

Ratings:
Moody's: A1
S&P: A
(See "Ratings" herein)

NEW ISSUE—Book-Entry Only

This Official Statement has been prepared by the Local Government Commission of North Carolina and the Water and Sewer District II of the County of Sampson, North Carolina (the "District") to provide information in connection with the sale and issuance of the Bonds described herein. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety. Unless indicated, capitalized terms used on this cover page have the meanings given in this Official Statement.

\$9,990,000
General Obligation Refunding Water Bonds,
Series 2015
of Water and Sewer District II
of the County of Sampson, North Carolina

Dated: Date of Delivery

Due: As shown on inside cover page

Tax Treatment

In the opinion of Parker Poe Adams & Bernstein LLP, Bond Counsel, under existing law (1) assuming compliance by the District with certain requirements of the Internal Revenue Code of 1986, as amended, interest on the Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (2) interest on the Bonds is exempt from State of North Carolina income taxation. See "**TAX TREATMENT**" herein.

Redemption

The Bonds are subject to optional redemption prior to maturity.

Security

The Bonds constitute general obligations of the District, secured by a pledge of the faith and credit and taxing power of the District.

Interest Payment Dates

June 1 and December 1, commencing December 1, 2015.

Denominations

\$5,000 or any integral multiple thereof.

Expected Closing/Settlement

May 28, 2015.

Bond Counsel

Parker Poe Adams & Bernstein LLP.

Underwriters' Counsel

Moore & Van Allen PLLC.

Financial Advisor

DEC Associates, Inc.

Stephens Inc.

The date of this Official Statement is April 29, 2015

MATURITY SCHEDULE

Due June 1	Principal Amount	Interest Rate	Yield	CUSIP ⁽¹⁾ 79587W	Due June 1	Principal Amount	Interest Rate	Yield	CUSIP ⁽¹⁾ 79587W
2016	\$245,000	2.00%	0.50%	AJ3	2021	\$285,000	4.00%	1.92%	AP9
2017	255,000	2.00	0.85	AK0	2022	290,000	4.00	2.12	AQ7
2018	260,000	2.00	1.22	AL8	2023	300,000	4.00	2.31	AR5
2019	260,000	4.00	1.50	AM6	2024	315,000	4.00	2.50	AS3
2020	275,000	4.00	1.72	AN4	2025	335,000	4.00	2.65	AT1

\$1,185,000 3.25% Term Bond due June 1, 2030 Yield 3.41% CUSIP⁽¹⁾ 79587WAU8
 \$635,000 4.00% Term Bond due June 1, 2030 Yield 3.31%* CUSIP⁽¹⁾ 79587WAV6
 \$2,095,000 5.00% Term Bond due June 1, 2035 Yield 3.34%* CUSIP⁽¹⁾ 79587WAW4
 \$920,000 5.00% Term Bond due June 1, 2037 Yield 3.40% CUSIP⁽¹⁾ 79587WAX2
 \$1,260,000 5.00% Term Bond due June 1, 2040 Yield 3.46%* CUSIP⁽¹⁾ 79587WAY0
 \$1,075,000 3.625% Term Bond due June 1, 2044 Yield 3.81% CUSIP⁽¹⁾ 79587WAZ7

⁽¹⁾ Copyright, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not service in any way as a substitute for CUSIP Global Services. CUSIP numbers are provided for convenience of reference only for the purchasers of the Bonds. Neither the District nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as represented above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Bonds.

* Priced at the stated yield to the June 1, 2025 optional redemption date at a redemption price of 100%.

COUNTY OF SAMPSON, NORTH CAROLINA

BOARD OF COMMISSIONERS

Billy C. Lockamy Chairman

Sue Lee Vice Chairman

Clark Wooten

Harry Parker

Albert Kirby

COUNTY STAFF

Edwin Causey County Manager

David K. Clack Finance Officer

FINANCIAL ADVISOR

DEC Associates, Inc.
Charlotte, North Carolina

BOND COUNSEL

Parker Poe Adams & Bernstein LLP
Charlotte, North Carolina

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State of North Carolina
Department of State Treasurer

*State and Local Government Finance Division
and the Local Government Commission*

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is intended to furnish information in connection with the purchase of \$9,990,000 General Obligation Refunding Water Bonds, Series 2015 (the “*Bonds*”), of Water and Sewer District II of the County of Sampson, North Carolina (the “*District*”).

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that the information herein is correct as of any date subsequent to the date hereof. The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

The Bonds constitute general obligations of the District, secured by a pledge of the faith and credit and taxing power of the District. The full faith and credit of the County of Sampson, North Carolina (the “*County*”) is not pledged to the payment of the Bonds, and the County has no obligation to make the payments from its general fund.

THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

The Local Government Commission of North Carolina (the “*Commission*”), a division of the Department of State Treasurer, State of North Carolina (the “*State*”), is a State agency that supervises the issuance of the bonded indebtedness of all units of local government and assists these units in the area of fiscal management. **Appendix A** to this Official Statement contains additional information concerning the Commission and its functions.

THE BONDS

DESCRIPTION

The Bonds will be dated as of their date of delivery and will bear interest from their date. Interest on the Bonds will be payable semiannually on each June 1 and December 1, commencing December 1, 2015. The Bonds will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. Interest will be paid on the interest payment date to the person appearing on the record books of the District as the registered owner of the Bonds as of the close of business on the 15th day of the month preceding the interest payment date.

The Bonds will be issuable as fully registered bonds in a book-entry system maintained by The Depository Trust Company (“DTC”). DTC will act as securities depository for the Bonds. Purchases and transfers of the Bonds may be made only in denominations of \$5,000 and any integral multiple thereof and in accordance with the practices and procedures of DTC. See **Appendix G** hereto for a description of the book-entry system and DTC.

REDEMPTION PROVISIONS

Optional. The Bonds maturing on or before June 1, 2025 are not subject to optional redemption before their maturities. The Bonds maturing on or after June 1, 2030 may be redeemed before their maturities, at the option of the County, either in whole or in part on any date on or after June 1, 2025 at a redemption price equal to 100% of the principal amount of Bonds to be so redeemed together with accrued interest to the date fixed for redemption, if any, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on June 1, 2030 in the principal amount of \$1,185,000 are subject to mandatory sinking fund redemption, at a redemption price equal to the principal amount to be redeemed plus accrued interest, if any, to the redemption date, without premium, on June 1 of each year, commencing June 1, 2026, in the principal amounts and in the years as follows:

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>
2026	\$220,000	2029	\$245,000
2027	230,000	2030*	250,000
2028	240,000		

* Maturity

The Bonds maturing on June 1, 2030 in the principal amount of \$635,000 are subject to mandatory sinking fund redemption, at a redemption price equal to the principal amount to be redeemed plus accrued interest, if any, to the redemption date, without premium, on June 1 of each year, commencing June 1, 2026, in the principal amounts and in the years as follows:

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>
2026	\$110,000	2029	\$140,000
2027	115,000	2030*	140,000
2028	130,000		

* Maturity

The Bonds maturing on June 1, 2035 are subject to mandatory sinking fund redemption, at a redemption price equal to the principal amount to be redeemed plus accrued interest, if any, to the redemption date, without premium, on June 1 of each year, commencing June 1, 2031, in the principal amounts and in the years as follows:

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>
2031	\$400,000	2034	\$425,000
2032	410,000	2035*	445,000
2033	415,000		

* Maturity

The Bonds maturing on June 1, 2037, are subject to mandatory sinking fund redemption, at a redemption price equal to the principal amount to be redeemed plus accrued interest, if any, to the redemption date, without premium, on June 1, 2036 in the principal amount of \$455,000, with the remaining \$465,000 to be paid at maturity.

The Bonds maturing on June 1, 2040 are subject to mandatory sinking fund redemption, at a redemption price equal to the principal amount to be redeemed plus accrued interest, if any, to the redemption date, without premium, on June 1 of each year, commencing June 1, 2038, in the principal amounts and in the years as follows:

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>
2038	\$470,000
2039	480,000
2040*	310,000

* Maturity

The Bonds maturing on June 1, 2044 are subject to mandatory sinking fund redemption, at a redemption price equal to the principal amount to be redeemed plus accrued interest, if any, to the redemption date, without premium, on June 1 of each year, commencing June 1, 2041, in the principal amounts and in the years as follows:

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>
2041	\$310,000	2043	\$300,000
2042	300,000	2044*	165,000

* Maturity

AUTHORIZATIONS AND PURPOSES

The Bonds are being issued in accordance with the Registered Public Obligations Act, Chapter 159E of the General Statutes of North Carolina and pursuant to The Local Government Finance Act. The Bonds are to be issued pursuant to a bond order adopted by the Board of Commissioners of the County as the governing body of the District (the “*Board*”) on March 2, 2015 and effective on its adoption. Terms of the Bonds were established in a resolution duly adopted by the Board on March 2, 2015 (the “*Bond Resolution*”).

The District has previously issued its (1) \$4,982,000 General Obligation Water Bonds, Series 2000A, \$4,084,000 of which remains outstanding (the “*2000A Bonds*”); (2) \$421,000 General Obligation Water Bonds, Series 2000B, \$341,000 of which remains outstanding (the “*2000B Bonds*”); (3) \$2,486,000 General Obligation Water Bonds, Series 2004A, \$2,197,000 of which remains outstanding (the “*2004A Bonds*”); (4) \$948,000 General Obligation Water Bonds, Series 2004B, \$837,000 of which remains outstanding (the “*2004B Bonds*”); and (5) \$3,783,000 General Obligation Water Bonds, Series 2005, \$3,390,000 of which remains outstanding (the “*2005 Bonds*,” and together with the 2000A Bonds, the 2000B Bonds, the 2004A Bonds and the 2004B Bonds, the “*Refunded Bonds*”). The Bonds are being issued for the purpose of providing funds to (1) refund the Refunded Bonds and (2) pay costs related to the issuance of the Bonds. See “**THE PLAN OF REFUNDING**” herein.

SECURITY

The Local Government Bond Act, as amended, requires that the revenues, if any, of water and sewage systems be applied to pay when due the interest on and the principal of outstanding bonds issued for capital projects that are or were part of such system after payment from such revenues of the operating, maintenance and capital outlay expenses of such system. The revenues of the District are not pledged as security for the Bonds.

The District is authorized and required by law to levy on all property taxable by the District such ad valorem taxes, without limitation as to rate or amount, as may be necessary to pay the Bonds and the interest thereon. In the event revenues of the District are not sufficient to pay when due the interest on and the principal of the Bonds, and the District must levy ad valorem taxes to pay the debt service, there likely will be a delay before the taxes may be levied, collected and applied to pay the Bonds and the interest thereon.

INVESTMENT CONSIDERATION

Under North Carolina law, a local governmental unit such as the District may not file for bankruptcy protection without (1) the consent of the Commission and (2) satisfaction of the requirements of §109(c) of the United States Bankruptcy Code. If the District were to initiate bankruptcy proceedings with the consent of the Commission and satisfy the requirements of 11 U.S.C. § 109(c), the bankruptcy proceedings could have material and adverse effects on owners of the Bonds, including (a) delay in enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the District after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a plan of reorganization reducing or delaying payment of the Bonds. The effect of the other provisions of the United States Bankruptcy Code on the rights and remedies of the owners of the Bonds cannot be predicted and may be affected significantly by judicial interpretation, general principles of equity (regardless of whether considered in a proceeding in equity or at law) and considerations of public policy.

THE PLAN OF REFUNDING

The District shall cause the portion of the proceeds of the Bonds necessary to redeem the Refunded Bonds to be delivered to the United States Department of Agriculture in accordance with the terms of each series of Refunded Bonds.

THE DISTRICT

GENERAL DESCRIPTION

The District is one of two districts in the County that were created pursuant to Chapter 162A of the General Statutes of North Carolina, as amended. The District may provide water and sewer services to both residents of the District and customers outside the District. The District is a municipal corporation and body corporate and politic under the laws of the State. The Board of Commissioners of the County also serves as the governing body of the District.

The District is reported in the financial statements of the County as a blended component unit and an enterprise fund. See **Appendix C** hereto for the basic financial statements of the County for the fiscal year ended June 30, 2014.

The population of the District has been estimated by the County to be 33,625 at July 1, 2014.

The following table lists the total number of customers for the District at the end of the following fiscal years:

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
3,894	3,941	3,972	3,980	4,005

Users may apply for service in person at the Sampson County Public Works Department, at which time a connection fee of \$50.00 must be paid for those lots at which a meter is currently located. A separate connection fee is required for each meter.

If a meter is not currently installed at a lot, then the non-refundable tap on fees are as follows:

Meter Size Cost

5/8" x 3/4"	\$500.00
1"	\$600.00
2" and above	Cost of Construction

The District may reject any application for service not available under a standard rate or that involves excessive service cost, or that may affect the supply of service to other customers or for other good and sufficient reasons, in which case the tap-on fee will be refunded. The District may reject any application for service whenever the applicant is delinquent in payment of bills incurred for service previously supplied at any location. In addition, the District is not required to render service to any person at a location where water was used until any outstanding water bills are paid.

DEBT INFORMATION

All general obligation bonds of the District currently outstanding are being refunded by the District's Bonds.

General Obligation Debt Ratios.

<u>At July 1</u>	<u>Total GO Debt</u>	<u>Assessed Valuation</u>	<u>Total GO Debt to Assessed Valuation^{1,2}</u>	<u>Population²</u>	<u>Total GO Debt Per Capita</u>
2011	\$11,447,000	\$1,276,919,312	.90%	31,720	\$360.88
2012	11,257,000	1,341,615,850	.84	32,125	350.41
2013	11,058,000	1,480,141,720	.75	33,615	328.96
2014	10,849,000	1,480,142,315	.73	33,625	322.65

¹ Reevaluation of real property become effective with the 2012 tax levy. The next reevaluation of real property will become effective with the 2019 tax levy.

² Estimated by the District.

General Obligation Bonds Authorized and Unissued.

There are no bonds authorized and unissued for the District.

Other Long-Term Commitments.

The District's infrastructure has been successfully installed. The District does not expect to enter into any long-term debt for at least the next five years.

TAX INFORMATION

The District has the power to cause taxes to be levied and collected upon all taxable property within the District sufficient to meet the obligations of the District, pay the costs of maintaining, repairing and operating any water or sewage system or systems and pay all obligations incurred by the District in the performance of its legal undertakings and functions, including the Bonds. To date the District has not levied any taxes.

BUDGET COMMENTARY FOR THE DISTRICT

The District is meeting budgeted revenues so far this fiscal year. The District's expenditures are slightly below budget. The District expects these trends to continue as new wells are brought into operation. The District recently completed construction of two wells to supply water to the District. Initially the District purchased all water from municipalities; accordingly, the District's supply was subject to rate increases from outside parties. The completion of wells allows the District to reduce the cost of bulk water and eventually to sell water to other local governments.

THE COUNTY

GENERAL DESCRIPTION

The County is located in the southeastern part of North Carolina in an area known as the Coastal Plains. Its location on Interstate 40 near the I-95 interchange has encouraged growth. With 963 square miles, it is the State's largest county by land mass. The County was formed in 1784 by the North Carolina General Assembly from the western portion of Duplin County and is named for John Sampson, a Scotch-Irish settler.

The County has eight incorporated municipalities. The largest municipality of Clinton serves as the County seat. It is approximately 35 miles east of Fayetteville, North Carolina, approximately 175 miles east of Charlotte, North Carolina, and approximately 70 miles southeast of Raleigh, the State Capitol and 45 miles northwest of Wilmington, North Carolina.

DEMOGRAPHIC CHARACTERISTICS

The United States Department of Commerce, Bureau of the Census, has recorded the population of the County to be as follows:

<u>1990</u>	<u>2000</u>	<u>2010</u>
42,297	60,161	63,431

The United State Department of Commerce, Bureau of Economic Analysis has estimated the County's 2013 population to be 64,150.

Per capita income figures for the County and the State are presented in the following table:

Per Capita Income

<u>Year</u>	<u>County</u>	<u>State</u>
2009	\$30,172	\$34,942
2010	30,428	35,435
2011	31,139	36,508
2012	32,945	38,538
2013	33,509	38,683

Source: United States Department of Commerce, Bureau of Economic Analysis.

GOVERNMENT STRUCTURE

The County is governed by its Board of Commissioners (the “*Board*”), which is responsible for formulating policy, directing a number of governmental services and appointing members of various boards and agencies to implement specific policies or to provide certain services. The Board consists of five members who serve staggered four-year terms.

The County Manager is the chief administrative officer of the County. The major duties of the Manager include supervising and coordinating the activities of the County departments, executing all orders and policies set forth by the Board, attending all Board meetings, making recommendations on appropriate matters of business, recommending an annual budget, advising the Board of the financial condition of the County, representing the County in business with other agencies and performing other duties assigned by the Board.

Edwin “Ed” Causey has served as County Manager since May 2010. Prior to that time he spent 39 years with the United States Department of Agriculture. He earned dual bachelor’s degrees in animal science and poultry science and a master’s degree in economics from North Carolina State University.

To assist in the performance of his duties, the County Manager has a staff that includes department heads, administrative officers and administrative assistants. In addition to the Board and the County Manager, there are a number of other independently elected County officers who serve as an integral part of the County government. These include the Sheriff and the Register of Deeds.

COMMERCE AND INDUSTRY

The County is a large, primarily rural county slightly smaller in size than the State of Rhode Island. Cropland and pastures account for approximately 321,450 acres of the County’s 604,600 acres. Agriculture and allied industries are the largest contributors to the economy of the County. According to the most recent information from the United States Department of Agriculture, the County ranked first of the State’s 100 counties for cash receipts from crops. It ranked second for cash receipts from livestock. It was first in cash receipts for each of tobacco, turkeys and vegetables, fruits and nuts. It ranked second in cash receipts from hog production.

Cash Receipts (In Thousands of Dollars)

	<u>Crops</u>	<u>Livestock</u>
2008	\$172,236	\$716,383
2009	185,066	626,773
2010	177,045	720,895
2011	194,428	817,289
2012	233,532	883,144

Source: United States Department of Agriculture.

Manufacturing and industry also play a significant role in the County’s economy. The Sampson County Development Commission has sought to attract new employers to the Sampson Southeastern Business Complex which is a 799-acre industrial park located in the county seat of Clinton. Duke Energy Progress has selected 208 acres of undeveloped land near the town of Turkey, to participate in the utility’s Site Readiness Program to prepare the location for potential industrial development. Duke Energy’s Site Readiness Program identifies, evaluates and improves industrial sites in the company’s service territory to

compete for new companies and jobs. The site is located about an hour from each of the State Capital and the port city of Wilmington.

In 2013 Biochemtex, a global technology solution provider specializing in biofuels and renewable chemical, announced that it would be locating its new cellulosic biofuels production operations in the County. This new plant will produce 20 million gallons per year of cellulosic biofuel from locally grown energy crops, agricultural residues, and woody biomass. The company estimated that the plant will represent an investment of approximately \$200 million and create 65 new jobs.

In 2014 Enviva, one of the world’s largest producers of wood pellets, announced its plan to develop a plant on a 200-acre site in the northeastern portion of the County off Interstate-40 near Faison, North Carolina. Enviva will locate a second plant in Richmond County. The company expects to invest approximately \$214 million into two new pellet manufacturing plants and create 160 jobs in both counties by 2017.

The following table presents information regarding retail sales in the County.

Taxable Sales		
<u>Fiscal Year Ended June 30</u>	<u>Total Taxable Sales</u>	<u>Increase (Decrease) From Previous Year</u>
2010	\$317,245,107	14.3%
2011	351,460,317	10.8
2012	374,150,086	6.5
2013	368,012,673	(1.6)
2014	380,454,970	3.4

Source: North Carolina Department of Revenue, Sales and Use Tax Division.

The following table illustrates construction activity in the County for the indicated fiscal years by reference to issued permits:

Construction Activity				
<u>Fiscal Year Ended June 30</u>	<u>Number of Permits</u>	<u>Residential Value (\$ in thousands)</u>	<u>Non-residential Value (\$ in thousands)</u>	<u>Total Value (\$ in thousands)</u>
2010	782	\$19,478,113	\$9,502,396	\$28,980,509
2011	674	18,701,133	10,039,378	28,740,511
2012	727	22,503,864	8,627,029	31,130,892
2013	724	29,311,693	7,514,120	36,825,813
2014	623	26,429,864	7,403,692	33,833,555

Source: County’s Building Inspections Department.

EMPLOYMENT

County employment is divided among agriculture, service and manufacturing related jobs. The trend for the past decade has shown employment changing from agricultural to non-agricultural jobs and County employers drawing their workforce from nearby counties as well as from the County itself.

The following table lists the major current employers in the County as of second quarter 2014:

Major Employers

<u>Company</u>	<u>Product or Service</u>	<u>Number of Employees</u>
Smithfield Foods (Lundy Packing Co.)	Meat Packing	1,000+
Sampson County Schools	Education	1,000+
Prestage Farms, Inc.	Swine/Poultry Grower	500-999
Sampson Regional Medical Center	Health Care	500-999
Sampson County	Government	500-999
Hog Slat Co., Inc.	Manufacturing	500-999
Clinton City Schools	Education	500-999
Packers Sanitation Services Inc. Ltd.	Business Services	250-499
NC Department of Public Safety	Government	250-499
Liberty Healthcare Group Llc	Health Services	250-499
Jennifer Kozikis	Trade, Transportation & Utilities	250-499
Wal-Mart Associates, Inc.	Retail	250-499
Sampson Technical Institute	Education	250-499

Source: North Carolina Southeast Regional Economic Development Partnership Data Book and Sampson County Economic Development Commission.

The North Carolina Employment Security Commission has estimated the percentage of unemployment in the County as follows:

	2010	2011	2012	2013	2014	2015		2010	2011	2012	2013	2014
January	9.6%	9.5%	9.0%	8.6%	6.7%	6.0%	July	8.9%	9.3%	8.7%	7.6%	6.6%
February	9.6	9.0	8.7	8.2	6.5		August	8.7	9.2	9.3	7.4	6.9
March	9.3	8.5	8.3	7.7	6.4		September	8.2	8.9	7.9	6.8	5.7
April	8.8	8.3	8.0	7.4	5.8		October	8.3	8.7	7.8	6.7	5.2
May	8.7	8.6	7.9	7.3	6.2		November	9.0	8.5	7.7	6.7	5.1
June	8.8	9.0	8.4	7.7	5.9		December	9.1	8.7	8.1	6.5	5.3

EDUCATION

The County has two public school administrative units. The County school system is comprised of 16 public schools in four districts -- eight elementary schools, four middle schools, and four high schools. The Clinton City school system includes two elementary schools, one middle school, and one high school. The County school system is governed by a seven-member Board of Education elected on a non-partisan basis to serve staggered four-year terms. The City school system is governed by a six-member Board of Education. Both Boards appoint a Superintendent to serve as Executive Officer and Secretary to the respective Boards of Education.

The following table illustrates school enrollment, by average daily membership (“ADM”), in the County School systems.

School Year	Elementary (K-5)		Intermediate Grades (6-8)		Secondary Grades (9-12)	
	Number of Schools	ADM	Number of Schools	ADM	Number of Schools	ADM
2010-11	8	5794	4	2640	4	3203
2011-12	8	5679	4	2720	4	3130
2012-13	8	5575	4	2777	4	3253
2013-14	8	5564	4	2789	4	3321
2014-15	8	5460	4	2829	4	3379

Note: ADM is determined by actual records at each school. ADM is computed in North Carolina on a uniform basis for all public school units. ADM computations are used as a basis for teacher allotments.

