

# LEE COUNTY

N O R T H C A R O L I N A

*Committed Today for a Better Tomorrow*



## Comprehensive Annual Financial Report

**Fiscal Year Ended  
June 30, 2008**

*Through vision and leadership, setting the standard for professional local government.*

[www.leecountync.gov](http://www.leecountync.gov)

**LEE COUNTY**

**NORTH CAROLINA**

*Committed Today for a Better Tomorrow*

# **Comprehensive Annual Financial Report**

**Lee County  
North Carolina**

**For the Fiscal Year Ended  
June 30, 2008**

**FINANCE DEPARTMENT  
LISA G. MINTER  
FINANCE DIRECTOR**

*Through vision and leadership, setting the standard for professional local government.*

**THIS PAGE LEFT INTENTIONALLY BLANK.**

**LEE COUNTY, NORTH CAROLINA**  
**TABLE OF CONTENTS**

---

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	i-v
Certificate of Achievement for Excellence in Financial Reporting	vi
List of Principal Officials	vii
Organizational Chart	viii
<b>FINANCIAL SECTION</b>	
<b>INDEPENDENT AUDITORS' REPORT</b>	1-2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3-13
<b>BASIC FINANCIAL STATEMENTS:</b>	
Statement of Net Assets	14
Statement of Activities	15
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Funds	18
Statement of Fund Net Assets - Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21
Statement of Fiduciary Net Assets - Fiduciary Funds	22
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	23
Notes to Financial Statements	24-51
<b>REQUIRED SUPPLEMENTAL FINANCIAL DATA:</b>	
Law Enforcement Officers' Special Separation Allowance - Required Supplemental Information - Schedule of Funding Progress	52
Law Enforcement Officers' Special Separation Allowance - Required Supplemental Information and Notes - Schedule of Employer Contributions	53
<b>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS:</b>	
<i>General Fund:</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	54-64
<i>Major Capital Project Fund:</i>	
Middle School Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	65
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	67

**LEE COUNTY, NORTH CAROLINA**  
**TABLE OF CONTENTS**

---

	<u>Page</u>
<b>FINANCIAL SECTION (Continued)</b>	
<i>Nonmajor Special Revenue Funds:</i>	
Combining Balance Sheet	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	69
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
Fire Protection Fund	70
Capital Projects Outlay Fund	71
School Capital Outlay Fund	72
Room Occupancy Tax Fund	73
Emergency Telephone System Fund	74
Airport Tax Revenue Fund	75
Drug Seizure Fund	76
<i>Nonmajor Capital Project Funds:</i>	
Combining Balance Sheet	77
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)	78
Schedule of Revenues, Expenditures, and Changes in Fund Balance - budget and actual:	
CCCC Telecommunications Building Fund	79
Industrial Park Expansion Fund	80
New High School Construction Fund	81
Fiscal Year 2002 Community Development Block Grant Fund	82
Sewer Line Extension Fund	83
Emergency Services Training Facility Fund	84
Tramway Road Park Fund	85
Makepeace Street Office Expansion	86
Floyd L. Knight Addition Fund	87
CCCC 2006 COPS Capital Project Fund	88
Endor Iron Works Restoration Fund	89
FY 2005 Community Development Block Grant Fund	90
<i>Enterprise Funds:</i>	
Schedule of Revenues and Expenditures - Budget and Actual (non GAAP) - Solid Waste Management Fund	91
<i>Agency Funds:</i>	
Statement of Changes in Assets and Liabilities	92
<i>Supplemental Financial Data:</i>	
Schedule of Ad Valorem Taxes Receivable - General Fund	93
Analysis of Current Tax Levy - County-Wide Levy	94

**LEE COUNTY, NORTH CAROLINA  
TABLE OF CONTENTS**

---

	<u>Page</u>
<b>STATISTICAL SECTION (UNAUDITED)</b>	
Net Assets by Component	95
Changes in Net Assets	96-97
Fund Balances, Governmental Funds	98
Changes in Fund Balances, Governmental Funds	99
Assessed Value and Actual Value of Taxable Property	100
Direct and Overlapping Property Tax Rates	101
Principal Property Taxpayers	102
Property Tax Levies and Collections	103
Ratio of Outstanding Debt by Type	104
Ratios of Net General Obligation Bonded Debt Outstanding	105
Legal Debt Margin Information	106
Direct and Overlapping Governmental Activities	107
Demographic and Economic Statistics	108
Principal Employers	109
Full-time Equivalent County Government Employees by Function	110
Operating Indicators by Function/Program	111
Capital Asset Statistics by Function/Program	112

**THIS PAGE LEFT INTENTIONALLY BLANK.**

## **INTRODUCTORY SECTION**

**THIS PAGE LEFT INTENTIONALLY BLANK.**



October 17, 2008

The Board of County Commissioners and Citizens of Lee County  
Lee County, North Carolina

Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the State publish a complete set of financial statements annually. The financial statements must be presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Lee County for the fiscal year ended June 30, 2008.

This report consists of management's representations concerning the finances of Lee County. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of Lee County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Lee County's financial statements in conformity with GAAP. Since the costs of internal controls should not outweigh their benefits, Lee County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Martin Starnes & Associates, CPAs, P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Lee County for the fiscal year ended June 30, 2008, are free of material misstatements. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Lee County's financial statements for the year ended June 30, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Lee County was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are contained in the Compliance Section of this report.

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

### **Profile of the Government**

Lee County, founded in 1907, is located on the fall line dividing the Piedmont and Coastal Plains regions of the state. It has a land area of 255 square miles and a population of 57,973. There are two municipalities within the County, the largest being the City of Sanford, which serves as the County seat.

The County has a commissioner/manager form of government. The Board of Commissioners is a seven-member board. Four members are elected in districts on a partisan basis. Three members are elected at-large on a partisan basis. The district commissioners and at-large commissioners serve staggered four-year terms. Commissioners hold policy-making and legislative authority. They are also responsible for adopting the budget and appointing the county manager. The manager is responsible for implementing policies, managing daily operations, and appointing department heads.

The County provides its citizens a wide range of services, which include general government, public safety, economic and physical development, human services, education, cultural and recreation, and debt retirement. The County also provides waste management services.

The annual budget serves as the foundation for the County’s financial planning and control. The County has a formal budget process, which begins in February of each year. All County departments are required to submit requests for appropriation to the County Manager, who then compiles a proposed budget and presents it to the Board of Commissioners for review in May. The Board of Commissioners is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the County’s fiscal year. The appropriated budget ordinance, as amended by the governing body, creates a legal limit on spending authorizations, for Lee County, annual budgets are adopted for the General, Special Revenue and Enterprise funds. Multiyear project budgets are adopted for all Capital Project funds. Legal budgetary control for operating budgets is exercised at the fund and department level. The County Manager may make transfers of appropriations of any amount within a department and up to \$5,000 between departments. Transfers of appropriations between departments in excess of \$5,000 require the special approval of the Board of Commissioners. Formal budgetary integration and encumbrance accounting are employed as management control devices during the year. Budget to actual comparisons are provided in this report for each individual governmental fund and proprietary funds for

proprietary funds for which an appropriated annual budget has been adopted.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Lee County operates.

**Local economy.** Lee County is geographically located at the southern base of the Research Triangle Region, including the cities of Raleigh, Durham, and Chapel Hill. Major industries, including ten Fortune 500 companies, located within the government's boundaries or in close proximity include manufacturers of pharmaceuticals, automobile components, cosmetics, plumbing fixtures, electronics and brick.

Through the combined efforts of excellent County and City leadership and organizations such as the Lee County Economic Development Corporation, the Lee County Committee of 100 and the Sanford Area Chamber of Commerce, the County's economic base continues to expand. Solus has invested in two old textile facilities and will spend nearly ten million dollars to upgrade those facilities to ultimately bring 150 people here from Pennsylvania and California. Moore Machining has bought the Spanco textile plant and added thirty-five people to run a precision machining operation. Moore Machining has also purchased a 340,000 square foot manufacturing facility to house future growth. Keen Trucking, who hauls exclusively for Caterpillar, has purchased fifty acres at the Lee County Industrial Park and hired fifteen more people. Wyeth Vaccines will move into a \$50 million administration facility in November. Spen set added 10,000 square feet to their facility. Red Wolf, a contact manufacturer, received a \$75,000 loan from NC Rural Development to expand their operations. Air Cleaning Equipment purchased a building in Broadway and will add new jobs. 3M is adding \$2.6 million in building and equipment and will add an additional ten jobs.

The retail and service industry continues to grow along with our population. Our hotels and restaurants enjoy the influx of people visiting Lee County during the annual pottery festival and other downtown festivals. The City of Sanford is becoming a destination for the pottery industry and other artists in jewelry, stained glass, woodworking and painting. New showrooms are open in the downtown area all with art created in Lee County. Lee County boasts a golf course designed by Mike Strantz called Tobacco Road and two Robert Trent Jones, Jr. courses at Carolina Trace.

**Long-term financial planning.** The County's operating budget for the fiscal year ending June 30, 2009 totals \$64,366,802 with a tax rate of \$0.75 per \$100 of assessed value, based on a total valuation of \$4,697,010,500.

The County re-examines and updates the County's Capital Improvements Program (CIP) annually. The CIP is a systematic way of anticipating, planning, and budgeting for major capital projects. The CIP includes major projects costing \$500,000 or more. The CIP contains summaries of all major projects and detailed descriptions of each project, including justifications, cost detail, funding sources, and impact on the operating budget.

**Cash management.** Cash, which is temporarily idle during the year, may be invested in instruments authorized by North Carolina General Statute 159-30 (c). Specifically, the County invested idle cash in certificates of deposits, commercial paper and the North Carolina Capital Management Trust during the fiscal year. At all times, consideration was

was given to receiving the highest reasonable yields available, while maintaining the safety and liquidity of these funds and necessary cash flow requirements. All investments were insured or fully collateralized.

**Risk management.** The County is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has secured insurance from various underwriters to cover property, general liability, and workmen's compensation issues. Employee health coverage is also provided through a fully insured program administered by Blue Cross Blue Shield of North Carolina, Inc.

**Pension and other post-employment benefits.** Lee County is required by State law to sponsor a single-employer defined benefit pension plan for its qualified law enforcement officers, the Law Enforcement Officers' Special Separation Allowance. The plan provides a benefit to retired officers while they are age 55 through 64. Each year, as of December 31, the County engages an independent actuary to calculate the amount of the annual contribution that Lee County should make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired officers.

Lee County provides pension benefits for all employees through a statewide plan managed by the State Treasurer. The County has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payments to the retirement system.

Lee County also provides postretirement health benefits for qualified retirees. As of June 30, 2008, there were 62 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. Additional information on Lee County's pension arrangements and post-employment benefits can be found in Notes III. F-I in the notes to the financial statements.

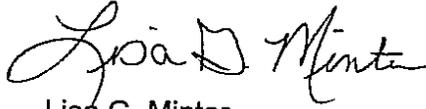
### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Lee, North Carolina, for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This was the twelfth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principals and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of

The preparation of this report would not have been possible without the assistance and dedication of the staff of the Finance Department. I would like to thank Martin Starnes & Associates, CPAs, P.A., the County's independent auditors, for their guidance in preparing this report. In addition, I wish to express my appreciation to Board of Commissioners and County Manager John Crumpton for their continued support and leadership in conducting the financial affairs of the County.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Lisa G. Minter". The signature is fluid and cursive, with the first name "Lisa" being the most prominent.

