006
Debt limit	\$ 1,321,934,898	\$ 1,358,096,817	\$ 1,389,118,750	\$ 1,431,704,051	\$ 1,500,381,680
Total net debt applicable to limit	316,458,861	312,952,482	299,421,053	403,590,274	385,228,686
Legal debt margin	\$ 1,005,476,037	\$ 1,045,144,335	\$ 1,089,697,697	\$ 1,028,113,777	\$ 1,115,152,994
Total net debt applicable to the limit as a percentage of debt limit	23.94%	23.04%	21.55%	28.19%	25.68%

Legal Debt Margin Calculation for June 30, 2011

Total assessed value		\$	33,806,058,072
Debt limit (8% of assessed value)			<u>2,704,484,646</u>
Debt applicable to limit:			
General obligation bonds			325,844,881
Certificates of participation			105,426,889
Authorized but unissued debt			<u>94,000,000</u>
Total net applicable to limit			<u>525,271,770</u>
Legal debt margin		\$	<u>2,179,212,876</u>

	2007		2008		2009		2010		2011
\$	1,559,946,828	\$	2,618,030,818	\$	2,673,948,925	\$	2,693,960,438	\$	2,704,484,646
	<u>400,873,158</u>		<u>359,875,000</u>		<u>552,875,000</u>		<u>539,001,238</u>		<u>525,271,770</u>
\$	1,159,073,670	\$	2,258,155,818	\$	2,121,073,925	\$	2,154,959,200	\$	2,179,212,876
	25.70%		13.75%		20.68%		20.01%		19.42%

NEW HANOVER COUNTY, NORTH CAROLINA
Table 14
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population ¹	Personal Income (000's) ¹	Per Capita Personal Income ²	Median Age ³ (Years)	School Enrollment ⁴	Unemployment Rate ¹
2002	166,054	\$ 4,944,678	\$ 28,969	36.7	21,499	6.5%
2003	168,977	5,118,887	29,607	37.0	21,639	6.3%
2004	175,620	5,567,376	30,466	36.3	22,173	4.0%
2005	181,724	6,061,123	32,607	37.0	23,020	4.5%
2006	186,512	6,569,209	33,705	36.0	23,848	3.5%
2007	189,856	3,949,636	35,461	38.0	23,781	3.9%
2008	194,558	7,293,899	36,629	37.1	23,757	5.1%
2009	199,351	7,152,155	36,662	36.9	24,095	9.6%
2010	202,411	N/A	N/A	N/A	23,934	9.4%
2011	206,455	N/A	N/A	N/A	N/A	10.1%

¹ **Source:** NC State Demographics Web Site.

² **Source:** Federal Agency Data: Bureau of Economic Analysis

³ **Source:** U. S. Census Bureau

⁴ **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)	2011			2002		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
New Hanover Health Network	4,738	1	5.10%	4,000	1	4.74%
New Hanover County Board of Education	3,666	2	3.95%	3,087	2	3.66%
Wal-Mart Stores, Inc	2,592	3	2.79%	-----	-----	-----
General Electric	2,100	4	2.26%	2,100	3	2.49%
University of NC at Wilmington	1,898	5	2.04%	1,493	5	1.77%
New Hanover County	1,571	6	1.69%	1,356	6	1.61%
PPD, Inc.	1,500	7	1.61%	600	10	0.71%
Verizon Wireless	1,346	8	1.45%	-----	-----	-----
Corning, Inc.	1,000	9	1.08%	1,700	4	2.02%
City of Wilmington	981	10	1.06%	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>92,927</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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	231	217	231	234	238	243	248	263	276	268
Human services	486	461	463	481	486	497	517	524	517	509
Public safety	448	450	485	510	578	586	620	632	632	635
Culture and recreation	112	90	97	98	108	110	115	117	117	123
Environmental Management	74	71	71	71	72	73	88	88	88	88
Water and Sewer	44	41	43	45	55	64	64	0	0	0
Total	1,395	1,330	1,390	1,439	1,537	1,573	1,652	1,624	1,630	1,623

Source: County Budget Department.