Funds for operating the County school system are allocated from Federal, State and local sources. For the fiscal year ended June 30, 2014, State funds provided approximately 70% of total operating funds, Federal funds provided approximately 11.4% and local funds provided the remaining approximately 18.6%. For the fiscal year ended June 30, 2014, the County expended local funds in the approximate amount of \$7,358,202 for operating purposes and \$1,044,335 for capital purposes. For the fiscal year ending June 30, 2015, local funds are expected to be approximately \$8,369,207.

Funds for operating the City school system are allocated from Federal, State and local sources. For the fiscal year ended June 30, 2014, State funds provided approximately 68.37% of total operating funds, Federal funds provided approximately 8.94% and local funds provided the remaining approximately 22.69%. For the fiscal year ended June 30, 2014, the County expended local funds in the approximate amount of \$2,558,148 for operating purposes and \$109,843 for capital purposes. For the fiscal year ending June 30, 2015, local funds are expected to be approximately \$2,887,130.

North Carolina law provides for a basic minimum educational program for each school administrative unit or district. The minimum program provides funds for operational costs only; therefore, the operation of public school facilities is primarily the responsibility of the local Boards of Education. Local funds for educational facilities and supplemental operational costs are budgeted to the Boards of Education by the Board of County Commissioners.

Sampson Community College (“SCC”), one of the 58 institutions in the North Carolina System of Community Colleges, was established in 1965 as an extension of Wayne Technical College and became an independent unit in 1967. Sampson Community College has approximately 7,315 students enrolled. The college’s 22 curriculum programs range from the college transfer program to occupational education course offerings. The campus consists of seven academic buildings and two shop buildings located on a 55-acre site. Working jointly with the local school districts, SCC implemented an early college high school providing high school and college courses to students. These students will receive a high school diploma and a college degree in five years.

TRANSPORTATION

Interstate 40, which runs from Wilmington, North Carolina to Barstow, California, extends 20 miles through the northeast section of the County. Interstate 40 and the major north-south thoroughfare, Interstate 95, will be joined by Highway 24, a four-lane highway, in the heart of Sampson County. Construction on the expansion of Highway 24 from Interstate 95 to the City of Clinton has begun and should be completed by 2017. Other primary highways are U.S. 421 and U.S. 701, which run north-south, and U.S. 13, which runs east-west in the northern part of the County.

The County highway system consists of approximately 1,412 miles of roads of which approximately 1,256 are paved. Each municipality in the County maintains its own local street system. The State Department of Transportation is responsible for the expansion, maintenance and construction of primary and secondary roads within the County. The State currently maintains approximately 236 miles of primary roads and 1,176 miles of secondary roads. The County has no financial responsibility for roads.

Commercial air service is available 15 miles west of the County in Fayetteville, North Carolina. The Fayetteville Regional Airport is served by US Airways and Delta ASA. The airport has approximately 16 daily departures. The County also jointly owns with the City of Clinton the Clinton-Sampson Airport, which completed expansion of its runway in 2006 to a length of 5,000 feet to accommodate local jet service. The County is within 70 miles of the Raleigh-Durham International Airport, which is served by the following major carriers: US Airways, Delta, United, Continental, American Airlines, Air Canada, AirTran, Jet Blue and Southwest. In 2008, the Raleigh-Durham International Airport served over 9.7 million passengers. The vast majority of the area air traffic uses the Raleigh-Durham International Airport as its origin or destination point.

HUMAN SERVICES

Human services programs in the County are financed by a combination of Federal, State and local funds. At the County level, these services are classified as Public Assistance, Veterans Services, Public Health Services, Mental Health Services, and Aging and In-Home Services. In the fiscal year ended June 30, 2014, the County expended approximately \$19,190,139 for these services. For the fiscal year ending June 30, 2015, the budget appropriation for these services is \$20,376,903.

HOSPITAL AND MEDICAL FACILITIES

Sampson Regional Medical Center is a County-owned hospital located in the City of Clinton and is operated by a non-profit corporation that leases the hospital facilities from the County. Opened in 1950, the Medical Center is a 146-bed, Joint Commission on Accreditation of Healthcare Organizations (JCAHO) accredited facility composed of 116 acute care beds, 30 skilled nursing beds, a home health agency, an outpatient rehab center, a 42,000 square foot Center for Health and Wellness, the Sampson Regional Cancer and an Outpatient Diagnostic Center that houses comprehensive diagnostic imaging including CT, magnetic resonance imaging, bone density testing, mammography, ultrasound, and conventional X-ray technology. Tertiary care facilities are available in Fayetteville, approximately 35 miles west of Clinton.

The County appoints the board of trustees for the hospital. Although it is owned by the County, the hospital receives no tax funds for its operations. The County issues revenue bonds on behalf of the hospital, which do not constitute a pledge, charge or lien upon any of the County's property or upon its revenues. The taxing power of the County is not pledged for payment of the revenue bonds. The County has not otherwise provided material payments to the hospital.

PUBLIC SERVICE ENTERPRISES

Water and sewer services in the County are presently provided by the eight municipalities in the County. A countywide water system has been constructed and includes 500 miles of water lines serving approximately 5,100 customers.

Telephone service in the County is provided by Century Link Telephone Company and Star Telephone Membership Corporation.

Electric service is furnished by Duke Progress Energy, Four-County Electric Membership Cooperative, South River Electric Membership Cooperative and Tri-County Electric Membership Cooperative.

Solid waste management is provided by the County through a contract with Waste Industries U.S.A., Inc. The County operates a system of 12 convenience sites that are staffed and equipped for recycling. The convenience sites are designated for household trash. All other commercial trash and rubble is received at a central landfill that has a remaining life expectancy of approximately 20 years.

CULTURAL, ARTS AND RECREATION FACILITIES

The Sampson County Arts Council operates with funds from the State grants and private donations. The Arts Council actively promotes the arts through plays, talent shows and other events such as art shows.

The Sampson Community Theatre, which operates through local funding from the City of Clinton, membership dues, donations and gate receipts, is staffed by volunteers who serve as Board members and actors.

The Sampson County Agri-Exposition Center, located in the City of Clinton offers citizens, business and industry access to a state of the art multi-purpose building ideally suited for events such as wedding receptions, high school proms, family reunions, fundraising events, trade shows, concerts, business meetings and seminars. The facility has more than 30,000 square feet and contains four main meeting salons that can be easily converted into six to serve the needs of multiple groups simultaneously. The facility can handle groups ranging in size up to 1,450 people.

The County has excellent recreation facilities and programs which are jointly funded with municipalities in the County. Available recreational activities in the County include golf, hunting and fishing. The Black River is estimated to be one of the cleanest in eastern North Carolina and begins in the County. The Little Coharie, Big Coharie, and Six Runs Creeks come together approximately 15 miles south of the City of Clinton to form the Black River. Recreational kayakers and canoeists from the surrounding region visit Sampson County regularly to float the waterways. Since its inception in 1969, the County has been home to the National Hollerin' Contest sponsored by the Spivey's Corner Volunteer Fire Department and has brought worldwide acclaim.

DEBT INFORMATION

Legal Debt Limit. In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, allowing for the issuance of all presently authorized bonds, the County has the statutory capacity to incur additional net debt in the amount of \$211,905,251 as of June 30, 2014.

Outstanding General Obligation Debt. The County has no general obligation debt outstanding.

In addition, Water and Sewer Districts I and II, located in the County, had general obligation debt outstanding of \$11,663,000 as of June 30, 2014. The full faith and credit of the County is not pledged to the payment of this indebtedness, and the County has no obligation to make the payments from its general fund.

Other Long-Term Commitments. The County has the distinction of being the first county in North Carolina to have certificates of participation executed and delivered for school construction. For 16 consecutive years the County has been recognized with the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting.

Other than the Refunded Bonds, the County has outstanding in installment purchase contracts 87,070,381.09, all of which are being paid from general fund and school capital reserve fund revenues.

Long-Term Commitments Other than the Refunded Bonds

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$2,373,207.68	\$3,541,850.21	\$5,915,057.89
2015-2019	12,687,432.09	14,792,358.71	27,479,790.80
2020-2024	13,148,751.22	13,880,764.41	27,029,515.63
2025-2029	8,912,305.33	11,459,959.67	20,372,265.00
2030-2034	10,791,869.73	9,450,589.27	20,242,459.00
2035-2036	12,565,953.35	7,052,209.65	19,618,163.00
2040-2044	14,897,103.78	4,265,526.22	19,162,630.00
2045-2049	10,165,361.97	1,258,841.41	11,424,203.38
2049-2051	<u>1,528,395.94</u>	<u>80,246.65</u>	<u>1,608,642.59</u>
Total	<u>\$87,070,381.09</u>	<u>\$65,782,346.20</u>	<u>\$152,852,727.29</u>

Debt Outlook.

General Information

	Fiscal Year Ended June 30				
	2011	2012	2013	2014	2015 ⁴
Assessed Valuation:					
Assessment Ratio ¹	100%	100%	100%	100%	100%
Real Property	2,640,711,741	3,146,211,329	3,184,993,226	3,211,200,503	3,217,755,961
Personal Property	715,317,196	733,568,462	773,205,309	949,691,345	821,806,961
Public Service	<u>120,004,198</u>	<u>134,997,447</u>	<u>136,805,159</u>	<u>136,450,954</u>	<u>140,437,078</u>
Total Assessed	3,476,033,135	4,014,777,238	4,095,003,694	4,297,342,802	4,180,000,000
Tax rate per \$100	.0845	0.785	0.785	0.785	.083
Levy ³	29,372,480	31,620,994	32,145,779	33,743,141	34,694,000

¹ Percentage of appraised value has been established by statute. Property values are required to be reassessed no less than every eight years. The next reevaluation will be effective January 1, 2019.

² Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

³ The levy includes interest and penalties.

⁴ Estimate.

Tax Levy Information

Year Ended June 30	Prior Years Levies Collected (in thousands)	Current Year's Levy Collected (in thousands)	Percentage of Current Year's Levy Collected
2010	\$1,231	\$27,608	94.83%
2011	1,459	27,689	95.13%
2012	1,430	29,714	94.92%
2013	1,585	30,098	94.95%
2014	1,651	31,887	96.38%

Ten Largest Taxpayers For Fiscal Year 2013-14

Company	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Smithfield Foods, Inc.	Meat Packing	80,468,165	1.87%
Prestage Farms, Inc.	Swine/Poultry Grower	51,538,608	1.20%
Four County EMC	Utility	15,698,054	0.37%
Progress Energy Carolina	Utility	58,012,233	1.38%
South River Electric Membership Corp.	Utility	35,661,207	0.83%
Butterball, Inc	Swine/Poultry Grower	16,169,667	0.38%
Dubose Strapping, Inc	Manufacturing	14,171,029	0.33%
Schindler Elevator Corp.	Escalator Manufacturer	12,038,870	0.28%
Carolina Telephone	Utility	12,136,380	0.28%
USCOC of Greater NC LLC	Cellular provider	<u>9,284,986</u>	<u>0.22%</u>
		305,179,199	7.10%

FINANCIAL INFORMATION

2014-2015 Budget and Budget Commentary. For the fiscal year ending June 30, 2015, the County increased its tax rate to \$.83 cents per \$100 of value. The increase was due to reductions in grant revenues and increases in expenditures. The County estimates that general fund revenues will increase \$2,018,668 or approximately four percent, primarily as a result of the property tax increase. The County's total operating budget decreased by approximately \$1,300,000, primarily due to increases in capital costs to repair buildings.

Financial Statements. The financial statements of the County have been audited by certified public accountants for the fiscal years ended June 30, 2014, 2013 and 2012. Copies of these financial statements containing the unqualified report of the independent certified public accountants are available in the office of the Director of Finance, County of Sampson, 406 County Complex Road, Clinton, North Carolina, 28328 (910) 592-7181.

The financial statements in **Appendix A** are the General Purpose Financial Statements of the County and the notes thereto, taken from the Comprehensive Annual Financial Report of the County for the year ended June 30, 2014.

Management Discussion and Analysis. Management's Discussion and Analysis of the financial activities of the County, lifted from the Comprehensive Annual Financial Report for Sampson County for the fiscal year ended June 30, 2014, is also set forth in **Appendix A** hereto. Management's Discussion and Analysis provides an easily readable short- and long-term analysis of the County's financial activities

based on currently known facts, decisions, or conditions. Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The independent auditors of the County have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, they did not audit this information and did not express an opinion on it.

PENSION PLANS

The County participates in the North Carolina Local Governmental Employees' Retirement System.

North Carolina Local Governmental Employees' Retirement System — The North Carolina Local Governmental Employees' Retirement System (LGERS) is a service agency administered through a board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. While the State Treasurer is the custodian of system funds, administrative costs are borne by the participating employer governmental entities. The State makes no contributions to the system.

Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, for the fiscal year ending June 30, 2015 the rates for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.41% respectively, of annual covered payroll. The employer's contribution for law enforcement officers increased from 5.27% to 6.82% effective for the fiscal year ending June 30, 2016.

Members qualify for a vested deferred benefit at age 60 after at least five years of creditable service to the unit of local government. Unreduced benefits for general employees are available: at age 65, with at least five years of creditable service; at age 60, with at least 25 years of creditable service; or after 30 years of creditable service, regardless of age. Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor, and by an age service factor if the individual is not eligible for unreduced benefits.

Contributions to the system are determined on an actuarial basis.

For information concerning the County's participation in the LGERS and the Supplemental Retirement Income Plan of North Carolina, see the Notes to the County's Audited Financial Statements in **Appendix A** hereto.

Finally, the County provides health benefits to its retirees. Under current accounting standards, post-retirement benefits ("OPEBs") are recorded on a "pay as you go" basis. Pursuant to recently established accounting standards, OPEBs are earned during an employee's working years, and like pensions, must be recorded as a part of the current cost of providing public services. Under this new approach, the OPEB Liability is actuarially determined and funded similar to pensions. Based on an actuarial study prepared by the County's auditors, the County recognized an unfunded liability of \$8,062,624 in Fiscal Year 2014. As a result of this accounting change, the County expects that it will record an OPEB-related liability during the next two years. See the caption "Other Post-Employment Health Care Benefits" in the Notes to the County's Audited Financial Statements in **Appendix A** for a complete description of such benefits and the County's obligations thereunder.

CONTINUING DISCLOSURE

In the Bond Resolution, the District has undertaken, in accordance with Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”) and for the benefit of the Registered Owners and beneficial owners of the Bonds, as follows:

- (1) by not later than seven months after the end of each Fiscal Year to the Municipal Securities Rulemaking Board (the “MSRB”), commencing with the Fiscal Year ending June 30, 2015, the audited financial statements of the District (or audited financial statements of the County including the District as a blended component unit and an enterprise fund) for the preceding Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or if such audited financial statements are not then available, unaudited financial statements of the District for such Fiscal Year to be replaced subsequently by audited financial statements of the District to be delivered within 15 days after such audited financial statements become available for distribution;
- (2) by not later than seven months after the end of each Fiscal Year to the MSRB, commencing with the Fiscal Year ending June 30, 2015, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the captions “**DEBT INFORMATION**” and “**TAX INFORMATION**” in the section “**THE DISTRICT**” in this Official Statement to the extent such items are not included in the audited financial statements referred to in (1) above;
- (3) in a timely manner not in excess of 10 business days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the Bonds:
 - (a) principal and interest payment delinquencies;
 - (b) non-payment related defaults, if material;
 - (c) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) substitution of credit or liquidity providers, or their failure to perform;
 - (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
 - (g) modification to rights of the beneficial owners of the Bonds, if material;
 - (h) call of any of the Bonds, if material, and tender offers;
 - (i) defeasance of any of the Bonds;
 - (j) release, substitution or sale of any property securing repayment of the Bonds, if material;

- (k) rating changes;
 - (l) bankruptcy, insolvency, receivership or similar event of the District;
 - (m) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; and
 - (n) appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- (4) in a timely manner to the MSRB, notice of the failure by the District to provide the required annual financial information described in (1) and (2) above on or before the date specified.

At present, Section 159-34 of the General Statutes of North Carolina requires the District's financial statements to be prepared in accordance with generally accepted accounting principles and to be audited in accordance with generally accepted auditing standards.

The Bond Resolution provides that if the District fails to comply with the undertaking described above, any beneficial owner of the Bonds may take action to protect and enforce the rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking is not an event of default and will not result in any acceleration of payment of the Bonds. All actions must be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Bonds.

All documents provided to the MSRB as described above are to be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. The District may discharge its undertaking described above by providing such information in a manner the SEC subsequently authorizes in lieu of the manner described above.

The District may modify from time to time, consistent with the Rule, the information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the District, but:

- (5) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the District;
- (6) the information to be provided, as modified, would have complied with the requirements of the Rule as of the date of this Official Statement, after taking into account any amendments or interpretations of the Rule as well as any changes in circumstances;
- (7) any such modification does not materially impair the interest of the registered owners or the beneficial owners, as determined by nationally recognized bond counsel or by the approving vote of the registered owners of a majority in principal amount of the Bonds.

Any annual financial information containing modified operating data or financial information will explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The undertaking described above terminates on payment, or provision having been made for payment in a manner consistent with the Rule, in full of the principal of and interest on the Bonds.

The District has not had any continuing disclosure requirements pursuant to Rule 15c2-12 during the last five years.

With respect to the County's \$55,000,000 Certificates of Participation, Series 2006 and the Installment Payment Revenue Refunding Bonds (County of Sampson, North Carolina Installment Financing Contract), Series 2010, the County's operating budget and audited financial statements for the fiscal year ended June 30, 2012 were not filed by January 31, 2013. Corrective filings have been made, and the County believes it is otherwise in compliance in all material respects with its continuing disclosure undertakings. In addition, since 2008, the rating agencies have periodically downgraded the claims-paying ability of municipal bond insurers and the ratings of financial institutions providing credit or liquidity support to governmental financings several times without giving notice of such downgrades to the County. The County has learned of some downgrades through general media sources and, when it did so, filed the appropriate material event notice related to such ratings downgrades to the extent they were applicable to the County's indebtedness; however, it is possible that the County either was unaware of a downgrade or did not learn of a downgrade in order to file a notice in a timely fashion.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina, Bond Counsel, whose approving legal opinion will be available at the time of the delivery of the Bonds. The proposed form of such opinion is attached hereto as **Appendix E**.

RATINGS

Moody's Investors Service ("*Moody's*") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("*S&P*"), have given the Bonds ratings of "A1" and "A," respectively. The ratings reflect only the view of such organization, and an explanation of the significance of such rating may be obtained only from Moody's and S&P. Certain information and materials not included in the Official Statement were furnished to Moody's and S&P. There is no assurance that such ratings will remain in effect for any given period of time or that any or all will not be revised downward or withdrawn entirely. Any downward revision or withdrawal of a rating may have an adverse effect on the market prices of the Bonds.

TAX TREATMENT

GENERAL

On the date of the issuance of the Bonds, Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina (“*Bond Counsel*”), will render an opinion that, under existing law (1) assuming compliance by the District with certain provisions of the Internal Revenue Code of 1986, as amended (the “*Code*”), (a) interest on the Bonds is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (2) interest on the Bonds is exempt from State of North Carolina income taxation.

The interest on the Bonds will be taken into account in determining adjusted current earnings of certain corporations (as defined for federal income tax purposes), and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporation’s adjusted current earnings over its federal alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

The Code imposes various restrictions, conditions and requirements relating to the exclusion of interest on obligations, such as the Bonds, from gross income for federal income tax purposes, including, but not limited to, the requirement that the District rebate certain excess earnings on proceeds and amounts treated as proceeds of the Bonds to the United States Treasury, restrictions on the investment of such proceeds and other amounts, and restrictions on the ownership and use of the facilities financed or refinanced with proceeds of the Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied by the District subsequent to issuance of the Bonds to maintain the excludability of the interest on the Bonds from gross income for federal income tax purposes. The opinion of Bond Counsel is given in reliance on certifications by representatives of the District as to certain facts material to the opinion and the requirements of the Code.

The District has covenanted to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest on the Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel assumes compliance by the District such covenants, and Bond Counsel has not been retained to monitor compliance by the District with such covenants subsequent to the date of issuance of the Bonds. Failure to comply with certain of such requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of or the receipt or accrual of interest with respect to the Bonds.

If the interest on the Bonds subsequently becomes included in gross income for federal income tax purposes due to a failure by the District to comply with any requirements described above, the District is not required to redeem the Bonds or to pay any additional interest or penalty.

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includible in gross income for federal income tax purposes. Bond Counsel cannot predict whether the Internal Revenue Service will commence an audit of the Bonds. Prospective purchasers of the Bonds are advised that, if the Internal Revenue Service does audit the Bonds, under current Internal Revenue Service procedures, at least during the early stages of an audit, the Internal Revenue Service will treat the District as the taxpayer, and the owners of the Bonds may have limited rights, if any, to participate in such audit. The commencement of an audit could

adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds and the accrual or receipt of interest on the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property or casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain Subchapter S Corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel does not express any opinion as to any such collateral tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors as to the collateral tax consequences.

Proposed legislation is considered from time to time by the United States Congress that, if enacted, would affect the tax consequences of owning the Bonds. No assurance can be given that any future legislation, or clarifications or amendments to the Code, if enacted into law, will not contain provisions which could cause the interest on the Bonds to be subject directly or indirectly to federal or State of North Carolina income taxation, adversely affect the market price or marketability of the Bonds or otherwise prevent the owners of the Bonds from realizing the full current benefit of the status of the interest on the Bonds.

The opinion of Bond Counsel is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, the opinion of Bond Counsel is not a guarantee of a particular result and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel’s professional judgment based on its review of existing law, and in reliance on the representations and covenants that Bond Counsel deems relevant to such opinion. The opinion of Bond Counsel expresses the professional judgment of the attorneys rendering the opinion regarding the legal issues expressly addressed therein. By rendering its opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of the District, nor does the rendering of such opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

ORIGINAL ISSUE DISCOUNT

As indicated on the inside cover page, the Bonds maturing on June 1, 2030 in the principal amount of \$1,185,000 and June 1, 2044 (the “*OID Bonds*”), are being sold at initial offering prices which are less than the principal amount payable at maturity. Under the Code, the difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the *OID Bonds* is sold and (b) the principal amount payable at maturity of such *OID Bonds*, constitutes original issue discount treated as interest which will be excluded from the gross income of the owners of such *OID Bonds* for federal income tax purposes.

In the case of an owner of an *OID Bond*, the amount of original issue discount on such *OID Bond* is treated as having accrued daily over the term of such *OID Bond* on the basis of a constant yield compounded at the end of each accrual period and is added to the owner’s cost basis of such *OID Bond* in determining, for federal income tax purposes, the gain or loss upon the sale, redemption or other disposition of such *OID Bond* (including its sale, redemption or payment at maturity). Amounts received upon the sale, redemption or other disposition of an *OID Bond* which are attributable to accrued original

issue discount on such OID Bonds will be treated as interest exempt from gross income, rather than as a taxable gain, for federal income tax purposes, and will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on corporations and individuals. However, it should be noted that with respect to certain corporations (as defined for federal income tax purposes), a portion of the original issue discount that accrues to such corporate owners of OID Bonds in each year will be taken into account in determining the adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on such corporations and may result in other collateral federal income tax consequences for certain taxpayers in the year of accrual. Consequently, corporate owners of an OID Bond should be aware that the accrual of original issue discount on any OID Bond in each year may result in a federal alternative minimum tax liability or other collateral federal income tax consequences, even though such corporate owners may not have received any cash payments attributable to such original issue discount in such year.