Lisa G. Minter  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Lee  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

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



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

**LEE COUNTY  
NORTH CAROLINA**

**LIST OF PRINCIPAL OFFICIALS**

**June 30, 2008**

**BOARD OF COUNTY COMMISSIONERS**

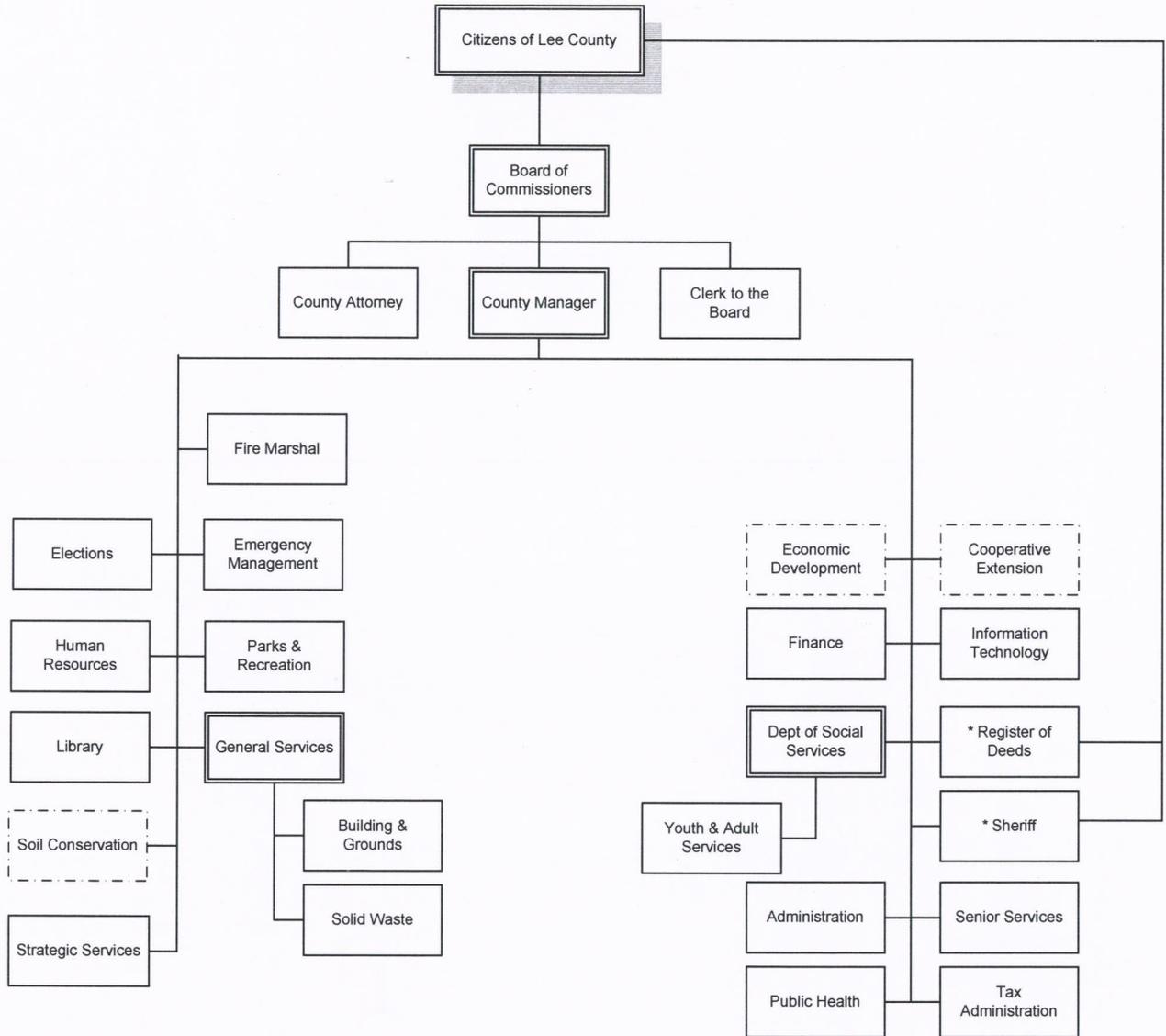
Robert H. Brown	Chairman
Jerry M. Lemmond	Vice Chairman
James C. Kelly	Commissioner
Nathan E. Paschal	Commissioner
Robert T. Reives	Commissioner
Linda A. Shook	Commissioner
John T. Quiggle	Commissioner

**COUNTY OFFICIALS**

John A. Crumpton	County Manager
Gaynell Lee	Clerk to the Board
Kenneth R. Hoyle	County Attorney
Lisa G. Minter	Finance Director
Tracy Carter	Sheriff
Mollie McInnis	Register of Deeds
Dwane Brinson	Tax Administrator
Susan Condlin	County Extension Director
Nancy Kimble	Elections Director
Eric Griffin	Emergency Services Director
Shane Seagroves	Fire Marshal
Russell Spivey	General Services Director
Howard Surface	Health Director
Joyce McGehee	Human Resources Director
Kyle Edwards	Information Technology Director
Michael Matochik	Library Director
John Payne	Parks & Recreation Director
Debbie Davidson	Senior Services Director
Brenda Potts	Social Services Director
Don Kovasckitz	Strategic Services Director

# COUNTY OF LEE, NORTH CAROLINA

## ORGANIZATIONAL CHART



\* Elected Officials  
 - - - - - Liaison Relationship

## **FINANCIAL SECTION**

**THIS PAGE LEFT INTENTIONALLY BLANK.**



---

Martin Starnes & Associates, CPAs, P.A.

---

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

## INDEPENDENT AUDITORS' REPORT

To the Board of County Commissioners  
Lee County  
Sanford, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lee County, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lee County as of June 30, 2008, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress, and Schedule of Employer Contributions are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

In accordance with Government Auditing Standards, we have also issued a report dated October 17, 2008 on our consideration of Lee County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit prepared in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Lee County. The introductory section, combining and individual fund financial statements and schedules, the statistical tables, additional financial data, and the statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory information and statistical tables have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Martin Starnes & Associates, CPAs, P.A.  
October 17, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of Lee County, we offer readers of Lee County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2008. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

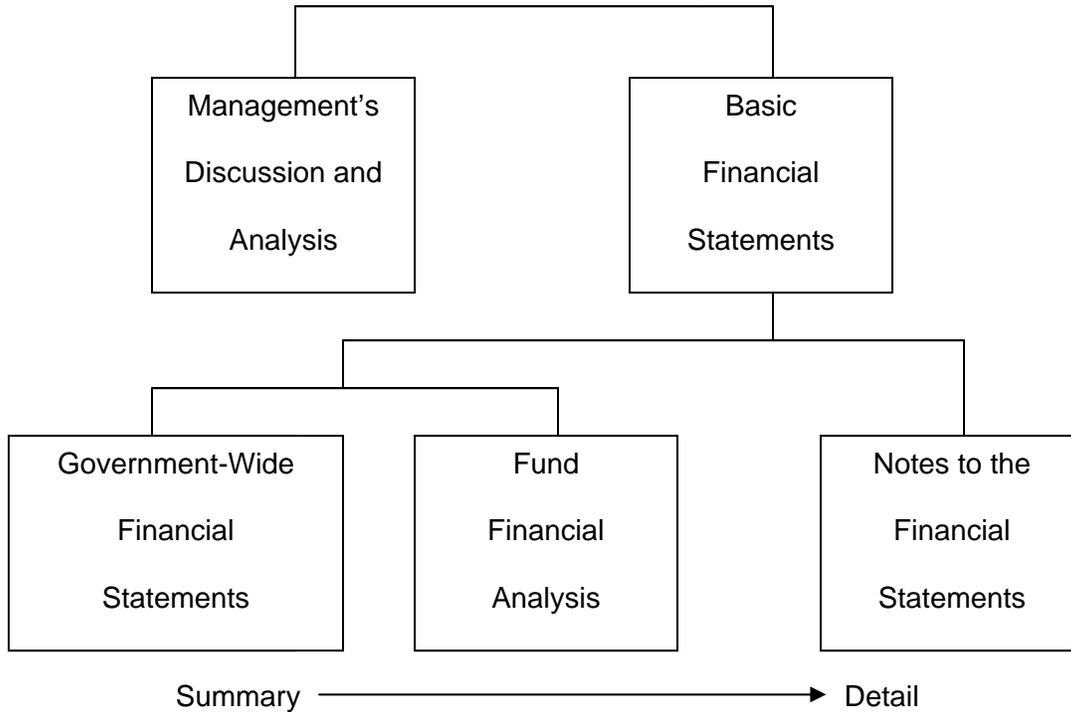
### Financial Highlights

- The liabilities of Lee County exceeded its assets at the close of the fiscal year by (\$18,247,035) (*net assets*).
- The total net assets of governmental activities was a deficit \$19,677,452, a decrease of \$8,799,638 from the prior year's deficit amount of \$10,877,814, primarily due to school capital spending without a corresponding capital asset. In accordance with North Carolina law, the County is financially responsible for funding school facilities and issuing any debt in connection with school facilities; however, since assets are not reflected in the County's financial statements, school capital improvements are expensed.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$28,304,278 a decrease of \$13,103,664 from the prior year. 78.0 percent of this total amount, or \$22,082,807, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$10,957,351, or 18.5 percent of total General Fund expenditures for the fiscal year.
- Lee County's total debt decreased by \$3,630,924 (5.2%) during the current fiscal year.
- The County maintained its A1 bond rating from Moody's Investor Services and its A+ bond rating from Standard & Poor's.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Lee County's basic financial statements. The basic financial statements consist of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Lee 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 governments. 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 General Fund and the nonmajor governmental funds, which are added together in one column on the basic financial statements. Budgetary information required by North Carolina General Statutes also can be found in this part of the statements.

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

## **Government-Wide Financial Statements**

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

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the County's basic services such as public safety, parks and recreation, human services, 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 water and sewer and landfill services offered by Lee 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. The 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 the 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 the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Lee County adopts an annual budget for its General Fund, as required by the 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 Statement of Revenues, Expenditures, and Changes in Fund Balance. 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** – The Enterprise Fund is the only proprietary type fund that the County utilizes. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer activity and for its landfill operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County has ten fiduciary funds, a pension trust fund, the Brown Bequest Trust Fund, and eight 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 24 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its public safety employees. Required supplemental information can be found on page 52 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net assets over time may serve as a useful indicator of a government's financial condition. The figure below depicts the County's net assets for fiscal year 2008 and provides comparative data from fiscal year 2007.

**Lee County's Net Assets  
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Assets:</b>						
Current and other assets	\$ 34,332,469	\$ 49,385,178	\$ 1,001,681	\$ 961,939	\$ 35,334,150	\$ 50,347,117
Capital assets	<u>18,408,274</u>	<u>17,962,365</u>	<u>687,644</u>	<u>723,230</u>	<u>19,095,918</u>	<u>18,685,595</u>
Total assets	<u>52,740,743</u>	<u>67,347,543</u>	<u>1,689,325</u>	<u>1,685,169</u>	<u>54,430,068</u>	<u>69,032,712</u>
<b>Liabilities:</b>						
Long-term liabilities	66,556,557	70,183,652	31,139	34,968	66,587,696	70,218,620
Other liabilities	<u>5,861,638</u>	<u>8,041,705</u>	<u>227,769</u>	<u>30,117</u>	<u>6,089,407</u>	<u>8,071,822</u>
Total liabilities	<u>72,418,195</u>	<u>78,225,357</u>	<u>258,908</u>	<u>65,085</u>	<u>72,677,103</u>	<u>78,290,442</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	14,782,003	12,814,728	687,644	723,230	15,469,647	13,537,958
Restricted	9,520,433	24,159,356	-	-	9,520,433	24,159,356
Unrestricted	<u>(43,979,888)</u>	<u>(47,851,898)</u>	<u>742,773</u>	<u>896,854</u>	<u>(43,237,115)</u>	<u>(46,955,044)</u>
Total net assets	<u>\$ (19,677,452)</u>	<u>\$ (10,877,814)</u>	<u>\$ 1,430,417</u>	<u>\$ 1,620,084</u>	<u>\$ (18,247,035)</u>	<u>\$ (9,257,730)</u>

The liabilities of Lee County exceed assets by (\$18,247,035) at the close of the most recent fiscal year. The County's net assets decreased by \$8,989,305 for the fiscal year ended June 30, 2008. One of the largest portions of net assets reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. Lee County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Lee County's investment in 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 the County's net assets, \$9,520,433, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$43,237,115 is unrestricted.

As with many counties in the State of North Carolina, the County's governmental activities deficit in unrestricted net assets is due primarily to the portion of the County's outstanding debt incurred for the Lee County Board of Education (the "schools") and Central Carolina Community College (the "community college"). Under North Carolina law, the County is responsible for providing capital funding for the school and community college systems. The County has chosen to meet its legal obligation to provide the systems capital funding by using a mixture of County funds, general obligation debt, and installment financings. The assets funded by the County; however, are titled to, and utilized by the school and community college systems. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. As of June 30, 2008, approximately \$62.1 million of the outstanding debt on the County's financial statement was related to assets included in the school and community college systems' financial statements.

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

- Continued diligence in the collection of current year property taxes by maintaining a collection percentage of 98.06 percent for real and personal property and 85.95 percent for motor vehicles.
- Continued low cost of debt due to the County's high bond rating.

**Lee County's Changes in Net Assets**  
**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,166,050	\$ 2,887,845	\$ 1,213,702	\$ 1,151,100	\$ 4,379,752	\$ 4,038,945
Operating grants and contributions	8,569,580	8,496,136	-	9,440	8,569,580	8,505,576
Capital grants and contributions	1,350,534	735,339	-	-	1,350,534	735,339
General revenues:						
Property taxes	36,950,111	33,789,800	-	-	36,950,111	33,789,800
Other taxes	12,565,005	11,607,303	-	-	12,565,005	11,607,303
Grants and contributions not restricted to specific programs	61,341	58,482	-	-	61,341	58,482
Investment earnings	1,567,655	1,787,096	49,102	51,337	1,616,757	1,838,433
Other	491,763	381,893	31,464	34,669	523,227	416,562
<b>Total revenues</b>	<u>64,722,039</u>	<u>59,743,894</u>	<u>1,294,268</u>	<u>1,246,546</u>	<u>66,016,307</u>	<u>60,990,440</u>
<b>Expenses:</b>						
General government	7,266,396	6,831,197	-	-	7,266,396	6,831,197
Public safety	9,837,560	8,247,248	-	-	9,837,560	8,247,248
Economic and physical development	2,486,334	2,338,709	-	-	2,486,334	2,338,709
Human services	16,711,241	16,751,156	-	-	16,711,241	16,751,156
Cultural and recreation	1,724,553	1,618,181	-	-	1,724,553	1,618,181
Education	32,346,713	25,806,322	-	-	32,346,713	25,806,322
Interest on long-term debt	3,148,880	2,750,737	-	-	3,148,880	2,750,737
Landfill	-	-	1,483,935	1,338,577	1,483,935	1,338,577
<b>Total expenses</b>	<u>73,521,677</u>	<u>64,343,550</u>	<u>1,483,935</u>	<u>1,338,577</u>	<u>75,005,612</u>	<u>65,682,127</u>
 Increase (decrease) in net assets	 (8,799,638)	 (4,599,656)	 (189,667)	 (92,031)	 (8,989,305)	 (4,691,687)
Net assets:						
Beginning of year - July	<u>(10,877,814)</u>	<u>(6,278,158)</u>	<u>1,620,084</u>	<u>1,712,115</u>	<u>(9,257,730)</u>	<u>(4,566,043)</u>
End of year - June 30	<u>\$ (19,677,452)</u>	<u>\$ (10,877,814)</u>	<u>\$ 1,430,417</u>	<u>\$ 1,620,084</u>	<u>\$ (18,247,035)</u>	<u>\$ (9,257,730)</u>

**Governmental Activities.** Governmental activities decreased the County's net assets by \$8,799,638, accounting for 97.9 percent of the decrease in net assets. The key factor in the decrease is the use of financing proceeds from prior years on school and community college projects that are not considered County assets. Other key elements reducing the total decrease in net assets are:

- Maintenance of the County high tax collection rate of 97 percent.
- Solicitation of additional grant revenues for various public safety functions.
- Solicitation of additional grants revenues for parks and recreation to fund park development.