NEW HANOVER COUNTY, NORTH CAROLINA

Table 17

**Operating Indicators by Function
Last Ten Fiscal Years**

Function	Fiscal Year			
	2002	2003	2004	2005
Public safety:				
Sheriff:				
# of divisions	5	6	6	6
# of sheriff personnel	270	302	302	359
# of arrests made	2,242	3,111	3,035	3,261
# of service calls	163,807	162,878	165,256	171,684
Fire Services:				
# of stations	8	8	8	8
# of fire personnel	250	250	250	250
# of calls answered	4,101	4,321	5,000	5,935
Culture and recreation:				
Library:				
# of circulations	1,089,720	1,146,543	1,107,522	1,129,675
Museum:				
Attendance	30,708	32,081	34,702	36,885

Source: County records.

Fiscal Year					
2006	2007	2008	2009	2010	2011
7	7	6	6	6	6
367	374	382	420	384	384
6,023	6,704	6,430	7,011	6,364	6,613
181,351	101,877	175,770	173,502	190,539	190,500
6	6	8	8	8	8
90	110	96	95	95	95
6,704	6,425	5,139	4,676	4,665	4,823
1,114,502	1,200,000	1,231,467	1,320,486	1,340,000	1,350,000
32,251	31,000	38,504	41,683	47,128	49,261

NEW HANOVER COUNTY, NORTH CAROLINA
Table 18
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2002	2003	2004	2005
Public safety (1):				
Sheriff:				
# of stations	2	2	2	2
# of vehicles	147	181	215	260
Human services (1):				
Health Department:				
# of vehicles	38	40	40	40
Culture and recreation (1):				
Parks:				
# of parks	24	24	23	23
Park acreage	467	467	792	807

Source: County records.

(1) Information represents vehicles currently owned as of June 30, 2011 by the County.

Fiscal Year					
2006	2007	2008	2009	2010	2011
2 281	2 303	2 321	2 301	2 277	2 290
41	43	45	51	37	29
23 807	23 807	34 1,100	34 1,100	35 1,310	35 1,310

NEW HANOVER COUNTY, NORTH CAROLINA
Table 19
ANALYSIS OF CURRENT TAX LEVY
COUNTY - WIDE LEVY
June 30, 2011

	County - Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current year's rate	\$ 32,429,673,684	\$ 0.4625	\$ 150,960,131	\$ 150,960,131	\$ -
Motor vehicles	1,472,473,898	0.4625	6,784,770	-	6,784,770
Penalties	-		289,975	289,975	-
Total	<u>33,902,147,582</u>		<u>158,034,876</u>	<u>151,250,106</u>	<u>6,784,770</u>
Discoveries:					
Current year	-		1,009,212	1,009,212	-
Total	<u>-</u>		<u>1,009,212</u>	<u>1,009,212</u>	<u>-</u>
Abatements	(96,089,510)		(574,004)	(574,004)	-
Total property valuation	<u>\$ 33,806,058,072</u>				
Net levy			158,470,084	151,685,314	6,784,770
Uncollected taxes at June 30, 2008			2,759,392	1,914,845	844,547
Current year's taxes collected			<u>\$ 155,710,692</u>	<u>\$ 149,770,469</u>	<u>\$ 5,940,223</u>
Current levy collection percentage			98.27%	98.74%	87.55%

Secondary Market Disclosures:

Assessed Valuation:	
Assessment Ratio	100%
Real Property	\$ 30,261,859,704
Personal Property	3,114,706,992
Public Service Companies	<u>429,491,376</u>
Total Assessed Valuation	33,806,058,072
Tax rate per \$100	<u>0.4625</u>
Levy (includes discoveries, abatements, penalties, fees, and cleaning liens)	<u>\$ 158,470,084</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, 2011

Special Fire District	<u>\$ 7,677,933</u>
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