Original issue discount is treated as compounding semiannually at a rate determined by reference to the yield to maturity of each individual OID Bond. The amount treated as original issue discount on an OID Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such OID Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such OID Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of interest payable on such OID Bond during the particular accrual period. The tax basis is determined by adding to the initial public offering price on such OID Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior accrual periods. If an OID Bond is sold between semiannual compounding dates, original issue discount which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of the OID Bonds who subsequently purchase any OID Bonds after the initial offering or at a price different from the initial offering price during the initial offering of the Bonds. Owners of OID Bonds should consult their own tax advisors with respect to the precise determination for federal and state income tax purposes of the amount of original issue discount accrued upon the sale, redemption or other disposition of an OID Bond as of any date and with respect to other federal, state and local tax consequences of owning and disposing of an OID Bond. It is possible that under the applicable provisions governing the determination of state or local taxes, accrued original issue discount on an OID Bond may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment attributable to such original issue discount until a later year.

ORIGINAL ISSUE PREMIUM

As indicated on the inside cover page, the Bonds maturing on June 1, 2016 through June 1, 2025, inclusive; June 1, 2030 in the principal amount of 635,000; and June 1, 2035 through June 1, 2040, inclusive (the “*Premium Bonds*”) are being sold at initial offering prices which are in excess of the principal amount payable at maturity. The difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. The amount of the original issue premium which is treated as having accrued over the term of a Premium Bond is reduced from the owner’s cost basis of such Premium Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity). Owners should consult their tax advisors with respect to the

determination, for federal income tax purposes, of the “adjusted basis” of the Premium Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a Premium Bond.

FINANCIAL ADVISOR

DEC Associates, Inc., Charlotte, North Carolina, has acted as financial advisor to the District in connection with the issuance of the Bonds.

UNDERWRITING

Stephens Inc., Charlotte, North Carolina (the “*Underwriter*”) has agreed under the terms of a Bond Purchase Agreement to purchase all of the Bonds, if any of the Bonds are to be purchased, at a purchase price equal to the par amount of the Bonds plus net original issue premium of \$814,664.15 and less an Underwriter’s discount of \$66,977.23. The Underwriter’s obligation to purchase the Bonds is subject to certain terms and conditions set forth in the Purchase Contract.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the County and for the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliate may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Parker Poe Adams & Bernstein LLP serves as Bond Counsel for the District and, from time to time, it and Moore & Van Allen PLLC, counsel to the Underwriter, have represented the Underwriter as counsel in other financing transactions. Neither the District nor the Underwriter has conditioned the future employment of either of these firms in connection with any proposed financing issues for the District or for the Underwriter on the successful execution and delivery of the Bonds.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact.

Reference herein to the State Constitution and legislative enactments are only brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof.

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APPENDIX A

THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

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THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

The Local Government Commission (the "*Commission*") is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue and five others by appointment (three by the Governor, one by the General Assembly upon recommendation of the President Pro Tempore of the Senate and one by the General Assembly upon recommendation of the Speaker of the House of Representatives). The State Treasurer serves as Chairman and selects the Secretary of the Commission, who heads the administrative staff serving the Commission.

A major function of the Commission is the approval, sale and delivery of substantially all North Carolina local government bonds and notes. A second key function is monitoring certain fiscal and accounting standards prescribed for units of local government by The Local Government Budget and Fiscal Control Act. In addition, the Commission furnishes, upon request, on-site assistance to units of local government concerning existing financial and accounting systems as well as aid in establishing new systems. Further, educational programs and materials are provided for local officials concerning finance and cash management.

Before any unit of local government can incur bonded indebtedness, the proposed bond issue must be approved by the Commission. In determining whether to give such approval the Commission may consider, among other things, the unit's debt management procedures and policies, its compliance with The Local Government Budget and Fiscal Control Act and its ability to service the proposed debt. General obligation issues are customarily sold on the basis of formal sealed bids submitted at the Commission's offices in Raleigh and are subsequently delivered to the successful bidder by the Commission. The Commission maintains records for all units of local government of principal and interest payments coming due on bonded indebtedness in the current and future years and monitors the payment by the units of local government of debt service through a system of monthly reports.

As a part of its role in assisting and monitoring the fiscal programs of units of local government, the Commission attempts to ensure that the units of local government follow generally accepted accounting principles, systems and practices. The Commission's staff also counsels the units of local government in treasury and cash management, budget preparation and investment policies and procedures. Educational programs, in the form of seminars or classes, are also provided by the Commission in order to accomplish these tasks. The monitoring of the financial systems of units of local government is accomplished through the examination and analysis of the annual audited financial statements and other required reports. The Local Government Budget and Fiscal Control Act requires each unit of local government to have its accounts audited annually by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A written contract must be submitted to the Secretary of the Commission for his approval prior to the commencement of the audit.

The Commission has the statutory authority to impound the books and records of any unit of local government and assume full control of all its financial affairs (a) when the unit defaults on any debt service payment or, in the opinion of the Commission, will default on a future debt service payment if the financial policies and practices of the unit are not improved or (b) when the unit persists, after notice and warning from the Commission, in willfully or negligently failing or refusing to comply with the provisions of The Local Government Finance Act. When the Commission takes action under this authority, the Commission is vested with all of the powers of the governing board of the unit of local government as to the levy of taxes, expenditure of money, adoption of budgets and all other financial powers conferred upon such governing board by law.

In addition, if a unit of local government fails to pay any installment of principal or interest on its outstanding debt on or before its due date and remains in default for 90 days, the Commission may take such action as it deems advisable to investigate the unit's fiscal affairs, consult with its governing board and negotiate with its creditors in order to assist the unit in working out a plan for refinancing, adjusting or compromising such debt. When a plan is developed that the Commission finds to be fair and equitable and reasonably within the ability of the unit of local government to meet, the Commission will enter an order finding that the plan is fair, equitable and within the ability of the unit to meet and will advise the unit to take the necessary steps to implement such plan. If the governing board of the unit declines or refuses to do so within 90 days after receiving the Commission's advice, the Commission may enter an order directing the unit to implement such plan and may apply for a court order to enforce such order. When a refinancing plan has been put into effect, the Commission has the authority (a) to require any periodic financial reports on the unit's financial affairs that the Secretary deems necessary and (b) to approve or reject the unit's annual budget ordinance. The governing board of the unit of local government must also obtain the approval of the Secretary of the Commission before adopting any annual budget ordinance. The power and authority granted to the Commission as described in this paragraph will continue with respect to a defaulting unit of local government until the Commission is satisfied that the unit has performed or will perform the duties required of it in the refinancing plan and until agreements made with the unit's creditors have been performed in accordance with such plan.

APPENDIX B

**CERTAIN CONSTITUTIONAL, STATUTORY, AND ADMINISTRATIVE
PROVISIONS GOVERNING OR RELEVANT TO THE INCURRENCE OF
GENERAL OBLIGATION BONDED INDEBTEDNESS BY UNITS OF
LOCAL GOVERNMENT OF THE STATE OF NORTH CAROLINA**

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CERTAIN CONSTITUTIONAL, STATUTORY, AND ADMINISTRATIVE PROVISIONS GOVERNING OR RELEVANT TO THE INCURRENCE OF GENERAL OBLIGATION BONDED INDEBTEDNESS BY UNITS OF LOCAL GOVERNMENT OF THE STATE OF NORTH CAROLINA

Constitutional Provisions

The North Carolina Constitution (the "*Constitution*") requires the General Assembly to enact general laws relating to the borrowing of money secured by a pledge of the faith and credit and the contracting of other debts by counties, cities and towns, special districts and other units, authorities and agencies of local government and prohibits enactment of special or local acts on this subject. These general laws may be enacted for classes defined by population or other criteria.

The General Assembly has no power under the Constitution to authorize any unit of local government to contract debts secured by a pledge of its faith and credit unless approved by a majority of the qualified voters of the unit who vote thereon, except for the following purposes:

- (a) to fund or refund a valid existing debt;
- (b) to supply an unforeseen deficiency in the revenue;
- (c) to borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50% of such taxes;
- (d) to suppress riots or insurrections;
- (e) to meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor; and
- (f) for purposes authorized by general laws uniformly applicable throughout the State, to the extent of two-thirds of the amount by which the issuing unit's outstanding indebtedness was reduced during the next preceding fiscal year.

The Constitution requires that the power of taxation be exercised in a just and equitable manner, for public purposes only, and never be surrendered, suspended or contracted away. Since general obligation bonded indebtedness pledges the taxing power, it may therefore be incurred only for "public purposes." The North Carolina Supreme Court determines what is and is not a public purpose within the meaning of the Constitution.

The Constitution requires voter approval for any unit of local government to give or lend its credit in aid of any person, association or corporation, and such lending of credit must be for public purposes as authorized by general law. A loan of credit is defined by the Constitution as occurring when a unit of local government exchanges its obligations with or in any way guarantees the debts of an individual, association or private corporation.

The Constitution does not impose a limit on the total indebtedness of a unit of local government.

Of the sources of revenue available to units of local government, only the property tax is subject to special Constitutional regulation. The Constitution does not mandate a general property tax; rather, it authorizes the General Assembly to classify property for taxation under two conditions: (1) each class of

property selected for taxation must be taxed by uniform rule and (2) every classification must be made by general law uniformly applicable to every unit of local government. No class of property is accorded exemption from ad valorem taxation by the Constitution except property belonging to the State, counties and municipal corporations. The General Assembly may exempt cemeteries and property held for educational, scientific, literary, cultural, charitable or religious purposes and, to a value not exceeding \$300, any personal property. The General Assembly may also exempt from taxation not exceeding \$1,000 in value of property used as the place of residence of the owner. Property of the United States is exempt by virtue of the supremacy clause of the United States Constitution.

The Constitution requires that any property tax must be levied for purposes authorized by general law uniformly applicable throughout the State, unless approved by a majority of the qualified voters of the unit of local government who vote thereon.

Under the Constitution, property taxes levied for unit-wide purposes must be levied uniformly throughout the territorial jurisdiction of the taxing unit, but the General Assembly may enact general laws authorizing the governing body of any county, city or town to define territorial areas and to levy taxes within those areas in order to finance, provide or maintain services, facilities and functions in addition to or to a greater extent than those financed, provided or maintained for the entire county, city or town.

The Local Government Bond Act

No unit of local government has authority to incur general obligation bonded indebtedness otherwise than in accordance with the limitations and procedures prescribed in The Local Government Bond Act, G.S. Ch. 159, Art. 4 (the "*Act*") and G.S. Ch. 159, Art. 7 or to issue short-term general obligation notes otherwise than in accordance with G.S. Ch. 159, Art. 9.

By statute, the faith and credit of the issuing unit are pledged for the payment of the principal of and interest on all bonds issued under the Act according to their terms, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of installments of principal and interest or for the maintenance of sinking funds is unrestricted as to rate or amount.

The revenues of each utility or public service enterprise owned or leased by a unit of local government are required by statute to be applied in accordance with the following priorities: (1) to pay the operating, maintenance and capital outlay expenses of the utility or enterprise; (2) to pay when due the interest on and principal of outstanding bonds issued for capital projects that are or were a part of the utility or enterprise; and (3) for any other lawful purpose. In its discretion, an issuing unit may pledge the revenues (or any portion thereof) of a utility or enterprise for the payment of the interest on and principal of bonds issued under the Act to finance capital projects that are to become a part of the utility or enterprise.

Bonds may be issued only for purposes specifically authorized by the Act.

No bonds may be issued under the Act without the approval of the Local Government Commission. The criteria for approval have been summarized in the description of the powers of the Commission in **Appendix A** to this Official Statement.

The Act provides that, subject to certain exceptions, no bond order may be adopted by the governing body of a unit of local government unless it appears from a sworn statement of debt filed in connection therewith that the net debt of the unit does not exceed 8% of the assessed value of property subject to taxation by the issuing unit. Under current law, the mandated assessment ratio is 100% of appraised value. This limitation does not apply to funding and refunding bonds, bonds issued for water, gas

or electric power purposes, or two or more of such purposes, certain sanitary sewer, sewage disposal or sewage purification plant bonds, bonds or notes issued for erosion control purposes or bonds or notes issued for the purposes of erecting jetties or other protective works to prevent encroachment by certain bodies of water.

"Net debt" is defined as gross debt less certain statutory exclusions and deductions. Gross debt, excluding therefrom debt incurred or to be incurred in anticipation of tax or other revenue collections or in anticipation of the sale of bonds other than funding or refunding bonds, is the sum of (i) outstanding debt evidenced by bonds, (ii) bonds authorized by orders introduced but not yet adopted, (iii) unissued bonds authorized by adopted orders and (iv) outstanding debt not evidenced by bonds. From gross debt are deducted (a) funding and refunding bonds (both those authorized by orders introduced but not yet adopted and those authorized but not yet issued), (b) the amount of money held in sinking funds or otherwise for the payment of any part of the principal of gross debt other than debt incurred for the purposes set forth in clause (e) below, (c) the amount of bonded debt included in gross debt and incurred, or to be incurred, for water, gas or electric light or power purposes, or two or more of such purposes, and certain bonded debt for sanitary sewer purposes, and (d) the amount of uncollected special assessments theretofore levied or estimated to be levied for local improvements for which any part of the gross debt (that is not otherwise deducted) was or is to be incurred, to the extent that the special assessments, when collected, will be applied to the payment of any part of the gross debt. Revenue bond indebtedness is not included in, nor deducted from, gross debt.

Bonds may be issued under an approved bond order at any time within seven years after the bond order takes effect. The effective date of the bond order is the date of formal passage of the bond order in the case of bonds that do not require voter approval and the date of voter approval in all other cases. If the issuance of bonds is prevented or prohibited by any order of any court or certain litigation, the period of time is extended by the length of time elapsing between the date of institution of the action or litigation and the date of its final disposition. The General Assembly may, prior to the expiration of the maximum period, also extend such period. In addition, such period may be extended from seven to ten years by the governing body of a unit of local government under certain circumstances with approval by the Commission. In any such case, no further voter approval is required.

The Commission has by regulation established the maximum useful lives of capital projects that may be financed by bonds. The maturity dates of any bonds issued for any project may not exceed the maximum useful life of the project, measured from the date of the bonds.

All bonds must mature in annual installments, the first of which must be payable not more than three years after the date of the bonds and the last of which must be payable within the maximum useful life of the project. Payment of an installment of principal may be provided for by the maturity of a bond, mandatory redemption of principal prior to maturity, a sinking fund, a credit facility or any other means satisfactory to the Commission. In addition, the Act prohibits "balloon installments" in that it requires that no installment of any issue may be greater than four times as large in amount as the smallest prior installment of the same issue. Bonds authorized by two or more bond orders may be consolidated into a single issue, and bonds of each issue may be issued from time to time in series with different provisions for each series. Each series is deemed a separate issue for the purposes of the limitations discussed in this paragraph. Bonds may be made payable from time to time on demand or tender for purchase as provided in the Act, and bonds may be made subject to redemption prior to maturity, with or without premium. The requirement that the bonds must mature in annual installments and the prohibition against balloon installments as described above does not apply to (a) refunding bonds, (b) bonds purchased by a State or federal agency or (c) bonds the interest on which is or may be includable in gross income for purposes of federal income tax, provided that the dates on which such bonds are stated to mature are approved by the

Commission and the Commission may require that payment of all or any part of the principal of and interest and any premium on such bond be provided for by mandatory sinking fund redemption.

Short-Term Obligations

Bond Anticipation Notes - Units of local government are authorized to issue short-term notes in anticipation of the sale of bonds validly authorized for issuance within the maximum authorized amount of the bonds. General obligation bond anticipation notes must be payable not later than seven years after the effective date of the bond order and shall not be renewed or extended beyond that time unless the period of time within which the bonds may be issued has been extended as mentioned above. The faith and credit of the issuing unit are pledged for the payment of general obligation bond anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount. The proceeds of each general obligation bond issue are also pledged for the payment of any notes issued in anticipation of the sale thereof, and any such notes shall be retired from the proceeds of the bonds as a first priority.

Tax Anticipation Notes - Units of local government having the power to levy taxes are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the collection of taxes due and payable within the current fiscal year, and to issue negotiable notes in evidence thereof. Any tax anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No tax anticipation note shall be issued by the unit of local government if the amount thereof, together with the amount of all authorized or outstanding tax anticipation notes on the date the note is authorized, would exceed 50% of the amount of taxes uncollected as of the date of the proposed note authorization. The faith and credit of the issuing unit are pledged for the payment of tax anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount.

Revenue Anticipation Notes - Units of local government are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the receipt of the revenues, other than taxes, estimated in their budgets to be realized in cash during such fiscal year, and to issue negotiable notes in evidence thereof. Any revenue anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No revenue anticipation note shall be issued if the amount thereof, together with the amount of all revenue anticipation notes authorized or outstanding on the date the note is authorized, would exceed 80% of the revenues of the issuing unit, other than taxes, estimated in its budget to be realized in cash during such fiscal year. Revenue anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of revenue anticipation notes.

Grant Anticipation Notes - Units of local government are authorized to borrow money for the purpose of paying appropriations made for capital projects in anticipation of the receipt of moneys from grant commitments for such capital projects from the State or the United States or any agencies of either, and to issue negotiable notes in evidence thereof. Grant anticipation notes must mature not later than 12 months after the estimated completion date of such capital project and may be renewed from time to time, but no such renewal shall mature later than 12 months after the estimated completion date of such capital project. No grant anticipation note may be issued if the amount thereof, together with the amount of all other notes authorized or issued in anticipation of the same grant commitment, exceeds 90% of the unpaid amount of said grant commitment. Grant anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of grant anticipation notes.

The Local Government Budget and Fiscal Control Act

The Local Government Budget and Fiscal Control Act, G.S. Ch. 159, Art. 3 (the "*Fiscal Control Act*"), sets forth procedures for the adoption and administration of budgets of units of local government. The Fiscal Control Act also prescribes certain accounting and auditing requirements. The Fiscal Control Act attempts to achieve close conformity with the accounting principles contained in the American Institute of Certified Public Accountants' Industry Audit Guide, Audits of State and Local Government Units.

Budget - The Fiscal Control Act requires the adoption of an annual balanced budget, which includes all appropriations required for debt service and for eliminating any deficit. Any deficit is required to be eliminated by the imposition of a property tax at a rate which will produce the revenue necessary to balance revenues and appropriations in the budget. The Secretary of the Commission is required to notify each local government unit by May 1 of each year of its debt service obligations for the coming fiscal year, including sums to be paid into sinking funds. At least 30 days prior to the due date of each installment of principal or interest on outstanding debt, the Secretary must notify each unit of the payment due, the due date, the place which the payments should be sent, and a summary of the legal penalties for failing to meet debt service obligations.

The Fiscal Control Act directs that the budget ordinance be adopted by the governing board of the unit of local government by July 1 of the fiscal year to which it applies. There is no penalty for failure to meet this deadline. The fiscal year begins July 1 and ends the following June 30. The governing board is required to hold a public hearing concerning the budget prior to its adoption. A project ordinance authorizing all appropriations necessary for the completion of a capital project or a grant project may be adopted in lieu of annual appropriations for each project and need not be readopted in any subsequent fiscal year.

Fiscal Control - The Fiscal Control Act sets forth certain fiscal control requirements concerning the duties of the finance officer; the system of accounting; budgetary accounting for appropriations; investment of idle funds; semiannual reports of financial information to the Commission; and an annual independent audit.

Except as otherwise provided by regulation of the Commission, the Fiscal Control Act requires a unit of local government to use the modified accrual basis of accounting in recording transactions. The Commission is empowered to prescribe regulations as to (a) features of accounting systems; (b) bases of accounting, including identifying in detail the characteristics of a modified accrual basis, identifying what revenues are susceptible to accrual, and permitting or requiring the use of a basis other than modified accrual in a fund that does not account for the receipt of a tax; and (c) definitions of terms not clearly defined in the Fiscal Control Act.

The Fiscal Control Act requires each unit of local government to have its accounts audited annually by an independent certified public accountant or by an independent accountant certified by the Commission as qualified to audit local government accounts. The audit must be conducted pursuant to a written contract containing the form, terms and fees for the audit. The Secretary of the Commission must approve this contract before the audit may begin and must approve invoices for the audit fee. Approval of final payment is not given until the audit report is rendered in accordance with the requirements of the contract. All audits are to be performed in conformity with generally accepted auditing standards.

Major General Fund Revenue Sources

Ad Valorem Tax - Each unit of local government having authority to incur general obligation bonded indebtedness also has authority to levy ad valorem taxes on property having a situs within the unit. The ad valorem tax is levied on classes of property selected for taxation by the General Assembly through laws that are uniform throughout the State. The statute governing the listing, appraisal and assessment of property for taxation and the collection of taxes levied is the Machinery Act, G.S. Ch. 105, Subchapter II.

Tax Base - The basic class of property selected for taxation comprises all real and tangible personal property. Thus, unless a class of property is specifically excluded from the property tax base, exempted from taxation or specifically accorded some kind of preferential tax treatment, it must be taxed by each unit of local government exercising its authority to levy property taxes. Several classes of property have been selected for exclusion from the property tax base, exemption from taxation or taxation at reduced valuation or for special appraisal standards. The most significant of these classes are:

- (1) Tangible household personal property is excluded from the property tax base.
- (2) Stocks and bonds, accounts receivable and certain other types of intangible personal property are excluded from the property tax base.
- (3) Property belonging to certain qualified owners and used wholly and exclusively for religious, educational, charitable, cultural, fraternal or civic purposes is wholly exempted from taxation. Property belonging to the United States, the State and units of local government is also exempt from taxation.
- (4) Real and personal property owned by certain nonprofit homes for the aged, sick or infirm are excluded from property taxation, provided such homes are exempt from the State income tax.
- (5) Certain kinds of tangible personal property held for business purposes are excluded from taxation, the most important of which are:
 - (a) Manufacturers' inventories (raw materials, goods in process, finished goods, materials or supplies consumed in processing, crops, livestock, poultry, feed used in production of livestock and poultry, and other agricultural or horticultural products held for sale) and inventories of retail and wholesale merchants (tangible personal property held for sale and not manufactured, processed or produced by the merchant).
 - (b) Property imported through a North Carolina seaport terminal and stored at such terminal for less than 12 months awaiting further shipment.
 - (c) Certain pollution abatement and resource recovery equipment.
 - (d) "Bill and hold" goods manufactured in North Carolina and held by the manufacturer for shipment to a nonresident customer.
 - (e) Nuclear materials held for or in the process of manufacture or processing or held by the manufacturer for delivery.

- (f) Motor vehicle frames that belong to nonresidents and enter the State temporarily for the purpose of having a body mounted thereon.
- (6) A homestead exemption of the greater of \$25,000 or 50% of the appraised value of the residence is allowed if the property owner is a North Carolina resident, has income for the preceding calendar year of not more than the eligibility limit, and is at least 65 years of age or totally and permanently disabled.
- (7) Certain agricultural, horticultural and forest land is eligible for taxation at its value for agricultural, horticultural or forest use.