**Business-Type Activities.** Business-type activities decreased the County's net assets by \$189,667, thereby accounting for 2.1 percent of the decrease in net assets. Key factors in the decrease are as follows:

- Higher than expected equipment repairs.
- Increased fuel costs.

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

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

**Governmental Funds.** The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County's financing requirements. Specifically, unreserved fund balance 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 the County. At the end of the current fiscal year, unreserved and undesignated fund balance of the General Fund was \$8,053,905, while total fund balance reached \$15,829,425. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved and undesignated fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 13.6 percent of the total General Fund expenditures, while total fund balance represents 26.7 percent of that same amount.

At June 30, 2008, the governmental funds of the County reported a combined fund balance of \$28,304,278, a 31.6 percent decrease from the prior year. The primary reason for this decrease was the use of construction loan proceeds in the Middle School Project Fund, Floyd L Knight Addition Fund, CCCC 2006 COPS Capital Project Fund, and Tramway Road Park Fund from the financing of the debt issued in December 2006.

**General Fund Budgetary Highlights.** During the fiscal year, the County revised the budget on several occasions. Generally, the 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's budget were an increase of \$1,784,323.

Major budget increases during the year include:

- Carryforward of unfinished County projects from June 30, 2007 of \$650,933.
- Increase of \$394,476 due to additional federal and State funds for various programs.

Actual operating revenues were greater than final budgeted amounts by \$870,329. The primary factor for this was the greater amount of property and sales tax collected plus an increase in investment earnings. Actual expenditures were under the final budget by \$4,213,076 with the majority of the positive variances occurring in General Government and Human Services.

**Proprietary Funds.** Lee County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets for the Water and Sewer District # 1 Fund at the end of the fiscal year amounted to \$5,275. The unrestricted net assets of the Solid Waste Management Fund equaled \$737,498. The Solid Waste Management Fund continues to work with the slightest margins trying to balance ever increasing costs within its existing fee structure. Other factors concerning the finances of these funds have already been addressed in the discussion of Lee County business-type activities.

### Capital Asset and Debt Administration

**Capital Assets.** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2008 totals \$19,095,918 (net of accumulated depreciation). These assets include land, buildings, machinery and equipment, improvements, and construction in progress.

Major capital asset transactions during the year include:

- Purchase and replacement of public safety vehicles.
- Purchase and replacement of vehicles for the County of Lee Transit System (COLTS).
- Development of a new parks and recreation facility.
- Purchase of a time and attendance system.

**Lee County's Capital Assets  
(net of depreciation)  
Figure 4**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Land	\$ 3,207,777	\$ 2,767,777	\$ 260,425	\$ 260,425	\$ 3,468,202	\$ 3,028,202
Land improvements	242,923	242,923	-	-	242,923	242,923
Buildings	8,953,657	9,897,076	186,499	212,315	9,140,156	10,109,391
Roads	636,824	653,582	-	-	636,824	653,582
Equipment	2,706,693	2,092,861	240,720	250,490	2,947,413	2,343,351
Construction in progress	2,660,400	2,308,146	-	-	2,660,400	2,308,146
<b>Total</b>	<b>\$ 18,408,274</b>	<b>\$ 17,962,365</b>	<b>\$ 687,644</b>	<b>\$ 723,230</b>	<b>\$ 19,095,918</b>	<b>\$ 18,685,595</b>

Additional information on the County's capital assets can be found in Note III. D. of the basic financial statements.

**Long-Term Debt.** As of June 30, 2008, Lee County had total bonded debt outstanding of \$10,635,000, all of which is backed by the full faith and credit of the County. In addition, the County had installment purchase debt of \$1,932,754 and certificates of participation debt of \$52,575,000, for total debt burden outstanding of \$65,142,754, which is well below the legal debt margin of \$302,992,680. The County's total debt decreased by \$3,729,145 during the past fiscal year.

**Lee County's Outstanding Debt  
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 10,635,000	\$ 13,410,000	\$ -	\$ -	\$ 10,635,000	\$ 13,410,000
Certificates of participation	52,575,000	53,075,000	-	-	52,575,000	53,075,000
Installment Notes	1,932,754	2,386,899	-	-	1,932,754	2,386,899
<b>Total</b>	<b>\$ 65,142,754</b>	<b>\$ 68,871,899</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 65,142,754</b>	<b>\$ 68,871,899</b>

As mentioned in the financial highlights section of this document, Lee County maintained its A1 bond rating from Moody's Investor Service and A+ rating from Standard & Poor's Corporation. These bond ratings are a clear indication of the sound financial condition of Lee County.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Lee County is \$302,992,680.

Additional information regarding Lee County's long-term debt can be found in Note III. O.

**Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the economic situation for Lee County:

- Growth in the tax base of the County is expected to continue growing at a moderate rate and will yield increases in property tax revenue.
- Sales tax revenues are expected to decrease due to the shift of a ¼% of the local option sales tax to the State; otherwise, the County would have anticipated a slight increase.
- Unemployment is expected to continue to be an issue for the County's citizens and may drive demands for some services, particularly health and social services, higher.

## **Budget Highlights for the Fiscal Year Ending June 30, 2009**

**Governmental Activities.** Ad valorem tax is the largest single revenue item. It is based on a tax rate of \$0.75 per \$100 of assessed valuation. The total budget amount of \$35,261,850 represents an increase of 4.2 percent from the amended FY 2008 budget. Budgeted sales tax revenues are \$10,460,647, a 2.5 percent decrease from FY 2008.

The FY 2009 budget includes a 4.4 percent cost of living adjustment for County employees and funding for nine new positions.

Education and related debt service make up the largest expenditures in the FY 2009 budget. Funds support the Lee County School System and Central Carolina Community College and debt associated with acquisition and construction of capital assets for the two systems. Spending for education and related debt totals \$23,868,772 in the FY 2009 budget.

**Business-Type Activities.** The FY 2009 Solid Waste Fund budget totals \$1,610,597, which represents an increase of 17.9 percent from the amended FY 2008 budget. The primary reasons for the increase is a large increase in white goods disposal fees and a large fund balance appropriation related to the closing of the C&F landfill. Solid Waste fees will remain the same in FY 2009.

### **Requests for Information**

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Lee County, 106 Hillcrest Drive, P.O. Box 1968, Sanford, North Carolina 27330.

**THIS PAGE LEFT INTENTIONALLY BLANK.**

## **BASIC FINANCIAL STATEMENTS**

**THIS PAGE LEFT INTENTIONALLY BLANK.**

**LEE COUNTY, NORTH CAROLINA**  
**Statement of Net Assets**  
**June 30, 2008**

**Exhibit 1**

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 18,678,578	\$ 891,644	\$ 19,570,222
Taxes receivable - net	1,918,594	-	1,918,594
Accounts receivable - net	5,214,647	105,777	5,320,424
Accrued interest receivable	113,679	4,260	117,939
Restricted assets:			
Temporarily restricted:			
Cash and investments	7,353,668	-	7,353,668
Deferred charge - issuance costs	1,053,303	-	1,053,303
Capital assets:			
Land, improvements, and construction in progress	6,111,100	260,425	6,371,525
Other capital assets, net of depreciation	12,297,174	427,219	12,724,393
Total capital assets	<u>18,408,274</u>	<u>687,644</u>	<u>19,095,918</u>
 Total assets	 <u>52,740,743</u>	 <u>1,689,325</u>	 <u>54,430,068</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	3,162,009	227,769	3,389,778
Unamortized bond premium	1,455,789	-	1,455,789
Accrued interest payable	1,025,686	-	1,025,686
Unearned revenues	218,154	-	218,154
Long-term liabilities			
Due within one year	5,334,705	21,000	5,355,705
Due in more than one year	61,221,852	10,139	61,231,991
Total long-term liabilities	<u>66,556,557</u>	<u>31,139</u>	<u>66,587,696</u>
 Total liabilities	 <u>72,418,195</u>	 <u>258,908</u>	 <u>72,677,103</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	14,782,003	687,644	15,469,647
Restricted for:			
Capital projects	591,299	-	591,299
Public safety	1,163,916	-	1,163,916
Economic and physical development	36,251	-	36,251
Education	7,637,509	-	7,637,509
Register of Deeds	91,458	-	91,458
Unrestricted	<u>(43,979,888)</u>	<u>742,773</u>	<u>(43,237,115)</u>
 Total net assets	 <u>\$ (19,677,452)</u>	 <u>\$ 1,430,417</u>	 <u>\$ (18,247,035)</u>

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

**LEE COUNTY, NORTH CAROLINA**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

Exhibit 2

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Change in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
		\$	\$	\$	\$	\$	\$
Primary government:							
Government activities:							
General government	\$ 7,266,396	\$ 580,535	\$ 48,630	\$ -	\$ (6,637,231)	\$ -	\$ (6,637,231)
Public safety	9,837,560	470,031	212,644	-	(9,154,885)	-	(9,154,885)
Economic and physical development	2,486,334	-	2,025	442,330	(2,041,979)	-	(2,041,979)
Human services	16,711,241	1,850,002	7,563,866	-	(7,297,373)	-	(7,297,373)
Cultural and recreation	1,724,553	265,482	742,415	-	(716,656)	-	(716,656)
Education	32,346,713	-	-	908,204	(31,438,509)	-	(31,438,509)
Interest on long-term debt	3,148,880	-	-	-	(3,148,880)	-	(3,148,880)
Total governmental activities	<u>73,521,677</u>	<u>3,166,050</u>	<u>8,569,580</u>	<u>1,350,534</u>	<u>(60,435,513)</u>	<u>-</u>	<u>(60,435,513)</u>
Business-type activities:							
Solid Waste Management Fund	1,483,935	1,213,702	-	-	-	(270,233)	(270,233)
Total business-type activities	<u>1,483,935</u>	<u>1,213,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(270,233)</u>	<u>(270,233)</u>
Total primary government	<u>\$75,005,612</u>	<u>\$4,379,752</u>	<u>\$8,569,580</u>	<u>\$1,350,534</u>	<u>(60,435,513)</u>	<u>(270,233)</u>	<u>(60,705,746)</u>
General revenues:							
Ad valorem taxes					36,950,111	-	36,950,111
Sales taxes					11,547,687	-	11,547,687
Other taxes					1,017,318	-	1,017,318
Grants and contributions not restricted to specific programs					61,341	-	61,341
Investment earnings					1,567,655	49,102	1,616,757
Miscellaneous					491,763	31,464	523,227
Total general revenues					<u>51,635,875</u>	<u>80,566</u>	<u>51,716,441</u>
Change in net assets					(8,799,638)	(189,667)	(8,989,305)
Net assets, beginning of year					(10,877,814)	1,620,084	(9,257,730)
Net assets, end of year					<u>\$ (19,677,452)</u>	<u>\$ 1,430,417</u>	<u>\$ (18,247,035)</u>