Appraisal Standard - All property must be appraised at its true value in money, except agricultural, horticultural and forest land eligible for appraisal at its present-use value. Property must be assessed for taxation at 100% of its appraised value.

Frequency of Appraisal - Real property must be appraised at least once in every eight years. The requirement of octennial real property revaluations has been enforced since 1965, and no taxing unit has been permitted to postpone a scheduled revaluation since that time. Many units revalue real property more frequently than every eight years. Personal property is appraised annually.

Tax Day - All real and tangible personal property (other than most motor vehicles) subject to ad valorem taxation must be listed for taxation as of January 1 each year. Motor vehicles, with certain exceptions, must be listed annually in the name of the record owner on the day on which the current vehicle registration is renewed or the day on which the application is submitted for a new vehicle registration.

Tax Levy - Property taxes are levied in conjunction with the adoption of a budget which covers a July 1 to June 30 fiscal year. The property tax levy must be sufficient to raise during the fiscal year a sum of money equal to the difference between total appropriations and the total estimated receipts of all other revenues. In estimating the percentage of the levy that will be collected during the fiscal year, the taxing unit is prohibited from estimating a greater collection percentage than that of the prior fiscal year.

The tax rate may not exceed \$1.50 per \$100 assessed valuation unless the voters approve a higher rate. Tax levies by counties for the following purposes are not counted against the rate limit: courts, debt service, deficits, elections, jails, schools, mandated social services programs and joint undertakings with any other taxing unit with respect to any of these. Tax levies by cities for the following purposes are not counted against the rate limit: debt service, deficits and civil disorders.

Tax Collection - The taxing unit has a lien by operation of law on all real property within its jurisdiction that attaches as of January 1 for all taxes levied for the fiscal year beginning on the following July 1. Taxes levied on a parcel of real property are a lien on that parcel but not on other real property owned by the taxpayer. Taxes levied on personal property are a lien on all real property owned by the taxpayer within the taxing unit. The tax lien enjoys absolute priority against all other liens and claims whatsoever except, in limited circumstances, federal tax liens and certain other prior liens and perfected security interests.

Except for motor vehicles, taxes fall due on September 1 following the date of levy and are payable at par until January 6. For the period January 6 to February 1, interest accrues at the rate of 2%, and for the period February 1 until the principal amount of the taxes, the accrued interest, and any penalties are paid, interest accrues at the rate of 3/4% per month or fraction thereof. Each taxing unit may enforce collection of its tax levy by (a) foreclosure of the lien on real property, (b) levy and sale of

tangible personal property and (c) garnishment and attachment of intangible personal property. There is no right of redemption of real property sold in a tax foreclosure action.

Discounts for early payment of property taxes are allowed by some taxing units. To allow such discounts, the unit must adopt a discount schedule which must then be approved by the Ad Valorem Tax Division of the Department of Revenue.

No taxing unit has authority to release or refund any valid tax claim. The members of any governing board voting to make an unlawful release or refund of property taxes are personally liable for the amount unlawfully released or refunded.

The Commission periodically publishes statistics on the percentage of property tax levies collected before the close of the fiscal year for which levied. These statistics are available upon request.

Although the State has not levied a general property tax in more than forty years, it does continue general oversight of property tax administration by units of local government through the Ad Valorem Tax Division of the Department of Revenue. The Division has three main functions: (1) it appraises the property of electric power, gas, telephone and telegraph companies, the rolling stock of bus companies and motor freight carriers and the flight equipment of airlines; (2) it oversees local property tax administration; and (3) it provides staff assistance to the Property Tax Commission, an administrative appellate agency hearing listing and valuation appeals from local taxing units.

Local Government Sales and Use Taxes

The one percent local sales and use tax authorized by the Local Government Sales and Use Tax Act is levied by 99 of the 100 counties of the State (Mecklenburg County levies a virtually identical tax under a 1967 local act). The local sales tax base is the same as the State general sales tax base excluding exempt food sales, except that for goods sold to out-of-county purchasers for delivery out-of-county and sales of certain utility services. The situs of a transaction is the location of the retailer's place of business. Sales of tangible personal property delivered to out-of-county purchasers will be subject to sales tax in the county in which the retailer's place of business is located and will not be subject to the use tax of the destination county. The tax is collected by the State on behalf of local government, and the net proceeds, after deduction of the cost of collection and administration, are returned to the county of collection. The county governing board selects one of two formulas for allocation of the tax among the county and the municipalities therein. One formula calls for allocation on the basis of population and the other on the basis of ad valorem tax levy.

Counties are also authorized under the Supplemental Local Government Sales and Use Tax Act to levy a one-half percent sales tax. This sales tax is collected by the State, allocated to counties on a per capita basis and divided among each county and the municipalities located therein in accordance with the method by which the one percent sales and use taxes are distributed. An adjustment factor is applied to the per capita allocation for each county. All 100 counties levy this one-half percent supplemental sales tax.

Counties are also authorized under the Additional Supplemental Local Government Sales and Use Tax Act to levy an additional one-half percent sales tax. This additional supplemental sales tax is collected and distributed based on a point-of-origin allocation. During the first 16 fiscal years in which this tax is in effect, 60% of the revenue derived by counties from this tax is required to be used for public school capital outlay purposes or to retire any indebtedness incurred by the county for these purposes during the period beginning five years prior to the date the taxes took effect. Counties may be relieved of the percentage restriction if it can demonstrate to the satisfaction of the Local Government

Commission that it is able to meet the aforementioned capital outlay needs without resorting to proceeds of such tax. All 100 counties levy this additional supplemental one-half percent sales tax.

Counties were previously authorized under the Third One-Half Cent Local Government Sales and Use Tax Act, to levy an additional one-half cent local option sales tax. However, as a part of a Medicaid relief package for the counties, this third one-half cent tax was replaced by the Local Government Hold Harmless Provision. Effective October 1, 2008, this tax was reduced to one-fourth cent and the remaining one-fourth cent was eliminated effective October 1, 2009. The phase out of this tax is part of an effort to allow the State to assume the District's portion of the Medicaid expense over a three year period. The State must guarantee that each county's gain will be at least \$500,000 for each fiscal year as a result of the State assuming the county Medicaid share. Once the Third One-Half Cent tax was completely phased out on October 1, 2009, if the amount of a county's Medicaid cost assumed by the State plus \$500,000 is less than the county's repealed local sales tax amount, the State must reimburse the county for the amount of the difference. Counties are to hold municipalities that were incorporated as of October 1, 2008, harmless for the phase-out of the Third One-Half Cent tax. The hold harmless funds are paid to municipalities by the Secretary of Revenue each month from funds obtained by reducing the county's monthly allocation of the one-percent local sales and use tax proceeds. The Medicaid relief package also provides for corresponding increases in the State sales tax to accompany the reduction of the Third One-Half Cent tax that was effective October 1, 2008 and repealed on October 1, 2009. Thus, the State sales tax was increased by one-quarter cent on October 1, 2008, and by another one quarter cent on October 1, 2009.

Alcoholic Beverage Control Store Profits

The sale of liquor in the State is a government monopoly. Stores are operated by counties and municipalities that have been authorized and have chosen to establish them. The net profits of these stores are distributed to the units of local government in which they operate. The General Assembly has enacted numerous local acts prescribing different formulas for the distribution of profits. Local elections are authorized to permit sales of liquor by the drink by qualified restaurants and clubs. An additional tax of \$20 per four liters is levied on liquor purchased by restaurants or clubs for resale as mixed beverages, and \$10 of the \$20 is paid to the State's General Fund.

Intragovernmental Shared Revenues

The excise tax levied by the State on beer, fortified and unfortified wine is shared with counties and municipalities in which the sale of these beverages is lawful. Counties and cities where beer and wine are sold receive on a per capita basis an annual distribution equal to the following percentages of the net amount of excise taxes collected on the sale of beer and wine during the 12-month period ending March 31 each year: 23.75% of beer tax revenue, 62% of unfortified wine tax revenue and 22% of fortified wine tax revenue. A city or a county is eligible to share in both beer and wine excise tax revenues if beer and wine may legally be sold within its boundaries. If only one beverage may be sold, the city or county shares only in the excise tax for that beverage. Two hundred thousand dollars (\$200,000) from the net proceeds of the excise tax collected on unfortified wine is appropriated quarterly to the Department of Commerce to be used to promote the North Carolina grape and wine industry. The local share of these collections is computed on the net proceeds after deducting the transfer to the Department of Commerce. Some counties and municipalities do not permit the sale of either beer or wine and thus do not receive any share of this revenue.

Under the utility franchise tax law, the State levies a gross receipts tax on certain public utilities at rates of 3.22% to 6%. Cities receive quarterly distributions equal to 3.09% of taxable gross receipts from sales within municipalities of electricity during the preceding calendar quarter, minus one-fourth of

the city's hold back amount and one fourth of the city's proportionate share of the annual cost to administer.

The State levies a sales tax on the gross receipts of telecommunications and ancillary services at a statutorily prescribed rate. The rate is equal to the sum of the State's sales tax rate and the rates of local sales taxes levied in each of the 100 Counties. Each quarter, the State distributes to cities 18.7 percent of these proceeds from that quarter, minus \$2,620,948.

The State imposes a State excise tax on the distribution of piped natural gas, with statutorily prescribed rates that decrease with the amount of piped natural gas used by each customer. The State distributes quarterly to each city served by piped natural gas one-half of the tax attributed to sales within that city.

Cities and towns receive annually a motor fuel tax allocation equal to the amount produced during the year by a 1.75 cents tax on each gallon of motor fuel sold in the State. Payments are made from the collections of the prior fiscal year. Under the present distribution formula, 75% of the funds are allocated on the basis of population of eligible municipalities and 25% are allocated on the basis of the mileage of public streets within cities and towns that are not a part of the State highway system.

All cities and counties receive shares of three State sales taxes on local cable franchise system revenues which currently are 7.7 percent of the net proceeds of taxes collected on telecommunications and ancillary services, 23.6 percent of the net proceeds of taxes collected on video programming services (other than direct-to-home satellite service), and 37.1 percent of the net proceeds of taxes collected on direct-to-home satellite services. The distributions can be used for any public purpose after earmarking provisions are met. The first \$2 million of the local share of the proceeds from these three taxes must be used by the local governments to support local public, educational, or governmental ("*PEG*") access channels. A city or county that imposed subscriber fees during the first six months of the 2006-07 fiscal year must use a portion of the funds distributed to it for the operation and support of PEG channels, equal to two times the amount of subscriber fee revenue the county or city certifies that it imposed during the period. In addition, a city or county that used part of its franchise tax revenue in fiscal year 2005-06 for the operation and support of PEG channels, or a publicly owned and operated television station, must continue the same level of support.

State and Local Fiscal Relations

The State finances from State revenues (primarily individual income taxes, corporate income taxes and sales taxes) several governmental programs that are largely financed from local revenues in other states, thus decreasing reliance on local property taxes for these purposes. The major programs of this nature are as follows:

Public Schools and Community Colleges -- The State provides approximately 70% of the funds required for current operating costs of the public school and community college systems, while county government finances the greater portion of the capital costs of these systems. North Carolina school administrative units do not have independent tax-levying authority. The local share of the costs of the public school and community college systems are raised primarily by county government from its general revenues, including the local sales tax revenue.

Court System -- The State finances virtually all of the current operating costs of the General Court of Justice. County government is required to provide courthouses, certain jails and related judicial facilities.

Correctional System -- The State finances all of the cost of correctional facilities used for confinement of convicted felons and long-term (more than 30 days) misdemeanants. Counties and some municipalities furnish jails for short-term misdemeanants and prisoners awaiting trial.

Highway System -- The State finances the entire cost of public roads and highways outside the corporate limits of cities and towns. Counties may voluntarily participate in improvements to public roads and highways. Within cities and towns, the State finances the cost of major thoroughfares and streets connecting elements of the State highway system. Cities share responsibility with the State for State-maintained roads inside city limits and take full responsibility for the remaining public streets within city limits.

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APPENDIX C

FINANCIAL INFORMATION

Financial Information

The financial statements of the County have been audited by certified public accountants for the Fiscal Year ended June 30, 2014. The following financial statements are the basic financial statements of the County, the notes thereto and the Management's Discussion and Analysis of the financial activities of the County, lifted from the audited Comprehensive Annual Financial Report of the County for the Fiscal Year ended June 30, 2014. Management's Discussion and Analysis provides an objective and easily readable short and long-term analysis of the County's financial activities based on currently known facts, decisions or conditions. Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The County has not requested nor obtained the consent of its auditor to the inclusion of these financial statements in this Official Statement.

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Management's Discussion and Analysis

As management of Sampson County, we offer readers of Sampson County's financial statements this narrative overview and analysis of the financial activities of Sampson County for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

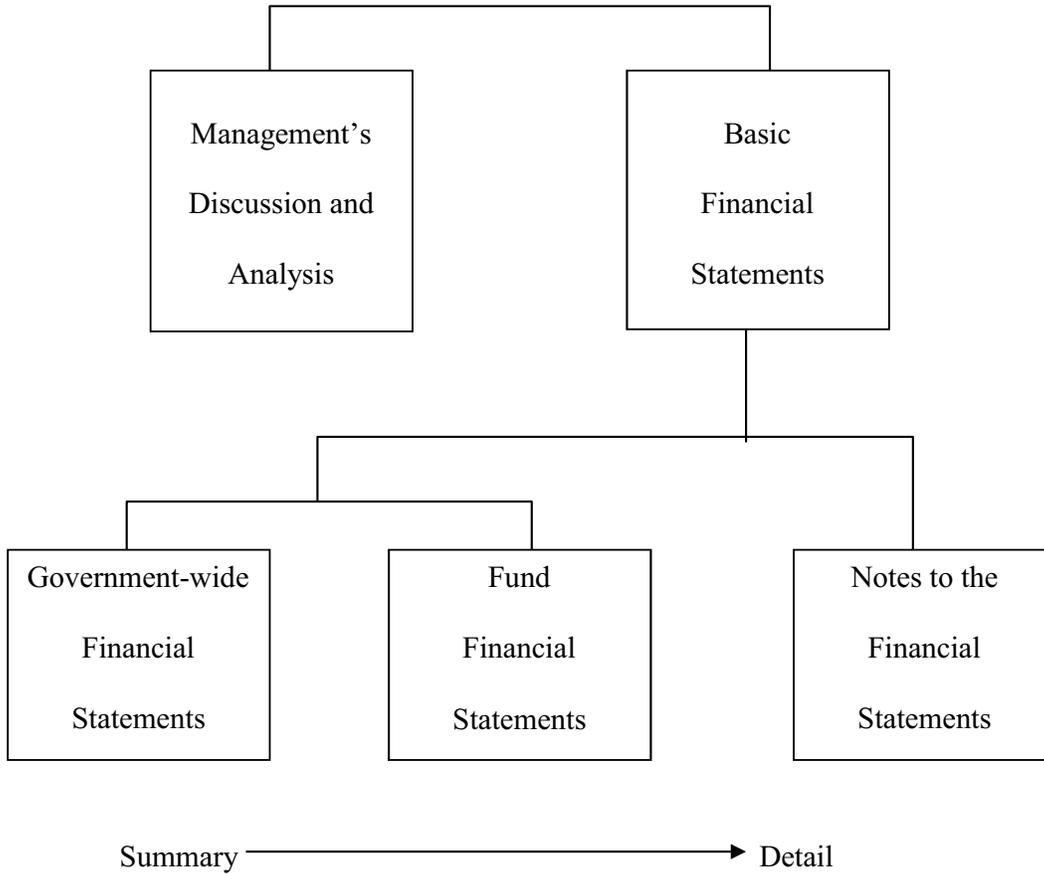
Financial Highlights

- The assets and deferred outflows of resources of Sampson County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$43,747,037 (*net position*).
- The government's total net position decreased by \$837,266, primarily due to decreases in net position for both the Governmental Activities and Business-Type Activities.
- As of the close of the current fiscal year, Sampson County's governmental funds reported combined ending fund balances of \$29,005,410, a decrease of \$714,892. Airport apron construction decreased the fund balance by \$12,947, School Capital Projects fund activity decreased the fund balance by \$884,659 and School Construction Fund activity increased the fund balance by \$103,565. General fund activity decreased fund balance by \$316,041. Approximately fourteen percent (14%) of the fund balance amount, \$4,178,141, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,178,141, or six percent (6%) of total general fund expenditures for the fiscal year.
- Sampson County's total long term obligations decreased by \$2,802,799. Several factors led the decrease in total debt as follows:
 - Scheduled payments of principal on other loans.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Sampson County's basic financial statements. Sampson 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 supplementary information that will enhance the reader's understanding of the financial condition of Sampson 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 10) 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) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and sewer services offered by Sampson County. The final category is the component units. Sampson Regional Medical Center is a public hospital operated by a not-for-profit corporation that has leased the hospital from the County for a period of 99 years. The County appoints the board of trustees for the hospital and has issued debt on its behalf. Sampson County Tourism Development Authority was created to develop tourism within the County.

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. Sampson 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 Sampson County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Sampson County has nine fiduciary funds, one of which is a pension trust fund and eight of which are agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 32 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Sampson County's progress in funding its obligation to provide pension benefits to its employees and its obligation to provide post-employment health care benefits to eligible employees. Required supplementary information can be found beginning on page 71 of this report.

Interdependence with Other Entities: The County depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Sampson County exceeded its liabilities and deferred inflows of resources by \$43,747,037 as of June 30, 2014. The County's net position decreased by \$837,266 for the fiscal year ended June 30, 2014. The

largest portion \$29,833,590 (68%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Sampson County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Sampson County's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Sampson County's net position \$20,626,468 (47%) represents resources that are subject to external restrictions on how they may be used. The unrestricted net asset balance is a negative \$6,713,021 (-15%).

**Sampson County's Net Position
Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 37,866,930	\$ 36,796,193	\$ 3,276,693	\$ 4,196,501	\$ 41,143,623	\$ 40,992,694
Capital assets	140,674,057	144,044,404	25,305,418	24,985,014	165,979,475	169,029,418
Total assets	<u>\$ 178,540,987</u>	<u>\$ 180,840,597</u>	<u>\$ 28,582,111</u>	<u>\$ 29,181,515</u>	<u>\$ 207,123,098</u>	<u>\$ 210,022,112</u>
Deferred outflows of resources	\$ 332,351	\$ 347,458	\$ -	\$ -	332,351	347,458
Long-term liabilities outstanding	\$ 138,443,127	\$ 140,515,200	\$ 14,694,241	\$ 15,078,159	\$ 153,137,368	\$ 155,593,359
Other liabilities	9,949,146	9,358,408	583,920	790,183	10,533,066	10,148,591
Total liabilities	<u>\$ 148,392,273</u>	<u>\$ 149,873,608</u>	<u>\$ 15,278,161</u>	<u>\$ 15,868,342</u>	<u>\$ 163,670,434</u>	<u>\$ 165,741,950</u>
Deferred inflows of resources	\$ 37,978	\$ 43,317	\$ -	\$ -	\$ 37,978	\$ 43,317
Net position:						
Net investment in capital assets	\$ 19,506,755	\$ 32,532,915	\$ 10,326,835	\$ 9,614,474	\$ 29,833,590	\$ 42,147,389
Restricted	20,626,468	18,305,547	-	-	20,626,468	18,305,547
Unrestricted	<u>(9,690,136)</u>	<u>(19,567,332)</u>	<u>2,977,115</u>	<u>3,698,699</u>	<u>(6,713,021)</u>	<u>(15,868,633)</u>
Total net position	<u>\$ 30,443,087</u>	<u>\$ 31,271,130</u>	<u>\$ 13,303,950</u>	<u>\$ 13,313,173</u>	<u>\$ 43,747,037</u>	<u>\$ 44,584,303</u>

Several aspects of the County's financial operations positively influenced the total unrestricted governmental net position.

- Continued diligence in the collection of property taxes by maintaining an overall collection percentage of approximately 96%.
- Change in the billing and collection of property taxes levied on motor vehicles as initiated by the State of North Carolina.
- Collections in excess of budget on property taxes, ambulance fees, and sales taxes.

Other factors negatively influenced the total unrestricted governmental net position.

- Payment on debt service increases that were planned to be paid from reserves.

Sampson County's Changes in Net Position
Figure 3

	Governmental Activities		Business Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 10,182,475	\$ 10,217,050	\$ 2,623,450	\$ 2,575,457	\$ 12,805,925	\$ 12,792,507
Operating grants and contributions	13,102,880	12,657,071	-	-	13,102,880	12,657,071
Capital grants and contributions	2,014,514	240,312	255,641	-	2,270,155	240,312
General revenues:						
Property taxes	36,306,974	34,493,494	-	-	36,306,974	34,493,494
Other taxes	9,270,494	9,091,383	-	-	9,270,494	9,091,383
Investment earnings, unrestricted	6,336	20,486	653	1,429	6,989	21,915
Other	<u>220,784</u>	<u>307,342</u>	<u>-</u>	<u>-</u>	<u>220,784</u>	<u>307,342</u>
Total revenues	<u>71,104,457</u>	<u>67,027,138</u>	<u>2,879,744</u>	<u>2,576,886</u>	<u>73,984,201</u>	<u>69,604,024</u>
Expenses:						
General government	9,836,881	9,522,738	-	-	9,836,881	9,522,738
Public safety	19,517,854	18,376,532	-	-	19,517,854	18,376,532
Economic and physical development	1,005,634	1,170,583	-	-	1,005,634	1,170,583
Environmental protection	946,751	1,469,785	-	-	946,751	1,469,785
Human services	20,027,875	20,083,198	-	-	20,027,875	20,083,198
Cultural and recreation	2,126,817	2,022,108	-	-	2,126,817	2,022,108
Education	12,580,680	11,944,414	-	-	12,580,680	11,944,414
Interest on long-term debt	5,863,408	5,531,213	-	-	5,863,408	5,531,213
Water and sewer Dist. I	-	-	489,682	535,383	489,682	535,383
Water and sewer Dist. II	-	-	<u>2,425,885</u>	<u>2,389,068</u>	<u>2,425,885</u>	<u>2,389,068</u>
Total expenses	<u>71,905,900</u>	<u>70,120,571</u>	<u>2,915,567</u>	<u>2,924,451</u>	<u>74,821,467</u>	<u>73,045,022</u>
Change in net position before transfers & special items	(801,443)	(3,093,433)	(35,823)	(347,565)	(837,266)	(3,440,998)
Transfers	<u>(26,600)</u>	<u>(26,600)</u>	<u>26,600</u>	<u>26,600</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(828,043)</u>	<u>(3,120,033)</u>	<u>(9,223)</u>	<u>(320,965)</u>	<u>(837,266)</u>	<u>(3,440,998)</u>
Net position, beginning	<u>31,271,130</u>	<u>34,391,163</u>	<u>13,313,173</u>	<u>13,634,138</u>	<u>44,584,303</u>	<u>48,025,301</u>
Net position, ending	<u>\$ 30,443,087</u>	<u>\$ 31,271,130</u>	<u>\$ 13,303,950</u>	<u>\$ 13,313,173</u>	<u>\$ 43,747,037</u>	<u>\$ 44,584,303</u>

Governmental activities: Governmental activities decreased the County's net position by \$828,043, thereby accounting for ninety-nine percent 99% of the total reduction in the net position of Sampson County. Key elements of this decrease are as follows:

- Increased expenditures in public safety and education.

Business-type activities: Business-type activities decreased Sampson County's net position by \$9,223, accounting for the remaining reduction in the government's total net position. Key elements of this decrease as compared to the prior year are as follows:

- Current year receipt of grant revenue over the prior year created a smaller decrease in net position.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Sampson County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Sampson 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 Sampson County. At the end of the current fiscal year, unassigned fund balance of the General fund was \$4,178,141, while total fund balance was \$22,736,274. 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. Unassigned balance represents six percent (6%) of total General Fund expenditures, while total fund balance represents thirty-three percent (33%) percent of that same amount.

At June 30, 2014, the governmental funds of Sampson County reported a combined fund balance of \$29,005,410, a five percent (2%) decrease over last year. The primary reason for this decrease is the decrease in the fund balance in all major governmental funds.

The other major governmental funds include the Schools Capital Projects Fund, the Airport Apron Construction capital project fund, and the School Construction capital project fund. The Schools Capital Projects Fund accounts for the accumulation of resources to fund capital needs and debt for capital needs for the County's school districts. In the current fiscal year, restricted fund balance of the Schools Capital Projects Fund was \$2,656,884.

The Schools Capital Projects Fund fund balance decreased \$884,659. This decrease was due to revenues that were less than the expenditures for capital outlay and debt service for the school systems. The amount of fund balance decrease was less than the amount of fund balance appropriated for the fiscal year by \$1,038,634. The reasons we did not use all of the fund balance appropriated in the fiscal year were that sales taxes collected exceeded projections and the capital outlay budgeted by the school systems was not completely expended.

The County's two major capital project funds are the Airport Construction and the Schools Construction Fund. The Airport Construction fund accounts for the resources and costs to construct a taxi-way and apron at the Clinton-Sampson Airport. This construction is funded primarily grant funds from the North Carolina Department of Transportation. The School Construction fund accounts for the resources and costs to construct new school facilities in the County. This fund currently has a fund balance of \$2,132,339.

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 revenues by \$2,819,265 or two percent (4%).

Proprietary Funds. Sampson County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. During the year, net position decreased by \$9,223. This decrease was smaller than the year before due to grant funds received for the well project.

Capital Asset and Debt Administration

Capital assets. Sampson County's capital assets for its governmental and business-type activities as of June 30, 2014, totals \$165,979,475 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, vehicles, and construction in progress.

Major capital asset transactions during the year include:

- Construction in progress for Airport.
- Construction in progress for County buildings.
- Purchases of new equipment and vehicles.

SAMPSON COUNTY'S CAPITAL ASSETS
(net of depreciation)
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 6,172,038	\$ 6,172,038	\$ 225,319	\$ 225,319	\$ 6,397,357	\$ 6,397,357
Buildings and Systems	121,959,303	125,543,601	22,747,986	23,529,042	144,707,289	149,072,643
Machinery and Equipment	6,506,253	6,694,458	162,157	177,437	6,668,410	6,871,895
Vehicles and Motorized Equipment	1,856,527	1,645,693	167,503	183,620	2,024,030	1,829,313
Construction in Progress	4,179,936	3,988,614	2,002,453	869,596	6,182,389	4,858,210
Total	\$ 140,674,057	\$ 144,044,404	\$ 25,305,418	\$ 24,985,014	\$ 165,979,475	\$ 169,029,418

Additional information on the County's capital assets can be found in note III.A.5 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2014, Sampson County had total bonded debt outstanding of \$11,663,000 which is debt backed by the full faith and credit of the Water and Sewer Districts. The County also had \$78,012,756 outstanding in installment/purchase contracts, \$10,000,000 outstanding in installment purchase revenue bonds and \$47,185,000 outstanding in Certificates of Participation – all of which are being paid from general fund, school capital reserve fund, NC Education Lottery and water district service revenues.

Sampson County's Outstanding Debt
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ -	\$ -	\$ 11,663,000	\$ 11,895,500	\$ 11,663,000	\$ 11,895,500
Revenue Bonds	10,000,000	11,045,000	-	-	10,000,000	11,045,000
Installment Purchases	74,697,173	76,025,381	3,315,583	3,475,038	78,012,756	79,500,419
Certification of Participation	47,185,000	48,760,000	-	-	47,185,000	48,760,000
Total	\$ 131,882,173	\$ 135,830,381	\$ 14,978,583	\$ 15,370,538	\$ 146,860,756	\$ 151,200,919

Sampson County's total outstanding debt decreased by \$4,340,163 or three percent (3%) during the past fiscal year, primarily due to the scheduled debt payments.

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 Sampson County is \$211,905,251.

Additional information regarding Sampson County's long-term debt can be found in note III.B.8 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County.

- The County's unemployment rate as of December, 2013 of 6.3% was lower than the state average of 6.6%.
- The property tax base grew 4.94%. This was largely due to the fact the County billed four (4) extra months of vehicles due to a change in the general statutes..
- The tax collection rate of approximately 95% remained steady for the year.

Some of these factors and others were considered when management prepared Sampson County's budget ordinance for the 2015 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities: Sampson County is currently working on a well construction project that is due to be completed during the year. The anticipated cost of this project is \$2,626,850. In fiscal year June 30, 2015, the County tax rate was increased to \$.83 cents per \$100 of value. The increase was due to reductions in grant revenues and increases in expenditures. The total operating budget decreased by approximately \$1,300,000, primarily due to increases in capital costs to repair buildings.

General Fund revenues are projected to increase \$2,018,668 or four percent (4%). Increase in property tax revenue represents the largest increases in revenues.

Budgeted expenditures in the General Fund are expected to increase four percent (4%) to \$78,973,625. The largest increases are in costs for additional security at the Courthouse and additional costs for Human Services activities.

Business-type Activities: The water rates in the County will remain steady. General operating expenses are expected to remain steady.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Sampson County, P.O. Box 257, Clinton, N.C. 28329.

BASIC FINANCIAL STATEMENTS



**SAMPSON COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION**

Exhibit 1

June 30, 2014

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Sampson County	Sampson
	Activities	Activities		Tourism Development	Reg. Medical
			Authority	Center, Inc.	
ASSETS					
Cash and cash equivalents	\$ 19,423,283	\$ 2,836,686	\$ 22,259,969	\$ 77,407	\$ 3,892,378
Receivables (net)	12,766,915	306,405	13,073,320	5,999	9,663,941
Inventories	18,690	133,602	152,292	-	1,405,592
Prepays	-	-	-	-	376,412
Restricted cash and cash equivalents	5,658,042	-	5,658,042	-	14,430,173
Other non-current receivables	-	-	-	-	96,915
Capital assets:					
Land, improvements, and construction in progress	10,351,974	2,227,772	12,579,746	-	2,152,646
Other capital assets, net of depreciation	130,322,083	23,077,646	153,399,729	-	23,399,910
Total capital assets	140,674,057	25,305,418	165,979,475	-	25,552,556
Total assets	<u>\$ 178,540,987</u>	<u>\$ 28,582,111</u>	<u>\$ 207,123,098</u>	<u>\$ 83,406</u>	<u>\$ 55,417,967</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>332,351</u>	<u>-</u>	<u>332,351</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 4,654,632	\$ 151,393	\$ 4,806,025	\$ 11,740	\$ 7,414,305
Long-term liabilities:					
Due within one year	5,294,514	432,527	5,727,041	-	3,711,799
Due in more than one year	138,443,127	14,694,241	153,137,368	-	7,480,503
Total liabilities	<u>148,392,273</u>	<u>15,278,161</u>	<u>163,670,434</u>	<u>11,740</u>	<u>18,606,607</u>
DEFERRED INFLOWS OF RESOURCES					
Prepaid Taxes	37,978	-	37,978	-	-
Total Deferred Inflows of Resources	<u>37,978</u>	<u>-</u>	<u>37,978</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net Investment in capital assets	19,506,755	10,326,835	29,833,590	-	16,597,654
Restricted for:					
Stabilization by state statute	11,321,940	-	11,321,940	5,999	-
Revaluation	681,916	-	681,916	-	-
Public safety	1,534,385	-	1,534,385	-	-
Debt Service	2,868,644	-	2,868,644	-	-
Education	4,219,583	-	4,219,583	-	-
Capital acquisitions	-	-	-	-	463,369
Unrestricted	(9,690,136)	2,977,115	(6,713,021)	65,667	19,395,068
Net position of controlled organization	30,443,087	13,303,950	43,747,037	71,666	36,456,091
Noncontrolling interest in entity	-	-	-	-	355,269
Total net position	<u>\$ 30,443,087</u>	<u>\$ 13,303,950</u>	<u>\$ 43,747,037</u>	<u>\$ 71,666</u>	<u>\$ 36,811,360</u>

The accompanying notes are an integral part of this financial statement.

**SAMPSON COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2014

**Exhibit 2
Page 1 of 2**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 9,836,881	\$ 681,425	\$ -	\$ -
Public safety	19,517,854	5,258,014	727,040	-
Economic and physical development	1,005,634	62,975	50,306	150,986
Environmental protection	946,751	1,927,134	166,480	-
Human services	20,027,875	1,932,415	12,143,954	-
Culture and recreation	2,126,817	320,512	15,100	-
Education	12,580,680	-	-	1,863,528
Interest on long-term debt	5,863,408	-	-	-
Total governmental activities	<u>71,905,900</u>	<u>10,182,475</u>	<u>13,102,880</u>	<u>2,014,514</u>
Business-type activities:				
Water District II	2,425,885	2,036,173	-	255,641
Water District I	489,682	587,277	-	-
Total business-type activities	<u>2,915,567</u>	<u>2,623,450</u>	<u>-</u>	<u>255,641</u>
Total primary government	<u>\$ 74,821,467</u>	<u>\$ 12,805,925</u>	<u>\$ 13,102,880</u>	<u>\$ 2,270,155</u>
Component unit:				
Sampson County Tourism Dev Authority	78,967	656	3,612	-
Sampson Regional Medical Ctr. Inc.	58,580,121	59,884,560	-	46,277
Total component unit	<u>\$ 58,659,088</u>	<u>\$ 59,885,216</u>	<u>\$ 3,612</u>	<u>\$ 46,277</u>

The accompanying notes are an integral part of this financial statement.

**SAMPSON COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2014

**Exhibit 2
Page 2 of 2**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Sampson County Tourism Development Authority	Sampson Reg. Medical Center, Inc.
Primary Government:					
Governmental Activities:					
General government	\$ (9,155,456)	\$ -	\$ (9,155,456)		
Public safety	(13,532,800)	-	(13,532,800)		
Economic and physical development	(741,367)	-	(741,367)		
Environmental protection	1,146,863	-	1,146,863		
Human services	(5,951,506)	-	(5,951,506)		
Culture and recreation	(1,791,205)	-	(1,791,205)		
Education	(10,717,152)	-	(10,717,152)		
Interest on long-term debt	(5,863,408)	-	(5,863,408)		
Total governmental activities	<u>(46,606,031)</u>	<u>-</u>	<u>(46,606,031)</u>		
Business-type activities:					
Water District II	-	(134,071)	(134,071)		
Water District I	-	97,595	97,595		
Total business-type activities	<u>-</u>	<u>(36,476)</u>	<u>(36,476)</u>		
Total primary government	<u>\$ (46,606,031)</u>	<u>\$ (36,476)</u>	<u>\$ (46,642,507)</u>		
Component units:					
Sampson County Tourism Dev Authority				\$ (74,699)	\$ -
Sampson Regional Medical Ctr. Inc.				-	1,350,716
Total component units				<u>\$ (74,699)</u>	<u>\$ 1,350,716</u>
General revenues:					
Taxes:					
Property taxes, levied for general purpose	36,306,974	-	36,306,974	-	-
Other taxes and fees	9,270,494	-	9,270,494	62,595	-
Investment earnings, unrestricted	6,336	653	6,989	-	25,670
Miscellaneous, unrestricted	220,784	-	220,784	-	(13,271)
Total general revenues excluding transfers	45,804,588	653	45,805,241	62,595	12,399
Transfers	(26,600)	26,600	-	-	-
Total general revenues and transfers	<u>45,777,988</u>	<u>27,253</u>	<u>45,805,241</u>	<u>62,595</u>	<u>12,399</u>
Change in net position	(828,043)	(9,223)	(837,266)	(12,104)	1,363,115
Net position - beginning	31,271,130	13,313,173	44,584,303	83,770	35,092,976
Net position - ending	<u>\$ 30,443,087</u>	<u>\$ 13,303,950</u>	<u>\$ 43,747,037</u>	<u>\$ 71,666</u>	<u>\$ 36,456,091</u>

The accompanying notes are an integral part of this financial statement.

**SAMPSON COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

**Exhibit 3
Page 1 of 3**

	Major			
	General	Schools Capital Projects	School Construction Fund	Airport Apron 19.6.1
Assets:				
Cash and cash equivalents	\$ 14,496,052	\$ -	\$ -	\$ -
Restricted cash	1,438,459	2,087,244	2,132,339	-
Taxes receivable (net)	2,296,955	-	-	-
Accounts receivable	7,793,080	569,640	-	1,118,926
Due from other funds	1,475,759	-	-	-
Inventories	18,690	-	-	-
Total Assets	<u>\$ 27,518,995</u>	<u>\$ 2,656,884</u>	<u>\$ 2,132,339</u>	<u>\$ 1,118,926</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,447,788	\$ -	\$ -	\$ -
Due to general fund	-	-	-	1,385,211
Total Liabilities	<u>2,447,788</u>	<u>-</u>	<u>-</u>	<u>1,385,211</u>
Deferred Inflows of Resources:				
Property taxes receivable	2,296,955	-	-	-
Prepaid Taxes	37,978	-	-	-
Total Deferred Inflows of Resources	<u>2,334,933</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable:				
Inventories	18,690	-	-	-
Restricted:				
Stabilization by State Statute	9,493,668	569,640	-	1,118,926
Public safety	756,543	-	-	-
Debt service	2,868,644	-	-	-
Education	-	2,087,244	2,132,339	-
Revaluation	681,916	-	-	-
Committed:				
Nonmajor funds	-	-	-	-
Capital projects	1,101,551	-	-	(1,385,211)
Assigned:				
Subsequent year's expenditures	3,637,121	-	-	-
Unassigned	4,178,141	-	-	-
Total fund balances	<u>22,736,274</u>	<u>2,656,884</u>	<u>2,132,339</u>	<u>(266,285)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 27,518,995</u>	<u>\$ 2,656,884</u>	<u>\$ 2,132,339</u>	<u>\$ 1,118,926</u>

The notes to the financial statements are an integral part of this statement.

**SAMPSON COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

**Exhibit 3
Page 2 of 3**

	<u>Non-Major Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:		
Cash and cash equivalents	\$ 1,729,599	\$ 16,225,651
Restricted cash	-	5,658,042
Taxes receivable (net)	143,081	2,440,036
Accounts receivable	139,706	9,621,352
Due from other funds	-	1,475,759
Inventories	-	18,690
Total Assets	<u>\$ 2,012,386</u>	<u>\$ 35,439,530</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 32,559	\$ 2,480,347
Due to general fund	<u>90,548</u>	<u>1,475,759</u>
Total Liabilities	<u>123,107</u>	<u>3,956,106</u>
Deferred Inflows of Resources:		
Property taxes receivable	143,081	2,440,036
Prepaid Taxes	-	37,978
Total Deferred Inflows of Resources	<u>143,081</u>	<u>2,478,014</u>
Fund balances:		
Nonspendable:		
Inventories	-	18,690
Restricted:		
Stabilization by State Statute	139,706	11,321,940
Public safety	777,842	1,534,385
Debt service	-	2,868,644
Education	-	4,219,583
Revaluation	-	681,916
Committed:		
Nonmajor funds	828,650	828,650
Capital projects	-	(283,660)
Assigned:		
Subsequent year's expenditures	-	3,637,121
Unassigned	-	4,178,141
Total fund balances	<u>1,746,198</u>	<u>29,005,410</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,012,386</u>	<u>\$ 35,439,530</u>

The notes to the financial statements are an integral part of this statement.

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	29,005,410
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	140,674,057
Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds	535,019
Deferred inflows of resources for taxes.	2,440,036
Charges related to bonding refunding issue.	332,351
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 4)	(137,513,145)
Pension and other post-employment benefits liability	(8,205,011)
Internal service fund allocation	<u>3,174,370</u>
Net position of governmental activities	<u>\$ 30,443,087</u>

The notes to the financial statements are an integral part of this statement.

SAMPSON COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

Exhibit 4
Page 1 of 3

	Major			
	General	Schools Capital Projects	School Construction Fund	Airport Apron 19.6.1
REVENUES				
Ad Valorem taxes	\$ 34,166,473	\$ -	\$ -	\$ -
Other taxes and licenses	7,165,154	2,105,340	-	-
Intergovernmental Revenues:				
Restricted	14,203,027	-	-	150,986
Permits and fees	715,129	-	-	-
Sales and services	6,543,175	-	-	-
Investment earnings	4,592	486	121	-
Miscellaneous	2,624,324	-	131,528	-
Total revenues	<u>65,421,874</u>	<u>2,105,826</u>	<u>131,649</u>	<u>150,986</u>
EXPENDITURES				
Current:				
General government	6,324,076	-	-	-
Public safety	16,485,153	-	-	-
Environmental protection	967,223	-	-	-
Economic and physical development	955,221	-	-	-
Human services	19,190,139	-	-	-
Culture and recreation	2,085,005	-	-	-
Education	12,579,985	-	-	-
Debt service				
Principal	3,948,208	-	-	-
Interest and fees	5,893,639	-	-	-
Administration	98,275	-	-	-
Capital expansion	-	-	28,084	163,933
Total expenditures	<u>68,526,924</u>	<u>-</u>	<u>28,084</u>	<u>163,933</u>
Excess (deficiency) of revenues over expenditures	<u>(3,105,050)</u>	<u>2,105,826</u>	<u>103,565</u>	<u>(12,947)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,990,485	-	-	-
Transfers out	(201,476)	(2,990,485)	-	-
Loan Proceeds	-	-	-	-
Total other financing sources (uses)	<u>2,789,009</u>	<u>(2,990,485)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(316,041)	(884,659)	103,565	(12,947)
Fund balances-beginning	23,052,315	3,541,543	2,028,774	(253,338)
Fund balances-ending	<u>\$ 22,736,274</u>	<u>\$ 2,656,884</u>	<u>\$ 2,132,339</u>	<u>\$ (266,285)</u>

The notes to the financial statements are an integral part of this statement.

SAMPSON COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

Exhibit 4
Page 2 of 3

	<u>Non-Major</u>	
	Other	Total
	Governmental	Governmental
	Funds	Funds
REVENUES		
Ad Valorem taxes	\$ 2,635,011	\$ 36,801,484
Other taxes and licenses	-	9,270,494
Intergovernmental Revenues:		
Restricted	713,557	15,067,570
Permits and fees	385,014	1,100,143
Sales and services	-	6,543,175
Investment earnings	392	5,591
Miscellaneous	380	2,756,232
Total revenues	<u>3,734,354</u>	<u>71,544,689</u>
EXPENDITURES		
Current:		
General government	-	6,324,076
Public safety	2,581,141	19,066,294
Environmental protection	5,568	972,791
Economic and physical development	-	955,221
Human services	927,331	20,117,470
Culture and recreation	-	2,085,005
Education	-	12,579,985
Debt service		
Principal	-	3,948,208
Interest and fees	-	5,893,639
Administration	-	98,275
Capital expansion	-	192,017
Total expenditures	<u>3,514,040</u>	<u>72,232,981</u>
Excess (deficiency) of revenues over expenditures	<u>220,314</u>	<u>(688,292)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	174,876	3,165,361
Transfers out	-	(3,191,961)
Installment purchase debt issued	-	-
Total other financing sources (uses)	<u>174,876</u>	<u>(26,600)</u>
Net change in fund balance	395,190	(714,892)
Fund balances-beginning	1,351,008	29,720,302
Fund balances-ending	<u>\$ 1,746,198</u>	<u>\$ 29,005,410</u>

The notes to the financial statements are an integral part of this statement.

SAMPSON COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

Exhibit 4
Page 3 of 3

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

Net changes in fund balances - total governmental funds	\$ (714,892)
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 capital outlays exceeded depreciation in the current period.	(3,367,593)
Cost of capital asset disposed of during the year, not recongized on modified accrual basis	(2,754)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(494,510)
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 funancial resources of governmental funds. Neither transaction has any effect on net position. 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 amount is the net effect of these differences in the treatment of long-term debt and realted items.	4,017,652
Difference in insurance expense between fund statements (modified accrual) and government-wide statements (full accrual) due to the allocation of profit from internal service fund	1,284,054
Some expenses reported in the statement of activites do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(1,550,000)</u>
Total changes in net position of governmental funds	<u>(828,043)</u>

The notes to the financial statements are an integral part of this statement.

**SAMPSON COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL-GENERAL FUND
For the Fiscal Year Ended June 30, 2014**

**Exhibit 5
Page 1 of 3**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
Revenues				
Ad Valorem taxes	\$ 31,728,571	\$32,975,787	\$34,044,473	\$ 1,068,686
Other taxes and licenses	6,938,000	7,007,000	7,165,154	158,154
Intergovernmental Revenues:				
Restricted	13,277,066	14,064,536	14,203,027	138,491
Permits and fees	677,700	679,400	715,129	35,729
Sales and services	6,310,121	6,646,960	6,543,175	(103,785)
Investment earnings	41,000	16,000	4,140	(11,860)
Miscellaneous	2,105,138	2,507,178	2,624,324	117,146
Total revenues	<u>61,077,596</u>	<u>63,896,861</u>	<u>65,299,422</u>	<u>1,402,561</u>
Expenditures				
Current:				
General government	5,636,997	6,780,133	6,324,076	456,057
Public safety	15,192,033	16,576,143	16,485,153	90,990
Environmental protection	1,140,342	1,122,071	967,223	154,848
Economic and physical dev	1,186,305	1,177,957	955,221	222,736
Human services	18,372,976	20,266,750	19,190,139	1,076,611
Education	12,077,279	13,602,939	12,579,985	1,022,954
Culture and recreation	2,058,941	2,208,907	2,085,005	123,902
Debt service				
Principal	4,332,113	4,295,773	3,948,208	347,565
Interest and fees	5,909,934	5,909,874	5,893,639	16,235
Administration	86,393	86,393	98,275	(11,882)
Contingency	827,560	86,706	-	86,706
Total expenditures	<u>66,820,873</u>	<u>72,113,646</u>	<u>68,526,924</u>	<u>3,586,722</u>
Revenues over (under) expenditures	<u>(5,743,277)</u>	<u>(8,216,785)</u>	<u>(3,227,502)</u>	<u>4,989,283</u>
Other Financing Sources (Uses)				
Transfers in	2,719,487	4,115,462	3,135,801	(979,661)
Transfers out	(601,281)	(392,205)	(392,205)	-
Loan proceeds	548,343	398,970	-	(398,970)
Total other financing sources (uses)	<u>2,666,549</u>	<u>4,122,227</u>	<u>2,743,596</u>	<u>(1,378,631)</u>

The notes to the financial statements are an integral part of this statement.