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

**LEE COUNTY, NORTH CAROLINA**  
**Balance Sheet - Governmental Funds**  
**June 30, 2008**

**Exhibit 3**

	Major Funds			
	General Fund	Middle School Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Assets:				
Cash and investments	\$ 12,819,421	\$ 4,110	\$ 5,855,047	\$ 18,678,578
Taxes receivable - net	1,813,788	-	104,806	1,918,594
Accounts receivable - net	3,917,154	251,147	859,163	5,027,464
Accrued interest receivable	71,274	9,708	32,697	113,679
Notes receivable	518,183	-	-	518,183
Cash and investments - restricted	-	4,396,545	2,957,123	7,353,668
	<u>\$ 19,139,820</u>	<u>\$ 4,661,510</u>	<u>\$ 9,808,836</u>	<u>\$ 33,610,166</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,279,614	\$ 1,473,298	\$ 409,097	\$ 3,162,009
Deferred revenues	2,030,781	-	113,098	2,143,879
	<u>3,310,395</u>	<u>1,473,298</u>	<u>522,195</u>	<u>5,305,888</u>
Fund balances:				
Reserved by State statute	3,981,297	-	697,578	4,678,875
Reserved for encumbrances	281,136	147,828	506,264	935,228
Reserved for Register of Deeds	91,458	-	-	91,458
Reserved for notes receivable	518,183	-	-	518,183
Unreserved:				
Designated for subsequent year's expenditures:				
General Fund	2,398,966	-	-	2,398,966
Special revenue funds	-	-	263,851	263,851
Designated for special purposes	504,480	-	-	504,480
Undesignated, reported in:				
General Fund	8,053,905	-	-	8,053,905
Special revenue funds	-	-	4,170,304	4,170,304
Capital project funds	-	3,040,384	3,648,644	6,689,028
	<u>15,829,425</u>	<u>3,188,212</u>	<u>9,286,641</u>	<u>28,304,278</u>
Total fund balances	<u>15,829,425</u>	<u>3,188,212</u>	<u>9,286,641</u>	<u>28,304,278</u>
Total liabilities and fund balances	<u>\$ 19,139,820</u>	<u>\$ 4,661,510</u>	<u>\$ 9,808,836</u>	<u>\$ 33,610,166</u>
Reconciliation of fund balance as reported in the balance sheet - governmental funds with net assets - governmental activities:				
Fund balance as reported in the balance sheet - governmental funds				\$ 28,304,278
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				18,408,274
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				2,648,028
Compensated absences not expected to be materially liquidated with expendable available resources				(1,327,570)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				<u>(67,710,462)</u>
Net assets of governmental activities				<u>\$ (19,677,452)</u>

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

**LEE COUNTY, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

Exhibit 4

	Major Funds			Total Governmental Funds
	General Fund	Middle School Project Fund	Nonmajor Governmental Funds	
<b>Revenues:</b>				
Ad valorem taxes	\$ 34,822,548	\$ -	\$ 2,134,386	\$ 36,956,934
Local option sales taxes	9,551,810	-	1,995,877	11,547,687
Other taxes and licenses	502,928	-	609,901	1,112,829
Unrestricted intergovernmental	61,341	-	-	61,341
Restricted intergovernmental	8,428,525	-	1,618,433	10,046,958
Permits and fees	318,936	-	-	318,936
Sales and services	2,740,167	-	-	2,740,167
Investment earnings	638,565	483,764	445,325	1,567,654
Miscellaneous	415,827	-	56,204	472,031
Total revenues	57,480,647	483,764	6,860,126	64,824,537
<b>Expenditures:</b>				
<b>Current:</b>				
General government	7,234,685	-	-	7,234,685
Public safety	7,417,548	-	2,122,512	9,540,060
Economic and physical development	1,545,883	-	849,580	2,395,463
Human services	16,820,123	-	-	16,820,123
Education	16,720,107	12,077,655	3,548,951	32,346,713
Cultural and recreational	2,413,544	-	-	2,413,544
<b>Debt service:</b>				
Principal retirement	3,729,142	-	-	3,729,142
Interest and fees	3,448,471	-	-	3,448,471
Total expenditures	59,329,503	12,077,655	6,521,043	77,928,201
Revenues over (under) expenditures	(1,848,856)	(11,593,891)	339,083	(13,103,664)
<b>Other financing sources (uses):</b>				
Transfers from other funds	3,978,884	-	261,554	4,240,438
Transfers to other funds	(942,404)	-	(3,298,034)	(4,240,438)
Total other financing sources (uses)	3,036,480	-	(3,036,480)	-
Net change in fund balances	1,187,624	(11,593,891)	(2,697,397)	(13,103,664)
<b>Fund balances:</b>				
Beginning of year - July 1	14,641,801	14,782,103	11,984,038	41,407,942
End of year - June 30	\$ 15,829,425	\$ 3,188,212	\$ 9,286,641	\$ 28,304,278
<b>Reconciliation of net change in fund balance in the statement of revenues, expenditures, and changes in fund balances - governmental funds to change in net assets - governmental activities:</b>				
Net changes in fund balances - total governmental funds				\$ (13,103,664)
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. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal.				
Capital outlay				1,838,842
Depreciation				(1,373,821)
Basis of assets disposed				(19,112)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.				(8,352)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums 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 related items.				
				3,866,469
Change in net assets of governmental activities				\$ (8,799,638)

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

**LEE COUNTY, NORTH CAROLINA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual - General Funds**  
**For the Year Ended June 30, 2008**

Exhibit 5

	Budget		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 34,095,010	\$ 34,095,010	\$ 34,822,548	\$ 727,538
Local option sales taxes	8,746,900	9,007,057	9,551,810	544,753
Other taxes and licenses	448,500	448,500	502,928	54,428
Unrestricted intergovernmental	54,000	54,000	61,341	7,341
Restricted intergovernmental	8,618,408	8,992,934	8,428,525	(564,409)
Permits and fees	372,000	372,000	318,936	(53,064)
Sales and services	2,741,383	2,742,960	2,740,167	(2,793)
Investment earnings	450,000	450,000	638,565	188,565
Miscellaneous	357,591	447,857	415,827	(32,030)
Total revenues	<u>55,883,792</u>	<u>56,610,318</u>	<u>57,480,647</u>	<u>870,329</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	7,639,502	8,221,278	7,234,685	986,593
Public safety	6,804,761	7,593,575	7,417,548	176,027
Economic and physical development	1,645,570	1,646,216	1,545,883	100,333
Human services	18,736,899	18,774,242	16,820,123	1,954,119
Education	17,860,157	17,860,157	16,720,107	1,140,050
Cultural and recreational	2,210,571	2,267,181	2,413,544	(146,363)
<b>Debt service:</b>				
Principal retirement	3,729,146	3,729,146	3,729,142	4
Interest and fees	3,448,054	3,450,784	3,448,471	2,313
Total expenditures	<u>62,074,660</u>	<u>63,542,579</u>	<u>59,329,503</u>	<u>4,213,076</u>
Revenues over (under) expenditures	(6,190,868)	(6,932,261)	(1,848,856)	5,083,405
<b>Other financing sources (uses):</b>				
Transfers from other funds	4,718,598	4,718,598	3,978,884	(739,714)
Transfers to other funds	(626,000)	(942,404)	(942,404)	-
Total other financing sources (uses)	<u>4,092,598</u>	<u>3,776,194</u>	<u>3,036,480</u>	<u>(739,714)</u>
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	(2,098,270)	(3,156,067)	1,187,624	4,343,691
Appropriated fund balance	<u>2,098,270</u>	<u>3,156,067</u>	<u>-</u>	<u>(3,156,067)</u>
Revenues, other financing sources (uses) and appropriated fund balance over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	1,187,624	<u>\$ 1,187,624</u>
<b>Fund balances:</b>				
Beginning of year - July 1			14,641,801	
End of year - June 30			<u>15,829,425</u>	

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

**LEE COUNTY, NORTH CAROLINA**  
**Statement of Fund Net Assets - Proprietary Funds**  
**June 30, 2008**

**Exhibit 6**

	<u>Major Fund</u>		<u>Total</u>
	Solid Waste Management Fund	Water and Sewer District #1 Fund	Business-Type Activities Enterprise
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 886,369	\$ 5,275	\$ 891,644
Accounts receivable - net	105,777	-	105,777
Accrued interest receivable	4,260	-	4,260
Total current assets	<u>996,406</u>	<u>5,275</u>	<u>1,001,681</u>
Noncurrent assets:			
Land	260,425	-	260,425
Other capital assets, net of accumulated depreciation	<u>427,219</u>	<u>-</u>	<u>427,219</u>
Total noncurrent assets	<u>687,644</u>	<u>-</u>	<u>687,644</u>
Total assets	<u>1,684,050</u>	<u>5,275</u>	<u>1,689,325</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	24,431	-	24,431
Accrued landfill closure costs	<u>203,338</u>	<u>-</u>	<u>203,338</u>
Total current liabilities	<u>227,769</u>	<u>-</u>	<u>227,769</u>
Noncurrent liabilities:			
Compensated absences payable	<u>31,139</u>	<u>-</u>	<u>31,139</u>
Total noncurrent liabilities	<u>31,139</u>	<u>-</u>	<u>31,139</u>
Total liabilities	<u>258,908</u>	<u>-</u>	<u>258,908</u>
<b>Net assets</b>			
Invested in capital assets	687,644	-	687,644
Unrestricted	<u>737,498</u>	<u>5,275</u>	<u>742,773</u>
Total net assets	<u>\$ 1,425,142</u>	<u>\$ 5,275</u>	<u>\$ 1,430,417</u>

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

**LEE COUNTY, NORTH CAROLINA**  
**Statement of Revenues, Expenses and Changes in Fund**  
**Net Assets - Proprietary Funds**  
**For The Year Ended June 30, 2008**

**Exhibit 7**

	<u>Major Fund</u>		<u>Total</u>
	Solid Waste Management Fund	Water and Sewer District #1 Fund	Business-Type Activities Enterprise
Operating revenues:			
Charges for services	\$ 1,129,739	\$ -	\$ 1,129,739
Other miscellaneous revenues	115,427	-	115,427
Total operating revenues	<u>1,245,166</u>	<u>-</u>	<u>1,245,166</u>
Operating expenses:			
Cost of service and administration	1,436,314	-	1,436,314
Depreciation	47,621	-	47,621
Total operating expenses	<u>1,483,935</u>	<u>-</u>	<u>1,483,935</u>
Operating income (loss)	<u>(238,769)</u>	<u>-</u>	<u>(238,769)</u>
Nonoperating revenues (expenses):			
Investment earnings	49,102	-	49,102
Nonoperating revenues (expenses) - net	<u>49,102</u>	<u>-</u>	<u>49,102</u>
Change in net assets	(189,667)	-	(189,667)
Net assets:			
Beginning of year - July 1	<u>1,614,809</u>	<u>5,275</u>	<u>1,620,084</u>
End of year - June 30	<u>\$ 1,425,142</u>	<u>\$ 5,275</u>	<u>\$ 1,430,417</u>

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

**LEE COUNTY, NORTH CAROLINA**  
**Statement of Cash Flows - Proprietary Funds**  
**For The Year Ended June 30, 2008**

**Exhibit 8**

	Major Fund		Total
	Solid Waste Management Fund	Water and Sewer District #1 Fund	Business-Type Activities Enterprise
Cash flows from operating activities:			
Receipts from customers	\$ 1,118,749	\$ -	\$ 1,118,749
Payments to suppliers for goods and services	(665,844)		(665,844)
Payments to or on behalf of employees	(573,172)	-	(573,172)
Other operating revenues	112,630	-	112,630
Net cash provided (used) by operating activities	(7,637)	-	(7,637)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(12,035)	-	(12,035)
Net cash provided (used) by capital and related financing activities	(12,035)	-	(12,035)
Cash flows from investing activities:			
Interest on investments	48,399	-	48,399
Net increase (decrease) in cash and cash equivalents	28,727	-	28,727
Cash and cash equivalents:			
Beginning of year - July 1	857,642	5,275	862,917
End of year - June 30	\$ 886,369	\$ 5,275	\$ 891,644
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (238,769)	\$ -	\$ (238,769)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation	47,621	-	47,621
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(10,312)		(10,312)
Increase (decrease) in accounts payable and accrued expenses	193,823	-	193,823
Net cash provided (used) by operating activities	\$ (7,637)	\$ -	\$ (7,637)

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

**LEE COUNTY, NORTH CAROLINA**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2008**

**Exhibit 9**

	Pension Trust Law Enforcement Employees	Kenneth Brown Bequest Fund	Agency Funds
<b>Assets</b>			
Cash and investments	\$ 3,925	\$ 22,447	\$ 547,385
Taxes receivable - net	-	-	856,580
Accounts receivable	-	-	48,636
Accrued interest receivable	19	108	2,214
Total assets	3,944	22,555	1,454,815
<b>Liabilities</b>			
Other liabilities	-	-	535,612
Due to other governmental units	-	-	919,203
Total liabilities	-	-	1,454,815
<b>Net Assets</b>			
Held in trust for employee's pension benefits	3,944	-	-
Held in trust for the Library	-	22,555	-
Total net assets	\$ 3,944	\$ 22,555	\$ -

---

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

**LEE COUNTY, NORTH CAROLINA**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2008**

**Exhibit 10**

	<u>Pension Trust Law Enforcement Employees</u>	<u>Kenneth Brown Bequest Fund</u>
Additions:		
Investment earnings	\$ <u>431</u>	\$ <u>1,313</u>
Deductions:		
Pension plan benefits	(5,000)	-
Library expenses	<u>-</u>	<u>(3,700)</u>
Net increase (decrease)	(4,569)	(2,387)
Net assets:		
Beginning of year - July 1	<u>8,513</u>	<u>24,942</u>
End of year - June 30	<u>\$ 3,944</u>	<u>\$ 22,555</u>

---

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

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements**  
**For the Year Ended June 30, 2008**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Nature of Operations**

Lee County, North Carolina (the "County"), governed by a seven-member Board of Commissioners, is one of 100 counties established in North Carolina under General Statute 153A-10. The County was incorporated in 1907 and the County seat is located in Sanford, North Carolina. The County is responsible for and maintains services inherent to the operation of a county government including general government, public safety, economic and physical development, human services, education, cultural and recreational, and debt retirement. The County also operates a solid waste management system on a user basis.