**SAMPSON COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL-GENERAL FUND
For the Fiscal Year Ended June 30, 2014**

**Exhibit 5
Page 2 of 3**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Positive (Negative)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(3,076,728)	(4,094,558)	(483,906)	3,610,652
Appropriated Fund Balance	<u>3,076,728</u>	<u>4,154,094</u>	<u>-</u>	<u>(4,154,094)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 59,536</u>	(483,906)	<u>\$ (543,442)</u>
Fund balance -beginning			<u>21,436,713</u>	
Fund balance - ending			<u>\$20,952,807</u>	

The legally budgeted Tax Revaluation and Capital Projects Funds are consolidated into the General Fund for reporting purposes:

Property taxes & Interest income	122,452
Expenditures	-
Transfers to General Fund	(145,316)
Transfer from General Fund	190,729
Transfer to Other Funds	<u>-</u>
Fund Balance Beginning	<u>1,615,602</u>
Fund Balance Ending(Exhibit 4)	<u>\$22,736,274</u>

The notes to the financial statements are an integral part of this statement.

SAMPSON COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL-SCHOOLS CAPITAL PROJECT FUND
For the Fiscal Year Ended June 30, 2014

Exhibit 5
Page 3 of 3

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Positive (Negative)
Revenues				
Other taxes and licenses	\$ 2,037,653	\$ 2,037,653	\$ 2,105,340	\$ 67,687
Investment earnings	<u>-</u>	<u>-</u>	<u>486</u>	<u>486</u>
Total revenues	<u>2,037,653</u>	<u>2,037,653</u>	<u>2,105,826</u>	<u>68,173</u>
Other Financing Sources (Uses)				
Transfers (out)				
To General Fund for:				
County schools capital outlay	(660,900)	(1,464,739)	(1,044,335)	420,404
City schools capital outlay	(220,900)	(659,900)	(109,843)	550,057
Debt service	<u>(1,836,307)</u>	<u>(1,836,307)</u>	<u>(1,836,307)</u>	<u>-</u>
Total other financing uses	<u>(2,718,107)</u>	<u>(3,960,946)</u>	<u>(2,990,485)</u>	<u>970,461</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(680,454)</u>	<u>(1,923,293)</u>	<u>(884,659)</u>	<u>1,038,634</u>
Appropriated Fund Balance	<u>680,454</u>	<u>1,923,293</u>	<u>-</u>	<u>(1,923,293)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(884,659)</u>	<u>\$ (884,659)</u>
Fund balance - beginning			<u>3,541,543</u>	
Fund balance - ending			<u>\$ 2,656,884</u>	

The notes to the financial statements are an integral part of this statement.

SAMPSON COUNTY, NORTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2014

Exhibit 6

	Major		Total	Internal Service Fund
	Water and Sewer District II	Water and Sewer District I		
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,171,183	\$ 1,665,503	\$ 2,836,686	\$ 3,197,632
Accounts receivable (net)	53,867	234	54,101	170,508
Water fees receivable (net)	220,989	31,315	252,304	-
Inventory	113,186	20,416	133,602	-
Total current assets	<u>1,559,225</u>	<u>1,717,468</u>	<u>3,276,693</u>	<u>3,368,140</u>
Noncurrent assets:				
Capital assets:				
Land, improvements, and construction in progress	2,210,965	16,807	2,227,772	-
Other capital assets net of depreciation	<u>20,962,484</u>	<u>2,115,162</u>	<u>23,077,646</u>	<u>-</u>
Total capital assets	<u>23,173,449</u>	<u>2,131,969</u>	<u>25,305,418</u>	<u>-</u>
Total assets	<u>24,732,674</u>	<u>3,849,437</u>	<u>28,582,111</u>	<u>3,368,140</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	126,494	24,899	151,393	193,770
Compensated absences	18,645	11,427	30,072	-
Notes payable	139,005	20,450	159,455	-
General obligation bonds payable	<u>218,000</u>	<u>25,000</u>	<u>243,000</u>	<u>-</u>
Total Current Liabilities	<u>502,144</u>	<u>81,776</u>	<u>583,920</u>	<u>193,770</u>
Noncurrent liabilities:				
Compensated absences	1,676	1,027	2,703	-
Other post-employment benefits	74,532	40,878	115,410	-
Notes payable	3,135,678	20,450	3,156,128	-
General obligation bonds payable	<u>10,631,000</u>	<u>789,000</u>	<u>11,420,000</u>	<u>-</u>
Total noncurrent liabilities	<u>13,842,886</u>	<u>851,355</u>	<u>14,694,241</u>	<u>-</u>
Total liabilities	<u>14,345,030</u>	<u>933,131</u>	<u>15,278,161</u>	<u>193,770</u>
NET POSITION				
Net Investment in Capital Assets	9,049,766	1,277,069	10,326,835	-
Unrestricted	<u>1,337,878</u>	<u>1,639,237</u>	<u>2,977,115</u>	<u>3,174,370</u>
Total net position	<u>\$ 10,387,644</u>	<u>\$ 2,916,306</u>	<u>\$ 13,303,950</u>	<u>\$ 3,174,370</u>

The notes to the financial statements are an integral part of this statement.



SAMPSON COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

Exhibit 7

	Major		Total	Internal Service Fund
	Water and Sewer District II	Water and Sewer District I		
OPERATING REVENUES				
Charges for services	\$ 1,925,471	\$ 559,007	\$ 2,484,478	\$ 6,905,307
Water tap fees	32,700	5,625	38,325	-
Miscellaneous	78,002	22,645	100,647	-
Total operating revenues	<u>2,036,173</u>	<u>587,277</u>	<u>2,623,450</u>	<u>6,905,307</u>
OPERATING EXPENSES				
Administration	329,792	100,997	430,789	-
Water Distribution	566,103	164,353	730,456	-
Operations and maintenance	252,079	73,182	325,261	-
Depreciation	706,706	105,747	812,453	-
Claims paid	-	-	-	5,621,998
Total operating expenses	<u>1,854,680</u>	<u>444,279</u>	<u>2,298,959</u>	<u>5,621,998</u>
Operating income (loss)	<u>181,493</u>	<u>142,998</u>	<u>324,491</u>	<u>1,283,309</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	261	392	653	745
USDA grant	255,641	-	255,641	-
Interest expense	(571,205)	(45,403)	(616,608)	-
Total nonoperating revenues (expenses)	<u>(315,303)</u>	<u>(45,011)</u>	<u>(360,314)</u>	<u>745</u>
Income (loss) before contributions and transfers	(133,810)	97,987	(35,823)	1,284,054
Transfer from general fund	26,600	-	26,600	-
Change in net position	(107,210)	97,987	(9,223)	1,284,054
Total net position - beginning	<u>10,494,854</u>	<u>2,818,319</u>	<u>13,313,173</u>	<u>1,890,316</u>
Total net position - ending	<u>\$ 10,387,644</u>	<u>\$ 2,916,306</u>	<u>\$ 13,303,950</u>	<u>\$ 3,174,370</u>

The notes to the financial statements are an integral part of this statement.

SAMPSON COUNTY, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

Exhibit 8
Page 1 of 2

	Major			Internal Service Fund
	Water and Sewer District II	Water and Sewer District I	Total	
Cash flows from operating activities:				
Cash received from customers	\$ 1,954,045	\$ 593,013	\$ 2,547,058	\$ 6,375,917
Cash paid for goods and services	(1,095,044)	(283,970)	(1,379,014)	(5,553,327)
Cash paid to employees for services	(296,100)	(85,964)	(382,064)	-
Other operating revenues	38,876	13,147	52,023	423,593
Net cash provided (used) by operating activities	<u>601,777</u>	<u>236,226</u>	<u>838,003</u>	<u>1,246,183</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	26,600	-	26,600	-
Net cash provided by noncapital and related financing activities	26,600	-	26,600	-
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,131,565)	-	(1,131,565)	-
Loan proceeds	-	-	-	-
Capital contributions-grants	255,641	-	255,641	-
Principal paid on bond maturities and equipment contracts	(348,005)	(43,950)	(391,955)	-
Interest paid on bond maturities and equipment contracts	(572,499)	(45,593)	(618,092)	-
Net cash provided (used) by capital and related financing activities	<u>(1,796,428)</u>	<u>(89,543)</u>	<u>(1,885,971)</u>	<u>-</u>
Cash flows from investing activities:				
Interest	261	392	653	745
Net increase (decrease) in cash and cash equivalents	(1,167,790)	147,075	(1,020,715)	1,246,928
Cash and cash equivalents, July 1	2,338,973	1,518,428	3,857,401	1,950,704
Cash and cash equivalents, June 30	<u>\$ 1,171,183</u>	<u>\$ 1,665,503</u>	<u>\$ 2,836,686</u>	<u>\$ 3,197,632</u>

The notes to the financial statements are an integral part of this statement.

**SAMPSON COUNTY, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014**

**Exhibit 8
Page 2 of 2**

	Major		Total	Internal Service Fund
	Water and Sewer District II	Water and Sewer District I		
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ 181,493	\$ 142,998	\$ 324,491	\$ 1,283,309
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	706,706	105,747	812,453	-
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(82,128)	(232)	(82,360)	(105,798)
Inventory	(19,009)	-	(19,009)	-
Increase (decrease) in liabilities:				
Accounts payable & accrued liab.	(203,790)	(23,288)	(227,078)	68,672
Compensated absences	6,143	4,127	10,270	-
Other post-employment benefits	12,362	6,874	19,236	-
Total adjustments	<u>420,284</u>	<u>93,228</u>	<u>513,512</u>	<u>(37,126)</u>
Net cash provided (used) by operating activities	<u>\$ 601,777</u>	<u>\$ 236,226</u>	<u>\$ 838,003</u>	<u>\$ 1,246,183</u>

The notes to the financial statements are an integral part of this statement.

**SAMPSON COUNTY, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2014**

Exhibit 9

	Pension Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 285,179	\$ 315,673
Accounts receivable	-	33,133
Total assets	<u>\$ 285,179</u>	<u>\$ 348,806</u>
LIABILITIES AND NET POSITION		
Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ 26,164
Miscellaneous liabilities	-	322,642
Total liabilities	<u>-</u>	<u>348,806</u>
Net position:		
Assets held in trust for pension benefits	<u>\$ 285,179</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**SAMPSON COUNTY, NORTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2014**

Exhibit 10

	<u>Pension Trust Fund</u>
Additions:	
Employer Contributions	\$ 25,000
Investment income	
Interest	<u>68</u>
Total Additions	25,068
Deductions:	
Benefits	<u>38,145</u>
Total Deductions	<u>38,145</u>
Change in net position	(13,077)
Net position - beginning	<u>298,256</u>
Net position - ending	<u>\$ 285,179</u>

The notes to the financial statements are an integral part of this statement.



**SAMPSON COUNTY, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2014**

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. Sampson County Water & Sewer Districts I and II (the Districts) exist to provide and maintain a water system for the County residents within the Districts. The Districts are reported as an enterprise fund in the County's financial statements. Sampson County Industrial Facility and Pollution Control Financing Authority (the IFP Authority) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. Sampson Area Development Corporation (the Corporation) exists to issue debt for the construction of public buildings, school buildings, and shell buildings for economic development purposes. The Corporation has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. Sampson Regional Medical Center, Incorporated (the Hospital), which has a September 30 year-end is presented as if it is a separate proprietary fund of the County (discrete presentation). Sampson County Tourism Development Authority (the Authority) is presented as if it is a separate proprietary fund of the County (discrete presentation) and was created to promote travel and tourism in Sampson County using an occupancy tax levied on gross receipts from accommodations. The blended presentation method presents component units as a department or unit of the County, and offers no separate presentation as with the discrete method.

Component Unit	Report Method	Criteria for Inclusion	Separate Financial Statements
Sampson County Water & Sewer Districts I and II	Blended	Under State law [NCGS 162A-89], the County's board of commissioners also serve as the governing board for the Districts	None issued
Sampson County Industrial Facility and Pollution Control Authority	Discrete	The Authority is governed by a seven-member board of commissioners that is appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued
Sampson Area Development Corporation	Discrete	The Corporation is governed by a five-member board of directors that is appointed by the county commissioners. The County can remove any director of the Corporation with or without cause.	None issued
Sampson Regional Medical Center, Incorporated.	Discrete	The Hospital is a public hospital operated by a not-for-profit corporation which has leased the hospital facilities from the County. The County appoints the board of trustees for the hospital. The County also issues debt for Hospital buildings and equipment.	Sampson Regional Medical Center, Inc. 607 Beamon Street Clinton, NC 28328
Sampson County Tourism Development Authority	Discrete	The Authority is governed by a twelve-member board of directors that is appointed by the county commissioners. The County can remove any director of the Corporation with or without cause.	Sampson County Finance Office PO Box 257 Clinton, NC 28329

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

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

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 of which displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating items such as investment earnings are 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. The Tax Revaluation Fund and the Capital Projects Fund are legally budgeted funds under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 they are consolidated in the General Fund.

School Capital Projects Fund: This fund accounts for receipts and disbursements of sales tax funds that are earmarked for school capital outlay and debt service.

School Construction Capital Project Fund: This fund accounts for the resources and costs to build and renovate school buildings in the County.

Airport Expansion Apron Capital Project Fund: This fund accounts for the resources and costs to build and expand the Clinton-Sampson Airport.

**SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

The County reports the following major enterprise funds:

Sampson County Water District II Fund: This fund is used to account for the operations of Water and Sewer District II within the County.

Sampson County Water District I Fund: This fund is used to account for the operations of Water and Sewer District I within the County.

The County reports the following fund types:

Pension Trust Fund. The County has a Pension Trust Fund- the Special Separation Allowance Fund. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans or defined contribution plans. The Special Separation Allowance Fund, that accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; 4-H fund, which accounts for moneys deposited with County for use by the 4-H program; Tax Collection Fund, which accounts for property taxes billed and collected for various municipalities within the County; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Sampson County Boards of Education; Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County; Detention Center Trust Fund, which accounts for monies deposited with the County for use by inmates at the County Detention Center; Miscellaneous Agency Funds; which accounts for monies deposited with the County for use by various boards and organization in the County.

Internal Service Fund. Internal service funds are proprietary in nature and account for services preformed by one government organization or department for others. Sampson County has one Internal Service Fund, the Employee Health Insurance Fund. This fund pays for the health care of permanent County employees.

Nonmajor Funds. The County maintains seventeen legally budgeted funds. The Emergency Telephone System Fund, Sampson Area Transportation, Head Start, the Fire Districts Fund, Soil and Water District, two Community Development Grants, Governor's Highway Safety Program, Urgent Home Repair, Recreation Western District Park, Homeland Security Equipment, Employment and Training, and three CDBG grant projects are reported as nonmajor special revenue funds. The Airport Taxiway, Airport Construction, Airport Construction, Courthouse Annex Renovations, County Buildings Construction are reported as capital projects funds.

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

SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County, are recognized as 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 is both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Special Revenue Funds (excluding grant projects), Debt Service Funds and the Enterprise Funds. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Capital Projects Fund, the Special Revenue Grant Projects, and the Enterprise Capital Projects Fund, which are consolidated with the related enterprise operating fund for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The balances in the Capital Reserve Fund will be appropriated when transferred to a Capital Projects Fund in accordance with the project ordinance adopted for the Reserve Fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. The governing body must approve all amendments. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

The County, the Authority and the Hospital's investments are carried at fair value as determined by quoted market prices. The securities of 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.

2. Cash and Cash Equivalents

The County and the Authority pool money from several funds except the Pension Trust Fund, to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Sampson Regional Medical Center, Inc. considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

**SAMPSON COUNTY, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2014**

3. Restricted Assets

Cash held for unspent funds for debt service, school capital and public safety as required by state statute or debt covenants. Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

Sampson County Restricted Cash

Governmental Activities		
General Fund	Tax Revaluation	\$ 681,916
General Fund	Public Safety	756,543
Schools Capital Projects		2,087,244
School Construction Fund		<u>2,132,339</u>
Total Governmental Activities		<u>5,658,042</u>
Total Restricted Cash		<u>\$ 5,658,042</u>

Sampson Regional Medical Center, Inc. has designated investments aggregating \$14,430,173 to be used for future major capital acquisition and/or improvements.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S.105-347 and G.S.159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1(lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2013. As allowed by State law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

The inventories of the County are valued at cost (first-in, first-out), which approximates market. The Hospital inventories are valued at the lower of cost, derived primarily by use of the weighted average valuation method, or market. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when consumed. The inventories of the County's enterprise funds as well as those of the Hospital consist of materials and supplies held for consumption. The cost of the inventory carried in the County's enterprise funds and that of the Hospital is recorded as an expense as it is consumed. The Authority has no inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**SAMPSON COUNTY, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2014**

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The minimum capitalization threshold for land, buildings, improvements, lines and other plant and distribution systems, furniture and equipment, and vehicles is \$2,500. 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.

The County holds title to certain Sampson County and Clinton City Boards 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 Boards of Education give the Boards 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 Boards 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 Sampson County and Clinton City Boards of Education.

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Water distribution systems	40
Improvements	20
Furniture and equipment	5-20
Vehicles	3-10

Property and equipment acquisitions of the Hospital are recorded at cost. Property and equipment donated for hospital operations are recorded as additions to the donor-restricted plant replacement and expansion funds of the Hospital at fair value at the date of receipt and as a transfer to the Hospital's general fund balance when the assets are placed in service.

Depreciation of hospital property and equipment is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Hospital equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Estimated useful lives of the assets are as follows:

	<u>Useful Life</u>
Land improvements	5 to 15 years
Buildings	5 to 40 years
Fixed equipment	8 to 20 years
Movable equipment	3 to 20 years
Vehicles	4 to 6 years

The Authority has no fixed assets.

8. Deferred outflows/inflows of resources

**SAMPSON COUNTY, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2014**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has one item that meets this criterion – prepaid insurance cost on a COPS bond issuance.

In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has only one item that meets the criterion for this category - prepaid taxes.

9. Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

10. Compensated Absences

The vacation policies of the County and the Hospital provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned in the County's government-wide, proprietary fund, and Hospital statements.

The sick leave policies of the County and the Hospital provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since none of the entities have any obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made by the County or its component units.

11. Net Position/Fund Balances

Net Position

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

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.

**SAMPSON COUNTY, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2014**

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.

Restricted Fund Balance - This classification includes revenue sources that are restricted to specific purposes externally 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 Public Safety - portion of fund balance that is restricted by revenue source for E-911 expenditures, portion of fund balance that is restricted by revenue source for expenditures in the Sherriff's department and portion of fund balance that is restricted by revenue source for fire protection expenditures.

Restricted for School Capital - portion of fund balance that can only be used for School Capital per G.S. 159-18-22.

Restricted for Debt Service - portion of fund balance required to be maintained in accordance with debt covenants.

Committed Fund Balance - Portion of fund balance that can only be used for specific purpose imposed by majority vote of Sampson County's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Committed for various departments – portion of fund balance not available for appropriation because it represents revenues that were for specific purposes. This includes committed portion of fund balance in the nonmajor funds.

Assigned Fund Balance - portion of fund balance that the Sampson County governing board has budgeted.

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.

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

Sampson County adheres to the North Carolina Local Government Commission's recommendation of a minimum fund balance for the general fund which instructs management to conduct the business of the County in such a manner that available fund balance does not go below eight percent of budgeted expenditures. Any portion of the general fund balance in excess of 8% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the County in a future budget

SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

E. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between total fund balance for governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$1,437,677 consists of the following:

<u>Description</u>	<u>Amount</u>
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)	\$ 178,486,178
Less accumulated depreciation	<u>37,812,121</u>
Net capital assets	140,674,057
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable and in the fund statements	535,019
Deferred charges related to bond issued - included on government-wide statement of net position but are not current financial resources.	332,351
Equity of internal service fund which is used by management to charge the costs of employee health insurance to individual funds is reported in the government-wide statements but not the fund statements.	3,174,370
Liabilities for deferred inflows of resources reported in the funds statements but not the government-wide.	2,440,036
Unearned revenue for unamortized premium received on debt issuance.	(1,860,122)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(131,882,173)
Compensated absences	(1,790,335)
Law enforcement special separation allowance pension liability	(257,797)
Other postemployment benefits	(7,947,214)
Accrued interest payable	<u>(1,980,515)</u>
Total adjustment	<u>\$ 1,437,677</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.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances for total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(113,151) consists of the following:

SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,457,024
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.	(4,824,617)
Cost of disposed asset.	(2,754)
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 position	-
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	3,948,208
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.	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	43,955
Amortization of deferred charge on bond refunding.	(15,107)
Difference in insurance expense between fund statements (modified accrual) and government-wide (full accrual) due to allocation of profit from internal service fund	1,284,054
Difference in retirement expense between fund statements (modified accrual) and government-wide (full accrual) due to payments from law-enforcement officers special separation allowance pension fund, resulting in reduction of intangible asset	(43,153)
Other postemployment benefits are accrued in the government-wide statements but not the fund statements because they do not use current resources.	(1,320,310)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(230,492)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Decrease in accrued interest on taxes receivable	(33,395)
Amortization of debt premium	84,551
Decrease in deferred inflows of resources - taxes receivable - at end of year	<u>(461,115)</u>
Total adjustment	<u>\$ (113,151)</u>

SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

II. Stewardship, Compliance and Accountability

A. Deficit Fund Balance or Net Position of Individual Funds

The County experienced deficit fund balances in the following funds: Special Revenue Funds: Urgent Home Repair Project \$(19,215); Capital Project Funds: Airport Taxiway 12.6.2 \$(2,335), Airport Construction 12.8.1 \$(8,109), Airport Apron 19.6.1 \$(266,285) and Airport Construction 12.9.1 \$(10,224). The deficits occurred because of the timing of payments. Management intends to appropriate funds as necessary to cover deficit fund balance.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's, Authority's and all of the Hospital'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 or the Hospital's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, Authority and the Hospital, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, Authority or the Hospital or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, Authority or the Hospital under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County, Authority and the Hospital rely on the State Treasurer to monitor those financial institutions. The County, Authority and the Hospital analyze the financial soundness of any other financial institution used by them. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County, Authority and the Hospital do not have policies regarding custodial credit risk for deposits.

At June 30, 2014, the County's deposits had a carrying amount of \$6,209,017 and a bank balance of \$6,708,135. Of the bank balance, \$1,000,000 was covered by federal depository insurance, \$5,708,135 in interest bearing deposits were covered by collateral held under the Pooling Method. At June 30, 2014, Sampson County had \$4,269 cash on hand.

The Hospital's deposits had a carrying amount of \$2,259,051 and a bank balances of \$2,421,286 as of September 30, 2013. Of the bank balances, \$250,000 is covered by federal depository insurance as of September 30, 2013 and the remainder is covered under the Pooling Method.

The Authority's deposits had a carrying amount of \$77,407 and a bank balance of \$77,407 as of June 30, 2014. Of the bank balance, \$77,407 was in interest bearing deposits and were covered by collateral held under the Pooling Method.

**SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

2. Investments

At June 30, 2014, the County's investments consisted of \$22,305,577 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on credit risk.

At September 30, 2013, the Hospital's investments consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Cash	\$2,261,936	\$2,261,936
U.S. Treasury and agency bonds	11,667,014	11,440,298
NC Capital Management Trust	<u>4,620,317</u>	<u>4,620,317</u>
Total:	<u>\$18,549,267</u>	<u>\$18,322,551</u>

The Hospital's investment in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. Investment grade bonds include U.S. Treasury issues with ratings of A or better by Standards & Poor's and corporate bonds guaranteed by the FDIC. All cash and investments above have maturities of less than one year except for certain U.S. Treasury and agency bonds. U.S. Treasury and agency bonds with maturities greater than one year amounted to \$4,186,618 at September 30, 2013 and they mature between 2014 and 2016. All FDIC guaranteed corporate bonds matured in 2013.

3. Property Tax – Use Value Assessment on Certain Lands

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

Year Levied	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,704,126	\$ 629,701	\$ 4,333,827
2012	3,778,063	302,245	4,080,308
2013	<u>3,414,156</u>	<u>-</u>	<u>3,414,156</u>
	<u>\$ 10,896,345</u>	<u>\$ 931,946</u>	<u>\$ 11,828,291</u>

**SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

4. Receivables

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

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:					
General	\$ 2,085,908	\$ 2,464,955	\$ 5,707,172	\$ 170,508	\$ 10,428,543
Accrued interest	-	535,019	-	-	535,019
Other Governmental	<u>116,523</u>	<u>152,881</u>	<u>1,711,749</u>	<u>-</u>	<u>1,981,153</u>
Total receivables	2,202,431	3,152,855	7,418,921	170,508	12,944,715
Allowance for doubtful accounts	<u>-</u>	<u>(177,800)</u>	<u>-</u>	<u>-</u>	<u>(177,800)</u>
Total governmental activities	<u>\$ 2,202,431</u>	<u>\$ 2,975,055</u>	<u>\$ 7,418,921</u>	<u>\$ 170,508</u>	<u>\$ 12,766,915</u>
Business-type Activities					
Water Districts I and II	<u>\$ 374,534</u>	<u>\$ -</u>	<u>\$ 53,062</u>	<u>\$ 1,039</u>	<u>\$ 428,635</u>
Total receivables	374,534	-	53,062	1,039	428,635
Allowance for doubtful accounts	<u>(122,230)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(122,230)</u>
Total business-type activities	<u>\$ 252,304</u>	<u>\$ -</u>	<u>\$ 53,062</u>	<u>\$ 1,039</u>	<u>\$ 306,405</u>

The due from other governments that is owed to the County consists of the following:

Local option sales tax	\$ 2,505,051
State & federal grants	<u>4,913,870</u>
	<u>\$ 7,418,921</u>

The Hospital's accounts receivable are presented net of the allowance for uncollectible accounts of \$10,102,000.

The Authority's accounts receivable are presented net of the allowance for uncollectible accounts of \$0.

SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

5. Capital Assets

Primary Government

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

	<u>Beginning Balances</u>	<u>Increases Transfers In</u>	<u>Decreases Transfers Out</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,172,038	\$ -	\$ -	\$ 6,172,038
Construction in progress	<u>3,988,614</u>	<u>191,322</u>	<u>-</u>	<u>4,179,936</u>
Total capital assets not being depreciated	<u>10,160,652</u>	<u>191,322</u>	<u>-</u>	<u>10,351,974</u>
Capital assets being depreciated:				
Buildings and improvements	148,928,458	-	2,754	148,925,704
Equipment	11,762,925	509,754	-	12,272,679
Vehicles and motor equipment	<u>6,595,706</u>	<u>755,948</u>	<u>415,833</u>	<u>6,935,821</u>
Total capital assets being depreciated	<u>167,287,089</u>	<u>1,265,702</u>	<u>418,587</u>	<u>168,134,204</u>
Less accumulated depreciation for:				
Buildings and improvements	23,384,857	3,581,544	-	26,966,401
Equipment	5,068,467	697,959	-	5,766,426
Vehicles and motor equipment	<u>4,950,013</u>	<u>545,114</u>	<u>415,833</u>	<u>5,079,294</u>
Total accumulated depreciation	<u>33,403,337</u>	<u>\$ 4,824,617</u>	<u>\$ 415,833</u>	<u>37,812,121</u>
Total capital assets being depreciated, net	<u>133,883,752</u>			<u>130,322,083</u>
Governmental activity capital assets, net	<u>\$ 144,044,404</u>			<u>\$ 140,674,057</u>

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

General government	\$ 3,867,866
Public safety	790,176
Economic & physical development	31,385
Human services	89,046
Environmental protection	12,459
Cultural and recreational	<u>33,685</u>
Total depreciation expense	<u>\$ 4,824,617</u>

SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

	Beginning Balances	Increases Transfers In	Decreases Transfers Out	Ending Balances
Business-type activities:				
Water District 2 Capital assets being depreciated:				
Distribution systems	\$ 27,311,103	\$ -	\$ -	\$ 27,311,103
Equipment	287,364	-	-	287,364
Vehicles	118,514	-	-	118,514
Total capital assets being depreciated	<u>27,716,981</u>	<u>-</u>	<u>-</u>	<u>27,716,981</u>
Accumulated depreciation distribution	5,912,390	682,779	-	6,595,169
Accumulated depreciation equipment	110,521	15,019	-	125,540
Accumulated depreciation vehicles	24,880	8,908	-	33,788
Total accumulated depreciation	<u>6,047,791</u>	<u>\$ 706,706</u>	<u>\$ -</u>	<u>6,754,497</u>
Water District 2 net capital assets being depreciated	<u>21,669,190</u>			<u>20,962,484</u>
Capital assets not being depreciated:				
Land	208,512	\$ -	\$ -	208,512
Construction in progress	869,596	1,132,857	-	2,002,453
Water capital assets not depreciated	<u>1,078,108</u>	<u>\$ 1,132,857</u>	<u>\$ -</u>	<u>2,210,965</u>
Water District 2 net capital assets	<u>\$ 22,747,298</u>			<u>\$ 23,173,449</u>
Water District 1 Capital assets being depreciated:				
Distribution systems	\$ 3,931,081	\$ -	\$ -	\$ 3,931,081
Equipment	21,076	-	-	21,076
Vehicles	115,483	-	-	115,483
Total capital assets being depreciated	<u>4,067,640</u>	<u>-</u>	<u>-</u>	<u>4,067,640</u>
Accumulated depreciation distribution	1,800,752	\$ 98,277	\$ -	1,899,029
Accumulated depreciation equipment	20,482	261	-	20,743
Accumulated depreciation vehicles	25,497	7,209	-	32,706
Total accumulated depreciation	<u>1,846,731</u>	<u>\$ 105,747</u>	<u>\$ -</u>	<u>1,952,478</u>
Water District 1 net capital assets being depreciated	<u>2,220,909</u>			<u>2,115,162</u>
Capital assets not being depreciated:				
Land	16,807	-	-	16,807
Water District 1 net capital assets	<u>\$ 2,237,716</u>			<u>\$ 2,131,969</u>
Business-type activities capital assets, net	<u>\$ 24,985,014</u>			<u>\$ 25,305,418</u>

Construction commitments

The government has active construction project as of June 30, 2014. The project include the water district well project. At June 30, 2014, the government's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Well Construction Project	\$ 1,139,285	\$ 149,256

**SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

Discretely presented component units

The Authority does not have any fixed assets.

Capital asset activity for Sampson Regional Medical Center for the year ended September 30, 2013, was as follows:

	September 30, 2012	Additions	Retirements	September 30, 2013
Capital assets not being depreciated:				
Land	\$ 1,955,053	\$ -	\$ -	\$ 1,955,053
Construction in progress	186,392	11,201	-	197,593
Total capital assets not being depreciated	<u>2,141,445</u>	<u>11,201</u>	<u>-</u>	<u>2,152,646</u>
Capital assets being depreciated:				
Land improvements	2,078,515	42,560	-	2,121,075
Buildings and improvements	35,795,765	471,843	(110,926)	36,378,534
Furniture and equipment	50,014,462	1,749,935	-	51,764,397
Total capital assets being depreciated	<u>87,888,742</u>	<u>2,264,338</u>	<u>(110,926)</u>	<u>90,264,006</u>
Less accumulated depreciation for:				
Land improvements	1,580,393	71,718	-	1,652,111
Buildings and improvements	20,144,388	1,275,152	(110,926)	21,530,466
Furniture and equipment	41,323,061	2,358,458	-	43,681,519
Total accumulated depreciation	<u>63,047,842</u>	<u>3,705,328</u>	<u>(110,926)</u>	<u>66,864,096</u>
Sampson Regional Medical Center, Inc. capital assets, net	<u>\$ 26,982,345</u>			<u>\$ 25,552,556</u>

B. Liabilities

1. Payables

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

	Vendors	Salaries and Benefits	Accrued Interest	Total
Governmental activities:				
General	\$ 2,516,458	\$ 125,100	\$ 1,980,515	\$ 4,622,073
Other governmental	28,805	3,754	-	32,559
Total governmental activities	<u>\$ 2,545,263</u>	<u>\$ 128,854</u>	<u>\$ 1,980,515</u>	<u>\$ 4,654,632</u>
Business-type activities:				
Water District II	\$ 70,872	\$ 727	\$ 53,965	\$ 125,564
Water District I	20,576	201	3,506	24,283
Total business-type activities	<u>\$ 91,448</u>	<u>\$ 928</u>	<u>\$ 57,471</u>	<u>\$ 149,847</u>

**SAMPSON COUNTY, NORTH CAROLINA
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 For the Fiscal Year Ended June 30, 2014**

2. Pension Plan and Other Post-Employment Obligations

a. Local Governmental Employees' Retirement System

Plan Description – Sampson County contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions and contribution requirements 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.

Funding Policy – Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.070% and 7.55%, respectively, of annual covered payroll. The contribution requirements of members and of Sampson County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2014, 2013 and 2012 were \$1,120,863, \$1,120,863, and \$1,242,417, respectively. The contributions made by the County equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

Sampson County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The plan does not issue a separate stand-alone financial report. The Separation Allowance is reported in the County's Comprehensive Annual Financial Report as a pension trust fund.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	95
Total	<u>97</u>

2. Summary of Significant Account Policies

Basis of Accounting – Financial statements for the Separation Allowance 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.

**SAMPSON COUNTY, NORTH CAROLINA
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Method Used to Value Investments – Investments are reported at fair value. Short-term money market debt instruments, deposits and repurchase agreements are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

3. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County allocated \$30,000 or .98% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the fiscal year ended June 30, 2014 was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25%-7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2013 was 18 years.

Annual Pension Cost and Net Pension Obligation for Fiscal Year Ended 6/30/2014

(a) Employer annual required contribution	\$ 79,909
(b) Interest on net pension obligation	10,732
(c) Adjustment to annual required contribution	<u>(17,488)</u>
(d) Annual pension cost	73,153
(e) Employer contributions made for fiscal year 6/30/2014	<u>30,000</u>
(f) Increase in net pension obligation	43,153
(g) Net pension obligation beginning of fiscal year	<u>214,644</u>
(h) Net pension obligation end of fiscal year	<u><u>\$ 257,797</u></u>

For the Year Ended June 30	3 Year Trend Information		Net Pension Obligation
	Annual Pension Cost (APC)	Percentage Of APC Contributed	
2012	\$ 73,891	40.60%	\$ 166,108
2013	78,536	38.20%	214,644
2014	73,153	41.01%	257,797

4. Funding Status and Funding Progress

As of December 31 2013, the most recent actuarial valuation date, the plan was 36.63 percent funded. The actuarial accrued liability for benefits was \$835,655, and the actuarial value of assets was \$306,120, resulting in an unfunded actuarial accrued liability (UAAL) of \$529,535. The covered payroll (annual payroll of active employees covered by the plan) was \$3,329,568, and the ratio of the UAAL to the covered payroll was 15.90 percent.

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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.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy - Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to 5 percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$194,152 which consisted of \$135,708 from the County and \$58,444 from the law enforcement officers. The County contributes 2.35% of each non-law enforcement employees' salary who are vested under this plan. Non law enforcement contributions were \$423,491 which consisted of \$287,122 from the County and \$136,369 from the employees.

d. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all County employees, permits 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. The County does not contribute any portion into this plan.

e. Registers of Deeds' Supplemental Pension Fund

Plan Description - Sampson County also 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 eligible 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 - On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State

**SAMPSON COUNTY, NORTH CAROLINA
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Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2014, the County's required and actual contributions were \$4,133.

f. Other Post-Employment Benefits

Healthcare Benefits

Plan Description - Under the County's annual budget ordinance, Sampson County provides healthcare benefits through the Healthcare Benefits Plan (HCB Plan) as a single-employer defined benefit plan to cover retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have worked at least 15 continuous years in local or State government with the last 10 years worked with Sampson County. Employees must be eligible to retire under retirement system guidelines. The County pay 100% of the individual premium for employees who have worked 20 continuous years in local or State government with the last 10 years worked with Sampson County and 75% of the individual premium for employees who have worked at least 15 continuous years in local or State government with the last 10 years worked with Sampson County. The HCB Plan is available to qualified retirees at 100% until the age of 65 or until Medicare eligible, whichever is sooner. Also, the County's retirees can purchase coverage for their dependents at the County's group rates. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2014, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	50	5
Terminated plan members entitled to but not yet receiving benefits	0	0
Active Plan Members	396	90
Total	446	95

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under the County budget ordinance that can be amended by the Board of Commissioners. The County's members pay \$245 per month for dependent coverage. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 8.11% of annual covered payroll. For the current year, the County contributed \$847,000 or 5% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 3.09% and 2.66% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$48,031. The County's obligation to contribute to the HCB Plan is established and may be amended by the Board of Commissioners.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual bases of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they become due.

**SAMPSON COUNTY, NORTH CAROLINA
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Annual OPEB Cost and net OPEB Obligation. The County's annual OPEB costs (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 changed in the County's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 2,191,000
Interest on net OPEB obligation	269,000
Adjustment to annual required contribution	<u>275,000</u>
Annual OPEB cost (expense)	2,185,000
Contributions made	<u>(847,000)</u>
Increase in net OPEB obligation	1,338,000
Net OPEB obligation, beginning of year	<u>6,724,624</u>
Net OPEB obligation, end of year	<u>\$ 8,062,624</u>

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

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 1,924,000	31.5%	\$ 5,438,624
2013	2,078,000	38.1	6,724,624
2014	2,185,000	38.8	8,062,624

Funded Status and Funding Progress. As of June 30, 2014, 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 \$17,523,000. The covered payroll (annual payroll of active employees covered by the plan) was \$16,887,916, and the ratio of the UAAL to the covered payroll was 103.76 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.

**SAMPSON COUNTY, NORTH CAROLINA
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In the June 30, 2014 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 percent annually. The investment rate included a 2.5 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 June 30, 2014, was 30 years.

g. Other Employment Benefits

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

For the fiscal year ended June 30, 2014, the County made contributions to the State for death benefits of \$0. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

No. Years Contributing	Years Relief	FY Contributions Resume
less than 10	1	2014
10 - 20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. Sampson County will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

**SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

h. Sampson Regional Medical Center, Inc. Pension Plan

Benefit Plans – The Sampson Regional Medical Center, Inc. Plan (Plan) is a single-employer defined contribution plan. Employees become eligible for the plan after completing one year of employment and 1,000 hours of service. The Hospital may contribute 2% of participant earnings. The Hospital may also make a year end discretionary contribution which shall be determined by the Board of Trustees on an annual basis. The funding in calendar year 2013 for plan year 2012 was \$484,006.

The Hospital also has a tax deferred retirement savings plan. All full time employees of the Hospital and part-time employees who work at least 1,000 hours during the plan year are eligible to participate. The Hospital matches 50% of the first 4% of the compensation deferred by each participant. The Hospital contributed \$992,964 to the Plan for the current year.

3. Closure and Post-closure Care Costs – Landfill Facility

On October 9, 1993, the County leased its interests in all landfill sites to a commercial concern. Under the agreement, the County is not responsible for closure and post-closure requirements defined by the Environmental Protection Agency’s regulation, Solid Waste Disposal Facility Criteria.

4. Deferred Outflows and Inflows of Resources

The amount of deferred outflows of resources is a charge on refunding of debt of \$332,351.

The balance in deferred inflows of resources on the fund statements and on the government-wide statements at year end is comprised of the following elements:

	Deferred Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$ -	\$ 37,978
Prepaid revenues not yet earned (General)	-	-
Taxes receivable, net (General)	2,296,955	-
Taxes receivable, net (Special Revenue)	143,081	-
Total	<u>\$ 2,440,036</u>	<u>\$ 37,978</u>

5. Risk Management

The County 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 County carries commercial insurance for all of these risks of loss. The County’s general insurance coverage provides property and contents insurance up to \$19,500,000 and liability coverage up to \$9 million. Worker’s compensation insurance provides coverage for bodily injury by accident of \$3,100,000 for each accident and coverage for bodily injury or disease up to \$3,550,000 for each employee. There is a policy limit of \$3,100,000 for bodily injury by disease. Settled claims for these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

The County does not carry flood insurance because no County structures have been designated as being in a flood plane by the Federal Emergency Management Agency.

**SAMPSON COUNTY, NORTH CAROLINA
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In accordance with G.S. 159-29, The County's employees that have access to \$100 or more of the County's funds at any given time are performance bonded through a commercial surety bond in the amount of \$25,000 each.

The following officials are separately bonded as follows: Finance Officer (\$100,000), Tax Collector (\$150,000), Tax Assessor (\$200,000), Assistant Tax Assessor (\$100,000), Register of Deeds (\$50,000), Sheriff (\$75,000) and Public Works Director (\$100,000).

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settle claims have not exceeded coverage in any of the past three fiscal years.

The County is the provider of an employee health care plan administered by Blue Cross and Blue Shield of North Carolina to provide health insurance to its employees. This plan, which is accounted for in the Employee Health Insurance Internal Service Fund, provides coverage of up to \$50,000 per incident for each employee. The excess over \$50,000, up to \$1,000,000, is covered by Blue Cross and Blue Shield. The pool is self-sustaining through employee and employer premiums.

Aggregate liabilities for claims for the current year was estimated by the Plan Administrator. Each year the Plan Administrator provides a financial projection of total claims for the coming year, which includes a premium for aggregate stop loss insurance. This amount is budgeted and paid in 12 monthly installments. If claims exceed the financial projection provided by the Plan Administrator, there is aggregate stop loss insurance to cover these claims.

A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

	June 30, 2014
Claims payable, beginning	_____
Of year	\$ 64,711
Add: Claims received	5,621,998
Less: Claims paid	5,492,939
Claims payable, end of year	\$ 193,770

The Hospital is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters; and professional and general liability claims and judgments. The Hospital has purchased commercial insurance which, in the opinion of the Hospital's management, is adequate to prevent the outcome of such claims arising from such matters from having a material adverse effect on the financial position and results of operations of the Hospital. The basic level of coverage is \$1,000,000 for any one claim and \$3,000,000 in the annual aggregate. No accrual has been made for incurred but not reported claims because the amount is not reasonably estimable based upon the Hospital's claims history. The Hospital's insurance coverages are generally provided under claims made policies. Should the claims made policies not be renewed or replaced with equivalent insurance, claims based on occurrences during their terms, but reported subsequently, would be uninsured. Management anticipates that such coverages will be renewed or replaced with equivalent insurance as they expire.

6. Contingent Liabilities

At June 30, 2014, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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7. Long-Term Obligations
a. Installment Purchases

The County's installment purchase agreements payable at June 30, 2014 are comprised of the following individual issues:

Serviced by the Governmental Funds:

Installment agreement with USDA for the construction of a new Midway High School, secured by the building and land. The total loan is \$3,750,000 and will be repaid in 38 annual installments of \$193,620 including interest at 4%. At June 30, 2014, there were 36 payments remaining.	\$ 3,660,954
Installment agreement with the United States Department of Agriculture (USDA) for the renovation of a previously purchased building into courthouse and office space and renovation of the existing courthouse, secured by building and land. The interest rate is 4.25%. The loan will be repaid in 29 annual installments of \$129,809 including interest at 4.25 percent. At June 30, 2014, there were 20 installments remaining.	1,604,819
Installment agreement with USDA for the construction of a new Law Enforcement and Detention Center, secured by the building and land. The total loan is \$11,125,000 and will be repaid in 38 annual installments of \$595,213 including interest at 4.25%. At June 30, 2014, there were 32 payments remaining.	10,131,754
Installment agreement with USDA for the construction of a new Cooperative Extension Building and Animal Shelter Building, secured by the buildings and land. The total loan is \$2,263,000 and will be repaid in 38 annual installments of \$121,076 including interest at 4.37%. At June 30, 2014 there were 33 payments remaining.	2,100,863
Installment agreement with USDA for the construction of a new Clinton High School, secured by the building and land. The total loan is \$30,000,000. The loan will be repaid in 38 annual installments of \$1,605,068 including interest at 4.25%. At June 30, 2014 there were 33 payments remaining.	28,025,245
Installment purchase agreement with Bank of America for renovations on Clinton City Board of Education owned facilities. These are Qualified Zone Academy Bonds in the amount of \$2,000,000 secured by the building and land of Clinton High School. The loan will be repaid in 14 annual installments of \$103,572 including interest at 0%. At June 30, 2014 there were 8 payments remaining.	1,274,993
Installment agreement with USDA for the construction and renovation of buildings to house Human Services and County Administration, secured by the buildings and land. The total loan is \$9,585,000 and will be repaid in 38 annual installments of \$512,819 including interest at 4.125%. At June 30, 2014 there were 34 payments remaining.	8,983,458

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Installment purchase agreement with USDA for the renovation of a County owned building to house the Public Works and Data Processing Departments. This agreement is secured by the building and land. The loan amount is \$862,800 and will be repaid in 28 annual installments of \$53,283 including interest at 4.125%. At June 30, 2014 there were 24 payments remaining.	770,788
Installment agreement with USDA for the construction of a new Union High School, secured by the building and land. The total loan is \$3,750,000 and will be repaid in 38 annual installments of \$193,620 including interest at 4%. At June 30, 2014, there were 36 payments remaining.	3,660,954
Installment purchase agreement with Regions Bank for renovations on Sampson County Board of Education owned facilities. These are Qualified Zone Academy Bonds in the amount of \$2,000,000 secured by the buildings and land. The loan will be repaid in 14 annual installments of \$155,667 including interest at 1%. At June 30, 2014 there were 10 payments remaining.	1,300,000
Installment purchase agreement with USDA for the renovation of a County owned building to various departments. This agreement is secured by the buildings and land. The loan amount is \$904,846 and will be repaid over a 30 year period. The payments will made annually in the amount of \$59,096 including interest at 4.75%. At June 30, 2014 there were 27 payments remaining.	861,109
Installment agreement with USDA for the construction of a Roseboro Elementary School, secured by the building and land. The total loan is \$12,400,000 and will be repaid in two interest only payments due December 16, 2011 and 2012 of 3.75% then 38 annual installments of \$617,520 including interest at 3.75%. Principal and interest repayment will begin in fiscal year 2013-2014. At June 30, 2014, there were 38 payments remaining.	12,247,480
Installment purchase propane equipment vehicles. This agreement is secured by the equipment and calls for 36 monthly payments of \$4,117 each including interest. At June 30, 2014 there were 20 payments remaining.	74,756
	<u>\$ 74,697,173</u>

SAMPSON COUNTY, NORTH CAROLINA
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For Sampson County, the future minimum payments as of June 30, 2014, including \$61,199,658 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2015	\$ 1,454,963	\$ 3,004,038
2016	1,488,815	2,952,318
2017	1,504,555	2,902,239
2018	1,553,864	2,851,530
2019	1,605,235	2,798,759
2020-2024	8,228,751	13,123,402
2025-2029	8,912,305	11,459,960
2030-2034	10,791,870	9,450,589
2035-2039	12,565,953	7,052,210
2040-2044	14,897,104	4,265,526
2045-2049	10,165,362	1,258,841
2050-2051	1,528,396	80,246
Total principal payments	<u>\$ 74,697,173</u>	
Total interest payments		<u>\$ 61,199,658</u>

Serviced by the Water and Sewer Districts.