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

**B. Reporting Entity**

As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legal separate entities for which the County is financially accountable. Of the three component units, one is blended; and, although it is a legally separate entity, it is, in substance, part of the County's operations. The other component units are classified as discretely presented. (See below).

Blended Component Unit

Water and Sewer District #1 (the District) was formed in 1996. It exists to provide and maintain a water and sewer system for the County residents within the District. Under State law (G.S. 162A-89), the County's Board of Commissioners also serves as the governing board for the District. Therefore, the District is reported as an Enterprise Fund in the County's financial statements. The District does not issue separate financial statements.

Discretely Presented Component Units

Lee County Industrial Facility and Pollution Control Financing Authority (the Authority) was organized by the Board of Commissioners in 1976 to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-member board, all of whom are appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Authority does not issue separate financial statements.

Lee County Development Corporation (the Corporation) was organized by the Board of Commissioners in 2003 and shall be operated exclusively for the purposes of providing debt financing for the County, to fulfill various statutory obligations involving but not limited to purchase and sale, construction and/or lease of real estate and improvement, facilities, and equipment. The Corporation has a three-member board of directors who are established through the bylaws of the Articles of Incorporation and will consist of the County Manager, County Finance Director and the County Clerk. The Corporation has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Corporation does not issue separate financial statements.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Government-Wide and Fund Financial Statements**

*Government-Wide Statements:* The Statement of Net Assets and the Statement of Activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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 displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The County reports the following major governmental funds:

General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Middle School Project Fund is a capital project fund used to account for debt issuance and construction costs of a new middle school.

The County reports the following major enterprise funds:

Solid Waste Management Fund accounts for the operations of the County's solid waste activities.

Additionally the County reports the following fund types:

Fiduciary Funds. Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Fiduciary funds include the following fund types:

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Government-Wide and Fund Financial Statements (Continued)**

The *private-purpose trust fund* is used to account for resources legally held in trust for use by a not-for-profit organization. These funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The Kenneth Brown Bequest Fund accounts for assets where the interest and principal can be spent.

The *pension trust fund* is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The Law Enforcement Officers' Special Separation Allowance Fund accounts for the Law Enforcement Officers' 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 agency funds to account for amounts collected on behalf of the Town of Broadway, the City of Sanford, and the Central Business District for property taxes; amounts deposited with social services for the benefit of certain individuals; various legal fines and forfeitures that the County is required to remit to the Lee County Board of Education; the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; monies deposited with the jail for the benefit of certain inmates; and monies deposited with the County for health insurance benefits for retirees of the former Lee-Harnett Mental Health Authority.

Enterprise Funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Lee County has two enterprise funds: the Water and Sewer District #1 Fund and the Solid Waste Management Fund.

**D. Measurement Focus, Basis of Accounting**

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

*Government-Wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus, Basis of Accounting (Continued)**

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

*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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Lee County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Data**

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund, the Special Revenue Funds and the Proprietary Funds. All annual appropriations lapse at June 30. Project ordinances are adopted for the Capital Project Funds.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for the General Fund, the Special Revenue Funds, and the Proprietary Funds, and at the object level for the Capital Project Funds. The County Manager is authorized to transfer appropriations between departments within a fund up to \$5,000; however, any revisions that alter the total expenditures of any fund or exceed \$5,000 between departments must be approved by the governing board. The manager must also approve intradepartmental transactions. During the year, 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.

As required by North Carolina General Statutes, Chapter 159, Section 26(d), Lee County maintains encumbrance accounts which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. These encumbrances outstanding are reported as "reserved for encumbrances" in the fund balance section of the balance sheet and will be charged against the subsequent year's budget.

**F. Deposits and Investments**

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

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

The County's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings investment contracts are reported at cost.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Cash and Cash Equivalents**

The County pools monies from several funds to facilitate disbursement and investment and maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**H. Restricted Assets**

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

The unexpended debt proceeds of the Capital Project funds are classified as restricted assets within their respective funds because their use is completely restricted to the purpose for which the debt was originally issued.

**I. 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. The taxes are based on the assessed values as of January 1, 2008.

**J. Allowance 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.

**K. Other Resources**

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Operating transfers out" in the General Fund and "Operating transfers in" in the receiving fund.

**L. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets, which included property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost where records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair value at the date of conation. The costs of normal maintenance and repair that do not add to the value of the assets or materially extend assets' lives are not capitalized.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Capital Assets (Continued)**

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

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

Land improvements	25 years
Buildings	50 years
Roads	40 years
Equipment	5-20 years
Vehicles	5 years
Office furniture and equipment	7 years

**M. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the related debt using the straight-line method that approximates the effective interest method.

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

**N. Compensated Absences**

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

The sick leave policies of the County 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 the County has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Deferred/Unearned Revenue**

In the fund financial statements, ad valorem taxes receivable are not accrued as revenue because they are not considered to be both "measurable and available." Ad valorem taxes receivable that are measurable but not available are recorded as deferred revenue in the fund financial statements. In addition, property taxes collected in advance of the fiscal year to which they apply are also recorded as unearned revenue in the government-wide financial statements and deferred revenue in the fund financial statements. Certain receivables are also recorded as deferred revenue in the fund financial statements because they are not considered to be available at year-end.

**P. Management Estimates**

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

**Q. Net Assets/Fund Balances**

*Net Assets*

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

*Fund Balances*

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

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

The governmental fund types classify fund balances as follows:

Reserved:

Reserved by State statute represents the portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of receivables that are not offset by deferred revenues.

Reserved for encumbrances represents the portion of fund balance available to pay for any commitments related to purchase orders and contracts that remain unperformed at year-end.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Q. Net Assets/Fund Balances (Continued)**

Reserved for Register of Deeds represents the portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the Register of Deeds' office. The funds are available for appropriation but are legally restricted for computer and imaging technology in the Register of Deeds' office.

Reserved for notes receivable represents the portion of fund balance not available for appropriation because it represents the amount of long-term loans receivable owed to the County.

Unreserved:

Designated for subsequent year's expenditures represents the portion of total fund balance available for appropriation which has been appropriated in the 2008-09 budget ordinance.

Designated for special purposes represents the portion of total fund balance restricted for use by the fire marshall and the human service agencies.

Undesignated represents the portion of total fund balance available for appropriation which is uncommitted at year-end,

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide Statement of Net Assets. The net adjustment of \$(47,981,730) consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (total capital assets on government-wide statement in governmental activities column):	\$ 39,896,534
Less accumulated depreciation	<u>(21,488,260)</u>
Net capital assets	<u>18,408,274</u>
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Allowance for uncollectible notes receivable	(331,000)
Debt issuance costs	1,053,303
Deferred revenue	<u>1,925,725</u>
	<u>2,648,028</u>
Compensated absences not expected to be materially liquidated with expendable resources	<u>(1,327,570)</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds, leases, and installment financing	(65,142,754)
Accrued interest	(1,025,686)
Premium – Certificates of Participation	(1,455,789)
LEO pension obligation	<u>(86,233)</u>
	<u>(67,710,462)</u>
Total adjustment	<u>\$ (47,981,730)</u>

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**R. Reconciliation of Government-wide and Fund Financial Statements (Continued)**

**Explanation of certain difference 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 – total governmental funds and changes in net assets of governmental activities as reported in the government-wide Statement of Activities. The net adjustment of \$4,304,026 consists of several elements as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities	\$ 1,838,842
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	(1,373,821)
Cost of disposed capital assets not recorded in fund statements	(19,112)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in deferred tax revenues in the fund statements	(6,823)
Change in health department fees deferred in the fund statements	(1,529)
Principal payments on debt owed are recorded as a use of funds on the fund statements, but again affect only the Statement of Net Assets in the government-wide statements	3,729,146
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)	216,684
Compensated absences are accrued in the government-wide Statements, but not in the fund statements, because they do not use current resources	(95,191)
Amortization of issuance costs not recorded on fund statements	(60,213)
Amortization of premium on certificates of participation not recorded on fund statements	82,903
Difference in retirement expense between fund statements (modified accrual) and government-wide statements (full accrual)	<u>(6,860)</u>
Total adjustment	<u>\$ 4,304,026</u>

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

---

**II. STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY**

**A. Expenditures Exceeding Appropriations**

North Carolina General Statute 159-13 requires that all financial transactions be appropriated during the year. For the year ended June 30, 2008, expenditures exceeded appropriations in the administration department of the Health Department, WIC – breastfeeding department, and parks and recreation department of the General Fund by \$15,803, \$6,867 and \$203,965, respectively. These over expenditures were funded by greater than anticipated revenues in the General Fund. Expenditures exceeded appropriations by \$82,905 in the Solid Waste Management Fund. The over expenditures were funded by available fund balance. Two capital project funds, CCCC Telecommunications Building Fund and New High School Construction Fund, did not have adequate appropriations for the year ended June 30, 2008. Adequate appropriations will be made for these funds in future years.

**III. DETAIL NOTES ON ALL FUNDS**

**A. Deposits and Investments**

*Deposits*

County 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 the securities held by the County's agents in its name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2008, the carrying amount of the County's bank deposits (including fiduciary funds) was \$15,372,076 and the bank balance was \$16,304,186. There was \$7,353,668 in escrow accounts with financial institutions. Sufficient collateral was maintained at June 30, 2008 to secure the County's deposits. Of the bank balance, \$617,158 was covered by federal depository insurance, \$686,000 was covered by collateral held under the Dedicated Method and \$14,085,865 was collateralized under the Pooling Method.

At June 30, 2008, the County had \$2,260 cash on hand.

The County elected to maintain a noninterest-bearing certificate of deposit with First Citizens Bank and Trust in the amount of \$206,000, in order to avoid banking service charges. This is considered a compensating balance.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Deposits and Investments (Continued)**

*Investments*

At June 30, 2008, the County had the following investments and maturities:

Investment Type	Fair Value	Less Than 6 Months	6 -12 Months	1-3 Years
NC Capital Management Trust – Cash Portfolio	\$ 4,769,643	N/A	N/A	N/A
	\$ 4,769,643	\$ -	\$ -	\$ -

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits at least 75% of the County's investment portfolio to maturities of less than 12 months. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than three years.

**Credit Risk:** State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however the County had no formal policy on managing credit risk. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2008.

**B. 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.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,053,941	\$ 60,602	\$ 1,114,543
2006	848,319	125,127	973,446
2005	853,015	202,591	1,055,606
2004	<u>712,499</u>	<u>233,343</u>	<u>945,842</u>
Total	<u>\$ 3,467,774</u>	<u>\$ 621,663</u>	<u>\$ 4,089,437</u>

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**C. Receivables**

Receivables at the government-wide level at June 30, 2008 were as follows:

	Taxes Receivable- Net	Accounts Receivable-Net		
		Accounts	Due From Other Government	Total
Governmental activities:				
General	\$ 2,224,980	\$ 2,137,399	\$ 2,471,887	\$ 4,609,286
Middle School Project Fund	-	-	251,147	251,147
Other governmental	<u>120,653</u>	<u>330,272</u>	<u>528,891</u>	<u>859,163</u>
Total receivables	2,345,633	2,467,671	3,251,925	5,719,596
Allowance for doubtful accounts	<u>(427,039)</u>	<u>(504,949)</u>	-	<u>(504,949)</u>
Total governmental activities	<u>\$ 1,918,594</u>	<u>\$ 1,962,722</u>	<u>\$ 3,251,925</u>	<u>\$ 5,214,647</u>
Business-type activities:				
Solid Waste Management Fund	\$ -	\$ 101,320	\$ 4,457	\$ 105,777
Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ -</u>	<u>\$ 101,320</u>	<u>\$ 4,457</u>	<u>\$ 105,777</u>

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

Local option sales tax	\$ 2,821,798
Sales tax	<u>430,127</u>
	<u>\$ 3,251,925</u>

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

Governmental activities by type:

	July 1, 2007	Transfers In/ Additions	Transfers Out/ Disposals	June 30, 2008
Nondepreciable assets:				
Land	\$ 2,767,777	\$ 440,000	\$ -	\$ 3,207,777
Land Improvements	242,923	-	-	242,923
Construction in progress	2,308,146	352,254	-	2,660,400
Total	5,318,846	792,254	-	6,111,100
Depreciable assets:				
Buildings	26,123,940	-	-	26,123,940
Roads	680,814	-	-	680,814
Equipment	5,979,809	1,046,588	45,718	6,980,679
Total	32,784,563	1,046,588	45,718	33,785,433
Less accumulated depreciation and amortization for:				
Buildings	16,226,864	943,419	-	17,170,283
Roads	27,232	16,758	-	43,990
Equipment	3,886,948	413,644	26,606	4,273,986
Total	20,141,044	\$ 1,373,821	\$ 26,606	21,488,259
Depreciable assets - net	12,643,519			12,297,174
Total governmental activities capital assets - net	\$ 17,962,365			\$18,408,274

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

General government	\$ 323,108
Public safety	704,816
Human services	153,899
Economic and physical development	100,386
Cultural and recreational	91,612
	\$ 1,373,821

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets (Continued)**

Business-type activities by type:

	July 1, 2007	Transfers In/ Additions	Transfers Out/ Disposals	June 30, 2008
Nondepreciable assets:				
Land	\$ 260,425	\$ -	\$ -	\$ 260,425
Total nondepreciable assets	260,425	-	-	260,425
Depreciable assets:				
Buildings	565,482	-	-	565,482
Equipment	1,385,142	12,035	-	1,397,177
Total depreciable assets	1,950,624	12,035	-	1,962,659
Less accumulated depreciation and amortization for:				
Buildings	353,167	25,816	-	378,983
Equipment	1,134,652	21,805	-	1,156,457
Total accumulated depreciation amortization	1,487,819	\$ 47,621	\$ -	1,535,440
Depreciable assets - net	462,805			427,219
Total business-type activities capital assets - net	\$ 723,230			\$ 687,644

Depreciation was charged to functions of the business-type activities as follows:

Solid Waste Management Fund	\$ 47,621
-----------------------------	-----------

*Construction commitments*

The government has active construction projects as of June 30, 2008. The projects include the construction of a new middle school and development of a park facility.

Project	Spent-to-date	Remaining commitment
New Middle School	\$ 18,679,702	\$ 252,889
Tramway Road Park	259,536	455,464
Total	\$ 18,939,238	\$ 708,353

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**E. Liabilities**

Payables

Payables at the government-wide level at June 30, 2008 were as follows:

	<u>Vendors</u>
Governmental activities:	
General Fund	\$ 1,279,614
Middle School Project Fund	1,473,298
Other governmental	409,097
Total governmental activities	<u>\$ 3,162,009</u>
Business-type activities:	
Solid Waste Management Fund	\$ 227,769
Total business-type activities	<u>\$ 227,769</u>

**F. Pension Plan Obligations**

**1. Local Governmental Employees' Retirement System**

Plan Description

The County contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS 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 4.94% and 4.86%, respectively, of annual covered payroll. The contribution requirements of members and of the 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, 2008, 2007, and 2006 were \$597,145, \$520,437, and \$535,626, respectively. The contributions made by the County equaled the required contributions for each year.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

---

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**F. Pension Plan Obligations (Continued)**

**2. Law Enforcement Officers' Special Separation Allowance**

Plan Description

The 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 Separation Allowance is reported in the County's report as a pension trust fund.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2007, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>40</u>
Total	<u><u>43</u></u>

A separate report was not issued for the plan.

Summary of Significant Accounting 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.

**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.

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 contributed \$36,430, or 2.27% 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. Administration costs of the Separation Allowance are financed through investment earnings.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**F. Pension Plan Obligations (Continued)**

**2. Law Enforcement Officers' Special Separation Allowance (Continued)**

The annual required contribution for the current year was determined as part of the December 31, 2006 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5% to 12.3% per year. Both (a) and (b) include an inflation component of 3.75%. The assumptions do not include post-retirement 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 pay on a closed basis. The remaining amortization period at December 31, 2006 was 24 years.

Annual Pension Cost and Net Pension Obligation - The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 42,412
Interest on net pension obligation	5,755
Adjustment to annual required contribution	<u>(4,877)</u>
Annual pension cost	43,290
Contributions made	<u>36,430</u>
Increase (decrease) in net pension obligation	6,860
Net pension obligation beginning of fiscal year	<u>79,373</u>
 Net pension obligation end of fiscal year	 <u>\$ 86,233</u>

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/06	\$ 34,650	121.69%	\$ 58,512
6/30/07	32,158	35.13%	79,373
6/30/08	43,290	84.15%	86,233

**Funded Status and Funding Progress**

As of December 31, 2007, the most recent actuarial valuation date, the plan was 2.09 percent funded. The actuarial accrued liability for benefits was \$417,290, and the actuarial value of assets was \$8,739, resulting in an unfunded actuarial accrued liability (UAAL) of \$408,551. The covered payroll (annual payroll of active employees covered by the plan) was \$1,604,079, and the ratio of the UAAL to the covered payroll was 25.47 percent.

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

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

---

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**F. Pension Plan Obligations (Continued)**

**3. 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 five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2008 were \$94,396, which consisted of \$80,523 from the County and \$13,873 from the law enforcement officers.

**4. Registers of Deeds' Supplemental Pension Fund**

Plan Description

The 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 Register of Deeds' Supplemental Pension Funds. 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 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, 2008, the County's required and actual contributions were \$4,951.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

---

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**G. 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 non-law enforcement 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.

Contributions for the year ended June 30, 2008 were \$775,089, which consisted of \$528,917 from the County and \$246,172 from the employees.

The County has complied with changes in the laws which govern the County's Deferred Compensation Plan, requiring all assets of the Plan be held in trust for the exclusive benefit of the participants and their beneficiaries.

**H. Post-Employment Benefits**

Under the terms of a County resolution, Lee County provides post-retirement health care benefits to retirees of the County who meet the following criteria:

- 1) Retire from Lee County service with a benefit from LGERS
- 2) Have (i) 30 years of creditable service with LGERS or (ii) attained 55 years of age and completed 20 years of creditable service with the LGERS
- 3) Have completed at least 15 years of continuous Lee County employment immediately preceding retirement

The County pays the full cost of coverage for these benefits on a pay-as-you-go basis. As of June 30, 2008, there were 62 retirees eligible for post-retirement health benefits. The County made payments for post-retirement health benefit premiums of \$278,080. The County obtains health care coverage through private insurers.

**I. Other Employment Benefits**

The County has elected to provide death benefits to employees through a Death Benefit Plan for members of the Local Government 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 his/her death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from Death Benefit Plan.

The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2008, the County made contributions to the State for death benefits of \$15,902. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .13% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**J. Closure Costs - Lee County Landfill Facility**

Due to State and federal laws and regulations, the County chose to stop accepting substantially all waste at its landfill and placed a final cover on the site; however, the County continued to accept a limited amount of waste, primarily construction and demolition materials until June 30, 2008. The County is placing a final cover on the construction and demolition site. The County is required to perform certain maintenance and monitoring functions at the site as part of the closure, but it is not subject to the financial assurance rule. Although closure costs are paid after the date the landfill stopped accepting waste, the County reports a portion of these closure costs as an operating expense in each period based on the life of the landfill. The total cost of closure is estimated to be \$500,395; \$297,057 has been incurred as of June 30, 2008 and the remaining \$203,338 is reported as liability within the Solid Waste Management Fund at June 30, 2008. These amounts are based on what it would cost to perform all necessary closure and monitoring; however, actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**K. Deferred/Unearned Revenues**

The balance in deferred or unearned revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

Government-wide statements:

	<u>Unearned or Deferred Revenue</u>	<u>Full Accrual Unearned Revenue</u>
Prepaid taxes not earned	\$ 218,154	\$ 218,154
Taxes receivable, net (General Fund)	1,813,788	-
Taxes receivable, net (Special Revenue Fund)	104,806	-
Accounts receivable, net (General Fund)	<u>7,131</u>	<u>-</u>
	<u>\$ 2,143,879</u>	<u>\$ 218,154</u>

**L. Contingent Liabilities**

The County has elected to pay the direct cost of employment security benefits in lieu of employment security taxes on the payroll. A liability for benefit payments could accrue in the year following discharge of employees.

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies.

**M. 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 coverage for all risks of loss. The County carries property insurance coverage of \$47.5 million per occurrence, general liability coverage of \$2 million, and workers' compensation coverage up to \$2 million. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded commercial insurance coverage in any of the last three fiscal years.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**M. Risk Management (Continued)**

The County carries limited flood insurance.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Finance Director and Tax Collector are each individually bonded for \$100,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$500,000.

**N. Claims and Judgments**

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

**O. Long-Term Obligations**

The County records long-term debt of the governmental funds at face value in the government-wide Statement of Net Assets. All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit, and taxing power of the County. Principal and interest payments are appropriated when due.

**1. Changes in Long-Term Debt**

The following is a summary of changes in the County's long-term debt for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Current Portion of Balance
Governmental activities:					
General obligation bonds	\$ 13,410,000	\$ -	\$ 2,775,000	\$ 10,635,000	\$ 2,750,000
Certificates of participation	53,075,000	-	500,000	52,575,000	1,100,000
Installment notes payable	2,386,899	-	454,145	1,932,754	456,705
Unfunded pension liability	79,373	43,290	36,430	86,233	-
Compensated absences	<u>1,232,380</u>	<u>1,123,532</u>	<u>1,028,342</u>	<u>1,327,570</u>	<u>1,028,000</u>
Total governmental activities	<u>\$ 70,183,652</u>	<u>\$ 1,166,822</u>	<u>\$ 4,793,917</u>	<u>\$ 66,556,557</u>	<u>\$ 5,334,705</u>
Business-type activities:					
Compensated absences	<u>34,968</u>	<u>20,528</u>	<u>24,357</u>	<u>31,139</u>	<u>21,000</u>
Total business-type activities	<u>\$ 34,968</u>	<u>\$ 20,528</u>	<u>\$ 24,357</u>	<u>\$ 31,139</u>	<u>\$ 21,000</u>

Compensated absences, within the governmental activities, as well as the unfunded pension obligation, are typically liquidated by the General Fund.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**O. Long-Term Obligations (continued)**

**2. Certificates of Participation**

A summary of the County's certificates of participation is as follows:

Original Issue		Payment Information		Outstanding	Purpose and Collateral	
Amount	Date	Rate	Period	Balance		
\$ 26,220,000	January 2004	2.00% - 5.25%	Annual	\$ 500,000 - 1,720,000	\$ 24,220,000	Construct high school and emergency services training facility; secured by real estate
\$28,355,000	December 2006	3.50% - 5.00%	Annual	\$600,000 - 2,225,000	<u>28,355,000</u>	Construct middle school, addition at alternative school; renovations and repairs for community college; and park construction; secured by real estate
Total certificates of participation					<u>\$ 52,575,000</u>	

Annual debt service requirements to maturity for the County's certificates of participation are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,100,000	\$ 2,343,601
2010	1,310,000	2,307,601
2011	1,310,000	2,263,526
2012	2,480,000	2,217,676
2013	3,205,000	2,104,333
2014-2018	15,205,000	8,663,628
2019-2023	15,955,000	4,991,375
2024-2028	<u>12,010,000</u>	<u>1,544,375</u>
Total	<u>\$ 52,575,000</u>	<u>\$ 26,436,115</u>

**3. General Obligation Bonds**

*Serviced by the General Fund:*

Refunding series, issued November 2001; interest at 4.00%; due serially to 2009	\$ 850,000
Public improvement, issued November 2001; interest at 4.00% to 4.30%; due serially to 2015	1,285,000
School bonds series 1998, issued April 1998; interest at 4.80% to 5.00%; due serially to 2012	<u>8,500,000</u>
Total	<u>\$ 10,635,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	2,750,000	511,980
2010	2,800,000	383,980
2011	2,800,000	244,980
2012	1,550,000	105,980
2013	250,000	30,980
2014-2018	<u>485,000</u>	<u>30,835</u>
Total	<u>\$ 10,635,000</u>	<u>\$ 1,308,735</u>

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**O. Long-Term Obligations (Continued)**

**4. Installment Notes Payable**

Original Issue		Payment Information		Outstanding	Security
Date	Rate	Period	Amount	Balance	
May 1999	6.69%	Monthly	\$ 17,492	\$ 186,128	Agribusiness Center
November 1999	6.90%	Monthly	9,247	149,358	E.M.S. facility
January 2003	3.96%	Monthly	13,889 + interest	<u>1,597,268</u>	Telecommunications school
Total installment notes payable				<u>\$ 1,932,754</u>	

Annual debt service requirements to maturity for the County's installment notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	456,705	74,281
2010	212,115	55,106
2011	166,667	47,700
2012	166,667	41,083
2013	166,667	34,463
2014-2018	<u>763,933</u>	<u>73,320</u>
Total	<u>\$ 1,932,754</u>	<u>\$ 325,953</u>

In fiscal year ended June 30, 2005, the Lee County Water and Sewer District #1 entered into an interlocal agreement with the City of Sanford to sell the assets of the Lee County Water and Sewer District #1 system for the amount of the outstanding debt. Since part of the debt was not callable, the City of Sanford is making the debt service payments. As a result of this interlocal agreement, the debt is considered defeased, and the liability has been removed from the financial statements. As of June 30, 2008, the balance of this debt was \$900,000, and debt service payments made by the City of Sanford totaled \$123,950.

The legal debt margin is governed by North Carolina G.S. 159-55. The net debt of the unit should not exceed 8% of the appraised value of property subject to taxation. As of June 30, 2008, Lee County has a legal debt margin of \$302,992,680.