Installment agreements with USDA for the construction of water wells, secured by the equipment and land. The total of the loans is \$1,792,000 and will be repaid in 38 annual installments of \$82,293 including interest at 2.75% & 3.5%. Principal and interest repayment will begin in fiscal year 2015-2016. At June 30, 2014, there were 38 payments remaining.

\$ 1,792,000

For Sampson County, the future minimum payments as of June 30, 2014, including \$1,473,279 of interest, are:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2015	\$ -	\$ 58,970
2016	23,323	58,970
2017	24,084	58,209
2018	24,871	57,422
2019	25,684	56,609
2020-2024	141,578	269,887
2025-2029	166,324	245,141
2030-2034	195,448	216,017
2035-2039	229,735	181,730
2040-2044	270,108	141,356
2045-2049	317,661	93,804
2050-2053	373,184	35,164
Total principal payments	<u>\$ 1,792,000</u>	
Total interest payments		<u>\$ 1,473,279</u>

SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

b. General Obligation Indebtedness

All general obligation bonds serviced by the County's general fund are collateralized by the full faith, credit, and taxing power of the County. Sampson County Water and Sewer District issues general obligation bonds to provide funds for the acquisition and construction of major water system capital improvements. These bonds, which are recorded in the Water and Sewer District Funds, are collateralized by the full faith, credit, and taxing power of the District. Principal and interest payments are appropriated when due.

The Water and Sewer District's general obligation bonds payable at June 30, 2014 are comprised of the following individual issues which are serviced by the Water and Sewer Districts:

\$4,982,000 Water Series A bonds issued on February 28, 2000, due in annual installments of \$51,000 to \$202,000 through June 1, 2039 with the first installment due June 1, 2002; 5.125 percent interest rate.	\$ 4,084,000
\$421,000 Water Series B bonds issued on February 28, 2000 Due in annual installments of \$5,000 to \$20,000 through June 1, 2039 with the first installment due June 1, 2002; 4.75 percent interest rate.	341,000
\$1,093,000 Water and Sewer bonds issued on August 7, 1995, due in annual installments of \$11,500 to \$46,000 Through June 1, 2035 with the first installment due June 1, 1998; 5.125 percent interest rate.	814,000
\$2,486,000 Water Series A bonds issued on January 26, 2004, due in annual installments of \$37,545 to \$112,725 Through June 1, 2043 with the first installment due June 1, 2004; 4.375 percent interest rate	2,197,000
\$948,000 Water Series B bonds issued on January 26, 2004 due in annual installments of \$14,726 to \$41,800 Through June 1, 2043 with the first installment due June 1, 2004; 4.5 percent interest rate.	837,000
\$2,297,000 Water Series A bonds issued on May 4, 2005 due in annual installments of \$97,623 to 123,753 through June 2, 2044 with the first installment due June 1, 2005; 4.25 percent interest rate	2,058,000
\$1,486,000 Water Series A bonds issued on May 4, 2005 due in annual installments of \$63,155 to 80,395 through June 2, 2044 with the first installment due June 1, 2005; 4.25 percent interest rate	1,332,000
	<u>\$ 11,663,000</u>

SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Annual debt service requirements to maturity for the District's general obligation bonds, including interest of \$8,811,316 are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2015	\$ 243,000	\$ 545,079
2016	255,500	533,565
2017	266,500	521,453
2018	280,000	508,817
2019	290,500	495,538
2020-2024	1,678,500	2,256,793
2025-2029	2,101,000	1,819,184
2030-2034	2,498,000	1,279,913
2035-2039	2,604,000	676,329
2040-2044	1,446,000	174,645
Total principal payments	<u>\$ 11,663,000</u>	
Total interest payments		<u>\$ 8,811,316</u>

c. Refunding Bonds

On April 7, 2010 the Sampson Area Development Corporation amended the Installment Payment Revenue Bonds dated January 15, 1999, of which \$15,675,000 was currently outstanding, to refund that bond issue that financed the construction of schools in Sampson County. The installment purchase of \$15,560,000 was issued pursuant to a deed of trust that requires that legal title remain with the Corporation as long as the debt is outstanding. The Corporation has entered into a lease with the Sampson County and Clinton City Boards of Education that transfers the rights and responsibilities for maintenance and insurance of the property to the Boards of Education. The lease calls for \$0 lease payments and also contains a bargain purchase option. The lease term is the same as that of the installment purchase obligation. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Boards of Education.

The installment purchase was executed on April 7, 2010 to the outstanding amount of the January, 1999 issue. The transactions calls for 15 annual principal payments of \$985,000 to \$1,280,000 and thirty semiannual interest payments, due on December 1 and June 1, at interest rates varying from 2.00 percent to 5.25 percent. These refunding bonds which mature through June 1, 2024 are reported in the general fund because they are being repaid from general fund revenues. Balance outstanding at June 30, 2014 is \$10,000,000.

**SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

Annual debt service requirements to maturity for the County's revenue bonds, including interest of \$2,601,938 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2015	\$ 1,030,000	\$ 456,875
2016	1,020,000	415,675
2017	1,020,000	364,675
2018	1,010,000	323,875
2019	1,000,000	283,475
2020-2024	4,920,000	757,363
Total principal payments	<u>\$ 10,000,000</u>	
Total interest payments		<u>\$ 2,601,938</u>

d. Revenue Bonds

On September 22, 2004, the County issued \$5.7 million of Hospital Revenue Bonds, Series 2004A, to finance capital improvements at Sampson Regional Medical Center, Inc. The bonds carry an interest rate at adjusted one month LIBOR rate plus .90 percent, due in monthly installments of principal of \$55,556 plus interest, maturing April, 2013. During the fiscal year ended June 30, 2006 the County issued \$4.3 million of Hospital Revenue Bonds, Series 2004B, dated September 22, 2004. The bonds carry an interest rate at adjusted one month LIBOR rate plus .90 percent, due in monthly installments of principal of \$55,556 plus interest. Payments begin in May 2013 and the bonds mature in September 2019. On January 29, 2007 the County issued \$5.5 million in Hospital Refund Bonds, Series 2007. The bonds carry an interest of 70% of the adjusted one month LIBOR rate plus .813% through February 2009 and 70% of the adjusted one month LIBOR rate plus .748% thereafter. Interest only is due monthly through February 2009. Monthly installments of principal in the amount of \$22,917 plus interest is due beginning March 2009 and maturing March 2029. The revenue bonds are reported on the Hospital's financial statements because the principal and interest on the bonds are payable from the net revenues of the Hospital. The revenue bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any of the County's property or upon its income, receipts, or revenues. The taxing power of the County is not pledged for the payment of the principal or interest on the revenue bonds and no owner has the right to compel the exercise of the taxing power of the County or the forfeiture of any of its property in connection with any default under the bond order.

SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Revenue bond debt service requirements to maturity for Sampson Regional Medical Center, Inc., including interest of \$634,430, are as follows:

Year Ending September 30	Principal	Interest
2014	\$ 941,667	\$ 144,464
2015	941,667	122,332
2016	941,667	100,199
2017	941,667	78,066
2018	941,667	55,933
2019-2023	2,063,887	100,704
2024-2028	1,375,000	32,575
2029	91,666	157
Total principal payments	<u>\$ 8,238,888</u>	
Total interest payments		<u>\$ 634,430</u>

e. State Clean Water Bond Loan

The County has a State Clean Water Bond Loan for construction of water lines. The loan calls for 20 annual payments of \$20,450 plus interest at 5.5948 percent beginning September 30, 1997. This debt is serviced by the Water and Sewer District I Enterprise Fund.

\$40,900

Debt service requirements to maturity, including interest of \$1,774 are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2015	\$ 20,450	\$ 1,493
2016	20,450	281
Total principal payments	<u>\$ 40,900</u>	
Total interest payments		<u>\$ 1,774</u>

The County has a State Clean Water Bond Loan for construction of water lines. The loan calls for 20 annual payments of \$46,374 plus interest at 2.87 percent beginning June 1, 2004. This debt is serviced by the Water and Sewer District II Enterprise Fund.

\$ 463,736

The County has a State Clean Water Bond Loan for construction of water lines. The loan calls for 20 annual payments of \$92,632 plus interest at 5.25 percent beginning June 1, 2008. This debt is serviced by the Water and Sewer District II Enterprise Fund.

1,018,947
\$1,482,683

**SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

Debt service requirements to maturity, including interest of \$314,414 are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2015	\$ 139,005	\$ 52,778
2016	139,005	48,935
2017	139,005	44,161
2018	139,005	39,107
2019	139,005	33,217
2020-2024	695,026	92,492
2025	<u>92,632</u>	<u>3,724</u>
Total principal payments	<u>\$ 1,482,683</u>	
Total interest payments		<u>\$ 314,414</u>

f. Certificates of Participation

On November 29, 2006, the Sampson Area Development Corporation issued \$55,060,000 in Certificates of Participation to finance the construction of schools in Sampson County. This is a installment purchase issue. The installment purchase was issued pursuant to a deed of trust that requires that legal title remain with the Corporation as long as the debt is outstanding. The Corporation has entered into a lease with the Sampson County Board of Education that transfers the rights and responsibilities for maintenance and insurance of the property to the Boards of Education. The lease calls for \$10 annual lease payments and also contains a fair market value purchase option. The lease term is until the facilities are transferred to the County Board of Education. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded as an asset of the County.

The installment purchase was executed on November 29, 2007 to finance the construction of two new high school buildings. The transactions calls for twenty-seven annual principal payments of \$1,575,000 to \$2,620,000 and fifty-nine semiannual interest payments, due on November 15 and May 15, at interest rates varying from 4.00 percent to 5.00 percent. These certificates of participation which mature through June 1, 2036 are reported in the general fund because they are being repaid from general fund revenues.

This debt was issued at a premium that is included in the net debt service and is being amortized over the term of the debt.

SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Annual debt service requirements to maturity for the County's certificates of participation, including interest of \$29,011,410 and unamortized bond premium of \$1,860,122 are as follows: The balance of the obligation is 47,185,000 plus the unamortized premium of \$1,860,122 will equal the below amount.

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,659,551	\$ 2,269,185
2016	1,659,551	2,206,185
2017	1,659,551	2,127,435
2018	1,659,551	2,048,685
2019	1,659,551	1,969,935
2020-2024	8,297,755	8,697,175
2025-2029	13,522,755	6,247,450
2030-2034	13,517,755	3,096,900
2035-2036	<u>5,409,102</u>	<u>348,460</u>
Total principal payments	<u>\$ 49,045,122</u>	
Total interest payments		<u>\$ 29,011,410</u>

g. Conduit Debt Obligations

Sampson County Industrial Facility and Pollution Control Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as 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, 2014, there were two series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$40,625,000.

h. Debt Related to Capital Activities

Of the total Governmental Activities debt listed, \$12,574,993 relates to assets the County does not hold title.

Sampson County had a legal debt margin of \$211,905,251 at June 30, 2014.

SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

i. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2014:

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

	Balance July 1,	Increases	Decreases	Balance June 30,	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 76,025,381	\$ -	\$ 1,328,208	\$ 74,697,173	\$ 1,454,963
Revenue bonds	11,045,000	-	1,045,000	10,000,000	1,030,000
Certificates of Participation	48,760,000	-	1,575,000	47,185,000	1,575,000
Unamortized premium on COPs	1,944,673	-	84,551	1,860,122	84,551
Net Pension Obligation	214,644	73,153	30,000	257,797	-
Other post-employment benefits	6,626,904	2,167,310	847,000	7,947,214	-
Compensated absences	1,559,843	1,180,697	950,205	1,790,335	1,150,000
Total governmental activities	<u>\$ 146,176,445</u>	<u>\$ 3,421,160</u>	<u>\$ 5,859,964</u>	<u>\$ 143,737,641</u>	<u>\$ 5,294,514</u>
Business-type activities:					
General obligation debt	\$ 11,895,500	\$ -	\$ 232,500	\$ 11,663,000	\$ 243,000
Installment purchases	1,792,000	-	-	1,792,000	-
State Clean Water bonds	1,683,038	-	159,455	1,523,583	159,455
Other post-employment benefits	97,720	17,690	-	115,410	-
Compensated absences	22,505	17,972	7,702	32,775	30,072
Total business-type activities	<u>\$ 15,490,763</u>	<u>\$ 35,662</u>	<u>\$ 399,657</u>	<u>\$ 15,126,768</u>	<u>\$ 432,527</u>
Discretely presented component units:					
Revenue bonds	\$ 9,158,333	\$ -	\$ 919,445	\$ 8,238,888	\$ 941,667
Notes payable	1,054,639	-	1,054,639	-	-
Capital Leases	1,222,055	-	506,041	716,014	532,732
Compensated absences	2,466,144	-	228,744	2,237,400	2,237,400
Total discretely presented component units:	<u>\$ 13,901,171</u>	<u>\$ -</u>	<u>\$ 2,708,869</u>	<u>\$ 11,192,302</u>	<u>\$ 3,711,799</u>

SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2014, consists of the following:

From the General fund to the County Capital Project fund to provide for County building improvements	\$ 190,729
From the General fund to the Sampson Area Transportation fund to provide for the transportation of the elderly	174,876
From the General fund to Sampson County Water District 2 fund to supplement other funding resources	<u>26,600</u>
Total Transfers out from the General Fund	<u>\$ 392,205</u>
From the School Capital reserve fund to the General fund to pay debt on school projects and school capital outlay	\$ 2,990,485
From the County Capital Project fund to the General Fund to pay building repair costs for Sampson Community College	43,416
From the County Capital Project fund to the General Fund to pay software upgrade costs at Tax Office	101,000
From the County Capital Project fund to the General Fund to pay maintenance and repair costs on the Livestock Arena	<u>900</u>
Total Transfers in to the General Fund	<u>3,135,801</u>
Total	<u><u>\$ 3,528,006</u></u>

Interfund balances at June 30, 2014, consists of the following:

Due to the General fund from:

Airport Apron 19.6.1 Capital Project Fund	\$ 1,385,211
Nonmajor Governmental Funds:	
Urgent Home Repair Project Special Revenue Fund	9,735
Governor's Highway Safety Program Special Revenue Fund	-
Sampson Area Transportation Special Revenue Fund	60,145
Airport Construction 12.9.1 Capital Project Fund	10,224
Airport Construction 12.8.1 Capital Project Fund	8,109
Airport Taxiway 12.6.2 Capital Project Fund	<u>2,335</u>
Total nonmajor (other) governmental funds	<u>90,548</u>
Total all funds	<u><u>\$ 1,475,759</u></u>

The balances above are advances from the General fund. Grant funds have been requested to repay the General fund. Capital project advances will be repaid from loan funds.

D. Fund Balance

Sampson County has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officers will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-county funds, 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 policy if it is in the best interest of the County.

**SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

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	\$22,736,274
Less:	
Inventories	18,690
Stabilization by State Statute	9,493,668
Public Safety	756,543
Debt Service	2,868,644
Revaluation	681,916
Capital Projects	1,101,551
Appropriated Fund Balance in 2014-2015 Budget	3,637,121
Remaining Fund Balance	4,178,141

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

Encumbrances	General Fund	Other Fund
	\$224,829	\$0

IV. Related Organization

The Sampson County Board of Commissioners is responsible for appointing the members of the board of the Sampson County Industrial Facilities and Pollution Control Financing Authority, but the County's accountability for this organization does not extend beyond making these appointments. The authority exists to aid in the financing of industrial and manufacturing facilities and to aid in financing pollution control facilities for industry in connection with manufacturing and industrial facilities and/or public utilities for the purpose of stimulating economic development.

V. Joint Ventures

The County, in conjunction with the County of Duplin, the County of Lenoir and the County of Wayne participates in the Eastpointe Area Mental Health Developmental Disabilities and Substance Abuse Services Center. Each participating government appoints members to the fifteen-member board – Wayne County appoints six members and Duplin, Lenoir and Sampson each appoint three members. The center is a joint venture established to administer the mental health, mental developmental disabilities and substance abuse programs of Duplin, Lenoir, Sampson, and Wayne Counties.

The County has an ongoing financial responsibility for the joint venture because the center's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the center, so no equity interest has been reflected in the financial statements at June 30, 2014. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$274,678 to the center to supplement its activities. Complete financial statements for the center may be obtained from the center's offices in Beulaville, North Carolina.

The County, in conjunction with the State of North Carolina and the Sampson County Board of Education participates in a joint venture to operate the Sampson Community College. Each of the three participants appoints four members of the thirteen-member board of trustees of the community college. The president of the Community College's student government association serves as a non-voting, ex officio member of the board of trustees. The Community College is

**SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

included as a component unit of the state. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed \$1,217,137 and \$0 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2014. 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, 2014. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at Sunset Avenue, Clinton, North Carolina.

VI. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
State/County Spec Assist	\$ -	\$ 587,989
Temporary Assistance to Needy Families	283,933	-
Medicaid	61,880,049	34,243,653
NC Health Choice	1,935,885	462,073
Energy Assistance	301,000	-
Program for Women, Infants & Children	1,671,388	-
Title IV-E Foster Care	<u>267,531</u>	<u>69,736</u>
Totals	<u>\$ 66,339,786</u>	<u>\$ 35,363,451</u>

VII. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

SAMPSON COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

VIII. Related Party Transactions

The County appoints the board members of the TDA based on citizens who represent lodging providers within the county. The legislation that created the TDA gives the County the authority to levy and collect an occupancy tax and remit to the TDA. For the year, \$ 62,595 was collected, \$62,595 was remitted to the Authority, and \$ 0 is remaining to be distributed to the Authority. The County finance officer also serves as the finance officer of the TDA.

The TDA operates an office out of a County owned facility (Agri-Expo Center) and pays rent to the County for use of facility.

IX. Subsequent Events

Management has evaluated subsequent events through December 20, 2014, the date which the financial statements were available for issue.



**SAMPSON COUNTY, NORTH CAROLINA
WATER AND SEWER FUND - DISTRICT II
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2014**

Exhibit D-1

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for Services:			
Water sales	\$	\$ 1,925,471	\$
Penalties		32,717	
Tap fees		32,700	
Miscellaneous		45,285	
Total Operating Revenues	<u>2,191,317</u>	<u>2,036,173</u>	<u>(155,144)</u>
Nonoperating Revenues:			
Interest earnings		261	
Total Nonoperating Revenues	<u>-</u>	<u>261</u>	<u>261</u>
Total Revenues	<u>2,191,317</u>	<u>2,036,434</u>	<u>(154,883)</u>
Expenditures:			
Salaries and employee benefits		296,099	
Bulk water purchases		566,103	
Travel		720	
Contracted services		78,130	
Operations and maintenance		188,126	
Capital outlay		-	
Debt service principal		348,005	
Debt service interest		572,499	
Total Expenditures	<u>2,217,917</u>	<u>2,049,682</u>	<u>168,235</u>
Revenues Over (Under) Expenditures	<u>(26,600)</u>	<u>(13,248)</u>	<u>13,352</u>
Other Financing Sources:			
Transfer from general fund	<u>26,600</u>	<u>26,600</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures	<u>-</u>	<u>13,352</u>	<u>13,352</u>
Appropriated Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Revenues, Other Financing Sources, and Appropriated Fund Balance Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 13,352</u>	<u>\$ 13,352</u>
Reconciliation from budgetary basis (modified accrual) to full accrual			
Revenues and Other Financing Sources Over (Under) Expenditures		<u>\$ 13,352</u>	
Reconciling Items:			
Debt principal		348,005	
Other post-employment benefits		(12,437)	
Compensated absences		(6,359)	
Accrued interest		1,294	
Capital contributions		255,641	
Depreciation		(706,706)	
Capital outlay		-	
Total reconciling items		<u>(120,562)</u>	
Change in net position		<u>\$ (107,210)</u>	

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

May 28, 2015

Water and Sewer District II of the County of Sampson, North Carolina
Clinton, North Carolina

\$9,990,000

***Water and Sewer District II of the County of Sampson, North Carolina
General Obligation Refunding Water Bonds, Series 2015***

Ladies and Gentlemen:

We have acted as bond counsel to the Water and Sewer District II of the County of Sampson, North Carolina (the "*District*") in connection with the issuance and sale of its \$9,990,000 General Obligation Refunding Water Bonds, Series 2015 (the "*Bonds*").

The Bonds are issuable as fully registered obligations and will mature and bear interest at the rates and at the times, all as provided in the Resolution adopted on March 2, 2015 (the "*Resolution*") by the Board of Commissioners (the "*Board*") of the County of Sampson, North Carolina (the "*County*"), sitting as the governing body of the District, and in the Pricing Certificate (as defined in the Resolution).

In connection with the issuance of the Bonds, we have examined the following, and we have assumed the truth and accuracy of the representations, covenants and warranties set forth therein:

- (a) certified copies of (1) the bond order adopted by the Board, sitting as the governing body of the District, on March 2, 2015 and effective on its adoption, and (2) the Resolution;
- (b) a specimen of the Bonds; and
- (c) such other certificates and documents as we deemed relevant and necessary in rendering this opinion.

From such examination we are of the opinion, under existing law, that:

1. The Bonds have been duly authorized under the provisions of the Constitution and laws of the State of North Carolina (the "*State*"), including The Local Government Bond Act.

2. The Bonds are legal, valid and binding general obligations of the District. The rights of the owners of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, as well as general principles of equity, regardless of whether the application of such principles is considered in a proceeding in equity or at law, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

3. The District has pledged its faith and credit for the payment of the principal of and the interest on the Bonds, and the District is authorized to levy on all real property taxable by the District such *ad valorem* taxes as may be necessary to pay the Bonds and the interest thereon without limitation as to rate or amount.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing federal alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest on the Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The interest on the Bonds is exempt from State of North Carolina income taxation.

Our services as Bond Counsel in connection with the issuance of the Bonds have been limited to rendering the opinions expressed above based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of interest thereon. In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, and documents and proceedings.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Preliminary Official Statement or the Official Statement (collectively, the "*Official Statement*"), or any other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion herein relating thereto (excepting only the matters set forth as our opinion in the Official Statement and the section entitled "**TAX TREATMENT**") or as to the financial resources of the District or the ability of the District to make the payments required under the Resolution, that may have been relied on by anyone in making the decision to purchase the Bonds.

Respectfully submitted,

PARKER POE ADAMS & BERNSTEIN LLP

APPENDIX E
BOOK-ENTRY SYSTEM

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BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co., DTC’s partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues and money market instruments (from over 100) countries that DTC’s direct participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by users of its regulated subsidiaries. Access to the DTC System is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyances of notices and other communications by DTC to Direct Participants, by Direct Participants and to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participants and not of DTC nor its nominee, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and the District takes no responsibility for the accuracy thereof.

NEITHER THE COUNTY, THE REGISTRAR NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO THE DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT

PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO HOLDERS UNDER THE TERMS OF THE BOND RESOLUTION; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

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