**P. Joint Ventures**

The County, in conjunction with seven other county governments (Anson, Harnett, Hoke, Montgomery, Moore, Randolph, and Richmond) participates in a joint venture to operate The Sandhills Center for Mental Health, Developmental Disabilities, and Substance Abuse Services (Center). The Center operates units in each of the counties to provide services to residents who are in need of assistance for either mental health, developmental disabilities, or alcohol or drug related problems. Each participating government appoints members to the Center's twenty-five member governing board, with Lee County appointing two. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. The County contributed \$250,000 to the Center during the fiscal year ended June 30, 2008. None of the participating governments has any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2008. Complete financial statements for the Center can be obtained from the Center's office in West End, North Carolina 27376.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

---

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**P. Joint Ventures**

The County, in conjunction with the City of Sanford, participates in the Sanford-Lee County Regional Airport Authority. Each participating government appoints three members of the six member board. The Airport Authority is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. The County has an ongoing financial responsibility for the Airport because it and the City are legally obligated under the intergovernmental agreement that created the Airport to honor any deficiencies in the event that proceeds from other default remedies are insufficient. Financing sources for the annual operating budget of the airport are provided by the County and the City of Sanford. The construction costs for airport improvement projects that are not funded by federal and State grants are financed by the County and the City equally. The County did not contribute any funds to the Airport for operations during the fiscal year ended June 30, 2008. In addition, the County loaned the Airport Authority \$300,294 in fiscal year ending June 30, 2002 which will be paid in annual installments over a period of 13 years. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2008. Complete financial statements for the Airport can be obtained from the Airport's administrative office at 3000 Airport Road, Sanford, North Carolina 27330.

The County, in conjunction with the State of North Carolina, the Lee County Board of Education and the counties of Chatham and Harnett, participate in a joint venture to operate the Central Carolina Community College. Lee County, the State and the Lee County Board of Education each appoint four members of the seventeen-member board of trustees of the community college. The counties of Chatham and Harnett each appoint two members to the board of trustees, and the president of the community college's student government serves as an ex-officio nonvoting member of the community college's board of trustees. The community college is 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. In addition to providing annual appropriations for the facilities, the County periodically issues debt to provide financing for new and restructured facilities. 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 \$2,008,398 to the community college for operating purposes and \$51,000 for capital outlay purposes during the fiscal year ended June 30, 2008. In addition, the County contributed \$55,739 to the operation of the Civic Center that is operated by the community college. 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 as of June 30, 2008. Complete financial statements for the community college may be obtained from the community college's business office at 1105 Kelly Drive, Sanford, North Carolina 27330.

The County, in conjunction with the City of Sanford and the Town of Broadway, participates in the Lee County Economic Development Corporation. Lee County appoints five members to the eleven-member board. The Economic Development Corporation is a joint venture established to facilitate economic expansion within the County. The County has an ongoing financial responsibility for the Corporation because the Corporation's continued existence depends on the participating governments' continued funding. The County contributed \$976,959 to the Corporation during the fiscal year ended June 30, 2008. None of the participating governments have any equity interest in the Corporation, so no equity interest has been reflected in the financial statements at June 30, 2008. Financial reports for the Corporation can be obtained from the Corporation's administrative office at 130 Wicker Street, Sanford, North Carolina 27330.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**Q. Jointly Governed Organization**

The County, in conjunction with other counties and twenty municipalities, established the Triangle J Council of Governments (Council). The participating governments established the Council to coordinate certain funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$10,475 to the Council during the fiscal year ended June 30, 2008.

**R. Supplemental and Additional One-Half of One Percent Local Government Sales and Use Taxes**

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays, or to retire public school indebtedness. During the fiscal year ended June 30, 2008, the County reported these local option sales taxes within its special revenue funds. The County expended the restricted portion of these taxes for funding of debt service of school capital outlay.

**S. Additional Support by Others**

*Benefit Payments Issued by the State*

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations, 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 financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 34,510,963	\$ 17,924,946
TANF	291,939	-
Food Stamps	6,098,180	-
WIC	2,030,529	-
Other	91,609	133,688
State/County Special Assistance	-	500,171
Total	<u>\$ 43,023,220</u>	<u>\$ 18,558,805</u>

**T. Conduit Debt Obligations**

Lee 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 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. Four series of industrial revenue bonds were outstanding as of June 30, 2008. The original issue amount of such bonds totaled \$15,650,000. The amount of conduit debt outstanding at June 30, 2008 was not determinable and could not be reasonably estimated.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

---

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**U. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2008 consist of the following:

From the General Fund to the Capital Projects Outlay Fund to accumulate resources for future capital projects	\$ (626,000)
From the General Fund to the School Capital Outlay Fund for hold harmless related to Medicaid relief	(316,404)
From the School Capital Outlay Fund to the General Fund for debt service	2,431,643
From the School Capital Outlay Fund to the General Fund for school capital outlay	308,963
From the Emergency Telephone System Fund to the General Fund to cover E911 related costs	3,000
From the Emergency Telephone System Fund to the General Fund to move remaining fund balance of the local wireless 911 tax as a result of a State statutes change	553,548
From the Capital Projects Outlay Fund to the General Fund for debt service	440,629
From the Fire Districts Fund to the General Fund to cover Fire Marshal operating expenses	<u>241,101</u>
General Fund transfers, net	<u>\$ 3,036,480</u>

From the Sewer Line Extension Fund to the Special Revenue Fund for to move remaining funds to close the Sewer Line Extension project.	<u>\$ 76,183</u>
---	------------------

**V. Subsequent Event**

On August 12, 2008, the County issued a \$1,622,021 installment financing contract that qualifies as a "qualified zone academy bond" within the meaning of a federal tax credit program that provides for very low cost financing for qualified school projects. The proceeds will be used to undertake the acquisition and construction of various improvements to Bragg Street Academy, Broadway Elementary School, Bullock Elementary School, Deep River Elementary School, East Lee Middle School, Floyd L. Knight/Children's Center, Greenwood Elementary School, J. Glenn Edwards Elementary School, J. R. Ingram Elementary School, Lee County High School, and West Lee Middle School.

## REQUIRED SUPPLEMENTAL FINANCIAL DATA

*This section contains additional information required by generally accepted accounting principles*

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance and Notes

**THIS PAGE LEFT INTENTIONALLY BLANK.**

**LEE COUNTY, NORTH CAROLINA**  
**Law Enforcement Officer's Special Separation Allowance**  
**Required Supplemental Information**  
**Schedule of Funding Progress**  
**For the Year Ended June 30, 2008**

---

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12-31-98	\$ 76,537	\$ 133,088	\$ 56,551	57.51%	\$ 932,423	6.06%
12-31-99	85,724	141,574	55,850	60.55%	956,389	5.84%
12-31-00*	90,847	221,196	130,349	41.07%	991,645	13.14%
12-31-01	104,506	244,688	140,182	42.71%	1,177,544	11.90%
12-31-02	115,959	273,147	157,188	42.45%	1,238,198	12.69%
12-31-03	122,970	272,577	149,607	45.11%	1,228,996	12.17%
12-31-04	118,944	424,500	301,556	28.29%	1,101,201	27.38%
12-31-05	93,070	397,759	304,689	23.40%	1,287,341	23.67%
12-31-06	54,176	443,657	389,481	12.21%	1,560,025	24.97%
12-31-07	8,739	417,290	408,551	2.09%	1,604,079	25.47%

\*Reflects changes in actuarial assumptions

**LEE COUNTY, NORTH CAROLINA**  
**Law Enforcement Officer's Special Separation Allowance**  
**Required Supplemental Information and Notes**  
**Schedule of Employer Contributions**  
**For Year Ended June 30, 2008**

---

<u>Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
1999	\$13,572	\$9,187	0.0%
2000	14,153	0	64.9%
2001	14,810	9,187	62.0%
2002	21,619	9,187	42.5%
2003	24,113	9,187	38.1%
2004	26,364	14,428	54.7%
2005	25,917	38,506	148.6%
2006	33,655	42,165	125.3%
2007	31,418	11,297	36.0%
2008	42,412	36,430	85.9%

Notes to the Required Schedules:

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

Valuation date	December 31, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	23 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5% to 12.3%
*Includes inflation at	3.75%
Cost of living adjustments	N/A

*\*Reflects changes in actuarial assumptions*

**COMBINING AND INDIVIDUAL  
FUND FINANCIAL STATEMENTS**

**THIS PAGE LEFT INTENTIONALLY BLANK.**

## **GENERAL FUND**

The General Fund is the principal fund of the County and is used to account for the receipt and expenditure of resources that are traditionally associated with local government and that are not required to be accounted for in other funds.

**THIS PAGE LEFT INTENTIONALLY BLANK.**

**LEE COUNTY, NORTH CAROLINA**  
**General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 33,920,010	\$ 34,616,288	\$ 696,278
Penalties and interest	175,000	206,260	31,260
	<u>34,095,010</u>	<u>34,822,548</u>	<u>727,538</u>
Local option sales taxes:			
Article 39 one percent	4,395,000	4,816,286	421,286
Article 40 one-half of one percent	1,554,300	1,562,178	7,878
Article 42 one-half of one percent	880,600	884,248	3,648
Article 44 one-half of one percent	1,917,000	2,028,940	111,940
Medicaid Hold Harmless payment	260,157	260,158	1
	<u>9,007,057</u>	<u>9,551,810</u>	<u>544,753</u>
Other taxes and licenses:			
Deed stamp excise tax	250,000	244,314	(5,686)
Privilege licenses	4,500	205,986	201,486
Rental vehicle tax	44,000	48,706	4,706
Cable TV franchise tax	150,000	3,922	(146,078)
	<u>448,500</u>	<u>502,928</u>	<u>54,428</u>
Unrestricted intergovernmental:			
Beer and wine tax	54,000	61,341	7,341
Restricted intergovernmental:			
Federal and State grants	8,878,834	8,295,554	(583,280)
Court facility fees	100,100	118,431	18,331
ABC bottles taxes	14,000	14,540	540
	<u>8,992,934</u>	<u>8,428,525</u>	<u>(564,409)</u>
Permits and fees:			
Register of Deeds	372,000	318,936	(53,064)
Sales and services:			
Rents, concessions, and fees	393,214	842,162	448,948
Jail fees	196,307	166,834	(29,473)
Vehicle tax collection fees	17,000	18,139	1,139
Health department fees	1,021,209	834,037	(187,172)
Other sales and services	1,115,230	878,995	(236,235)
	<u>2,742,960</u>	<u>2,740,167</u>	<u>(2,793)</u>

(Continued)

**LEE COUNTY, NORTH CAROLINA**  
**General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**For the Year Ended June 30, 2008**

	Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (Continued)			
Investment earnings	\$ 450,000	\$ 638,565	\$ 188,565
Miscellaneous	447,857	415,827	(32,030)
Total revenues	<u>56,610,318</u>	<u>57,480,647</u>	<u>870,329</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	88,443	84,358	4,085
Operating expenditures	121,371	104,068	17,303
	<u>209,814</u>	<u>188,426</u>	<u>21,388</u>
Administration:			
Salaries and employee benefits	549,743	446,934	102,809
Operating expenditures	58,467	53,794	4,673
Capital outlay	500	-	500
	<u>608,710</u>	<u>500,728</u>	<u>107,982</u>
Human resources:			
Salaries and employee benefits	250,345	239,237	11,108
Operating expenditures	406,158	320,598	85,560
Capital outlay	20,240	-	20,240
	<u>676,743</u>	<u>559,835</u>	<u>116,908</u>
Finance:			
Salaries and employee benefits	322,064	322,292	(228)
Operating expenditures	38,532	30,668	7,864
Professional services	52,900	38,761	14,139
Capital outlay	137,560	138,718	(1,158)
	<u>551,056</u>	<u>530,439</u>	<u>20,617</u>
Internal Services:			
Operating expenditures	65,500	63,599	1,901
Tax administration:			
Salaries and employee benefits	822,184	750,237	71,947
Operating expenditures	141,475	110,415	31,060
Contracted services	37,819	28,187	9,632
Professional services	95,000	14,191	80,809
Capital outlay	3,000	2,905	95
	<u>1,099,478</u>	<u>905,935</u>	<u>193,543</u>

(Continued)

**LEE COUNTY, NORTH CAROLINA**  
**General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**For the Year Ended June 30, 2008**

	Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)			
General government: (Continued)			
Tax revaluation:			
Salaries and employee benefits	\$ 49,054	\$ 11,735	\$ 37,319
Operating expenditures	6,760	1,191	5,569
	<u>55,814</u>	<u>12,926</u>	<u>42,888</u>
Strategic services			
Salaries and employee benefits	301,151	300,566	585
Operating expenditures	68,910	63,102	5,808
	<u>370,061</u>	<u>363,668</u>	<u>6,393</u>
Court facilities:			
Operating expenditures	5,365	2,091	3,274
Capital outlay	566	566	-
	<u>5,931</u>	<u>2,657</u>	<u>3,274</u>
Elections:			
Salaries and employee benefits	134,578	133,281	1,297
Operating expenditures	217,420	173,618	43,802
Capital outlay	6,244	6,290	(46)
	<u>358,242</u>	<u>313,189</u>	<u>45,053</u>
Register of Deeds:			
Salaries and employee benefits	293,894	275,003	18,891
Operating expenditures	84,721	75,868	8,853
Capital outlay	12,534	12,528	6
	<u>391,149</u>	<u>363,399</u>	<u>27,750</u>
Information technology:			
Salaries and employee benefits	273,982	256,616	17,366
Operating expenditures	214,034	159,681	54,353
Contracted services	236,516	207,303	29,213
Capital outlay	192,103	160,412	31,691
	<u>916,635</u>	<u>784,012</u>	<u>132,623</u>
Buildings and grounds:			
Salaries and employee benefits	1,393,925	1,372,312	21,613
Operating expenditures	1,048,539	1,045,569	2,970
Capital outlay	469,681	227,991	241,690
	<u>2,912,145</u>	<u>2,645,872</u>	<u>266,273</u>
Total general government	<u>8,221,278</u>	<u>7,234,685</u>	<u>986,593</u>

(Continued)

**LEE COUNTY, NORTH CAROLINA**  
**General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**For the Year Ended June 30, 2008**

	<u>Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)			
Public safety:			
Sheriff :			
Salaries and employee benefits	\$ 2,845,187	\$ 2,831,058	\$ 14,129
Operating expenditures	667,813	654,887	12,926
Capital outlay	586,079	535,405	50,674
	<u>4,099,079</u>	<u>4,021,350</u>	<u>77,729</u>
Jail:			
Salaries and employee benefits	1,121,119	1,103,350	17,769
Operating expenditures	922,375	895,978	26,397
Capital outlay	16,000	14,191	1,809
	<u>2,059,494</u>	<u>2,013,519</u>	<u>45,975</u>
E911 Service	<u>141,745</u>	<u>141,745</u>	<u>-</u>
State fire control contribution	<u>83,594</u>	<u>76,283</u>	<u>7,311</u>
Inspections:			
Contracted services	<u>57,463</u>	<u>53,992</u>	<u>3,471</u>
Medical examiner:			
Professional services	<u>32,000</u>	<u>30,627</u>	<u>1,373</u>
Juvenile detention	<u>78,098</u>	<u>67,098</u>	<u>11,000</u>
Juvenile probation	<u>13,905</u>	<u>13,746</u>	<u>159</u>
Emergency medical services:			
Contracted services	<u>525,000</u>	<u>525,000</u>	<u>-</u>
Emergency services:			
Salaries and employee benefits	107,346	107,081	265
Operating expenditures	90,931	88,669	2,262
Capital outlay	62,735	39,649	23,086
	<u>261,012</u>	<u>235,399</u>	<u>25,613</u>
Fire Marshal:			
Salaries and employee benefits	170,939	171,536	(597)
Operating expenditures	66,246	63,593	2,653
Capital outlay	5,000	3,660	1,340
	<u>242,185</u>	<u>238,789</u>	<u>3,396</u>
Total public safety	<u>7,593,575</u>	<u>7,417,548</u>	<u>176,027</u>

(Continued)

**LEE COUNTY, NORTH CAROLINA**  
**General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**For the Year Ended June 30, 2008**

	<u>Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)			
Economic and physical development:			
Economic development:			
Salaries and employee benefits	\$ 168,029	\$ 167,722	\$ 307
Operating expenditures	<u>838,040</u>	<u>809,237</u>	<u>28,803</u>
	<u>1,006,069</u>	<u>976,959</u>	<u>29,110</u>
Planning and zoning:			
Contracted services	<u>324,140</u>	<u>324,140</u>	<u>-</u>
Agricultural extension:			
Salaries and employee benefits	173,692	118,230	55,462
Operating expenditures	25,798	16,110	9,688
Capital outlay	<u>3,817</u>	<u>3,817</u>	<u>-</u>
	<u>203,307</u>	<u>138,157</u>	<u>65,150</u>
Conservation:			
Salaries and employee benefits	95,402	95,665	(263)
Operating expenditures	16,798	10,962	5,836
Capital outlay	<u>500</u>	<u>-</u>	<u>500</u>
	<u>112,700</u>	<u>106,627</u>	<u>6,073</u>
Total economic and physical development	<u>1,646,216</u>	<u>1,545,883</u>	<u>100,333</u>
Human services:			
Health:			
Administration:			
Salaries and employee benefits	528,177	520,116	8,061
Operating expenditures	73,457	99,386	(25,929)
Contracted services	7,300	7,000	300
Capital Outlay	<u>4,266</u>	<u>2,501</u>	<u>1,765</u>
	<u>613,200</u>	<u>629,003</u>	<u>(15,803)</u>
Maternal health:			
Salaries and employee benefits	248,727	244,974	3,753
Operating expenditures	<u>46,947</u>	<u>38,457</u>	<u>8,490</u>
	<u>295,674</u>	<u>283,431</u>	<u>12,243</u>
Child health:			
Salaries and employee benefits	100,006	98,935	1,071
Operating expenditures	<u>16,056</u>	<u>12,353</u>	<u>3,703</u>
	<u>116,062</u>	<u>111,288</u>	<u>4,774</u>

(Continued)

**LEE COUNTY, NORTH CAROLINA**  
**General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**For the Year Ended June 30, 2008**

	<u>Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)			
Human services: (Continued)			
Health: (Continued)			
Primary care:			
Salaries and employee benefits	\$ 23,443	\$ 18,008	\$ 5,435
Operating expenditures	<u>28,322</u>	<u>15,863</u>	<u>12,459</u>
	<u>51,765</u>	<u>33,871</u>	<u>17,894</u>
Health promotion:			
Salaries and employee benefits	88,766	67,944	20,822
Operating expenditures	<u>66,320</u>	<u>43,183</u>	<u>23,137</u>
	<u>155,086</u>	<u>111,127</u>	<u>43,959</u>
WIC - Client services:			
Salaries and employee benefits	168,639	136,470	32,169
Operating expenditures	<u>4,360</u>	<u>3,587</u>	<u>773</u>
	<u>172,999</u>	<u>140,057</u>	<u>32,942</u>
Family planning:			
Salaries and employee benefits	156,070	145,619	10,451
Operating expenditures	<u>47,938</u>	<u>39,627</u>	<u>8,311</u>
	<u>204,008</u>	<u>185,246</u>	<u>18,762</u>
Animal control:			
Salaries and employee benefits	273,135	214,860	58,275
Operating expenditures	68,358	53,139	15,219
Capital outlay	<u>6,641</u>	<u>6,623</u>	<u>18</u>
	<u>348,134</u>	<u>274,622</u>	<u>73,512</u>
Environmental health:			
Salaries and employee benefits	459,025	431,882	27,143
Operating expenditures	40,950	26,751	14,199
Capital outlay	<u>13,814</u>	<u>879</u>	<u>12,935</u>
	<u>513,789</u>	<u>459,512</u>	<u>54,277</u>
Aids control:			
Salaries and employee benefits	32,095	29,489	2,606
Operating expenditures	<u>2,750</u>	<u>41</u>	<u>2,709</u>
	<u>34,845</u>	<u>29,530</u>	<u>5,315</u>

(Continued)

**LEE COUNTY, NORTH CAROLINA**  
**General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**For the Year Ended June 30, 2008**

	<u>Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)			
Human services: (Continued)			
Health: (Continued)			
Bioterrorism:			
Salaries and employee benefits	\$ 27,888	\$ 13,670	\$ 14,218
Operating expenditures	34,049	20,644	13,405
Capital outlay	15,800	15,243	557
	<u>77,737</u>	<u>49,557</u>	<u>28,180</u>
WIC - Breastfeeding:			
Salaries and employee benefits	12,309	20,747	(8,438)
Operating expenditures	2,691	1,120	1,571
	<u>15,000</u>	<u>21,867</u>	<u>(6,867)</u>
Child service coordinator:			
Salaries and employee benefits	140,226	134,939	5,287
Operating expenditures	6,263	3,705	2,558
	<u>146,489</u>	<u>138,644</u>	<u>7,845</u>
Communicable diseases:			
Salaries and employee benefits	154,262	137,392	16,870
Operating expenditures	22,997	15,537	7,460
	<u>177,259</u>	<u>152,929</u>	<u>24,330</u>
Breast/cervical cancer control:			
Salaries and employee benefits	16,464	15,840	624
Operating expenditures	5,450	4,115	1,335
	<u>21,914</u>	<u>19,955</u>	<u>1,959</u>
Immunizations:			
Salaries and employee benefits	75,270	68,151	7,119
Operating expenditures	1,800	898	902
	<u>77,070</u>	<u>69,049</u>	<u>8,021</u>
HIV case management:			
Operating expenditures	10,194	3,326	6,868

(Continued)

**LEE COUNTY, NORTH CAROLINA**  
**General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**For the Year Ended June 30, 2008**

	<u>Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)			
Human services: (Continued)			
Health: (Continued)			
Dental:			
Salaries and employee benefits	\$ 258,781	\$ 242,204	\$ 16,577
Operating expenditures	84,253	55,526	28,727
Contracted services	10,700	10,695	5
Capital outlay	55,152	551	54,601
	<u>408,886</u>	<u>308,976</u>	<u>99,910</u>
Healthy Carolinians			
Operating expenditures	12,048	10,870	1,178
Health check coordination:			
Salaries and employee benefits	54,340	55,128	(788)
Operating expenditures	3,618	1,138	2,480
	<u>57,958</u>	<u>56,266</u>	<u>1,692</u>
WIC - General administration:			
Salaries and employee benefits	9,610	4,019	5,591
Operating expenditures	390	232	158
	<u>10,000</u>	<u>4,251</u>	<u>5,749</u>
WIC - Nutrition education:			
Salaries and employee benefits	51,378	43,524	7,854
Operating expenditures	1,464	1,463	1
	<u>52,842</u>	<u>44,987</u>	<u>7,855</u>
Total health	<u>3,572,959</u>	<u>3,138,364</u>	<u>434,595</u>
Social services:			
Social services - administration:			
Salaries and employee benefits	4,748,577	4,614,747	133,830
Operating expenditures	643,710	512,073	131,637
Contracted services	31,667	19,116	12,551
Professional services	53,500	38,120	15,380
Capital outlay	97,486	75,233	22,253
	<u>5,574,940</u>	<u>5,259,289</u>	<u>315,651</u>
Social services - programs	6,808,260	5,879,874	928,386
Total Social Services	<u>12,383,200</u>	<u>11,139,163</u>	<u>1,244,037</u>

(Continued)

**LEE COUNTY, NORTH CAROLINA**  
**General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**For the Year Ended June 30, 2008**

	<u>Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)			
Human services: (Continued)			
Mental health	\$ 250,000	\$ 250,000	\$ -
Lee County Industries	5,000	5,000	-
Senior services - transportation:			
Salaries and employee benefits	459,785	445,514	14,271
Operating expenditures	270,713	213,304	57,409
Capital outlay	241,601	241,577	24
	<u>972,099</u>	<u>900,395</u>	<u>71,704</u>
Senior services - general:			
Salaries and employee benefits	551,288	527,772	23,516
Operating expenditures	198,603	173,994	24,609
Contracted services	133,847	128,579	5,268
Capital outlay	11,666	11,061	605
	<u>895,404</u>	<u>841,406</u>	<u>53,998</u>
Johnston-Lee Community Action	14,000	14,000	-
HAVEN	5,000	5,000	-
Youth services:			
Salaries and employee benefits	104,089	104,852	(763)
Operating expenditures	27,635	20,156	7,479
	<u>131,724</u>	<u>125,008</u>	<u>6,716</u>
Thanks:			
Salaries and employee benefits	49,191	37,896	11,295
Operating expenditures	7,962	3,203	4,759
	<u>57,153</u>	<u>41,099</u>	<u>16,054</u>
Hillcrest:			
Salaries and employee benefits	264,585	233,607	30,978
Operating expenditures	38,550	25,901	12,649
Capital outlay	617	-	617
	<u>303,752</u>	<u>259,508</u>	<u>44,244</u>

(Continued)

**LEE COUNTY, NORTH CAROLINA**  
**General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**For the Year Ended June 30, 2008**

	Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)			
Human services: (Continued)			
Pretrial release			
Salaries and employee benefits	\$ 57,674	\$ 57,633	\$ 41
Operating expenditures	10,992	3,965	7,027
	<u>68,666</u>	<u>61,598</u>	<u>7,068</u>
Family centered casework:			
Salaries and employee benefits	49,133	38,301	10,832
Operating expenditures	4,482	1,281	3,201
	<u>53,615</u>	<u>39,582</u>	<u>14,033</u>
Emergency and contingency	61,670	-	61,670
Total human services	<u>18,774,242</u>	<u>16,820,123</u>	<u>1,954,119</u>
Education:			
Lee County Board of Education:			
Current appropriation	13,502,134	13,502,134	-
Capital outlay	2,242,887	1,102,836	1,140,051
Central Carolina Community College:			
Current appropriation	2,064,136	2,064,137	(1)
Capital outlay	51,000	51,000	-
Total education	<u>17,860,157</u>	<u>16,720,107</u>	<u>1,140,050</u>
Cultural and recreational:			
Parks and recreation:			
Salaries and employee benefits	846,570	804,394	42,176
Operating expenditures	311,869	287,962	23,907
Professional services	62,690	56,775	5,915
Capital outlay	241,262	517,225	(275,963)
	<u>1,462,391</u>	<u>1,666,356</u>	<u>(203,965)</u>
Libraries:			
Salaries and employee benefits	539,263	512,489	26,774
Operating expenditures	244,589	213,762	30,827
Capital outlay	9,438	9,437	1
	<u>793,290</u>	<u>735,688</u>	<u>57,602</u>

(Continued)

**LEE COUNTY, NORTH CAROLINA**  
**General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**For the Year Ended June 30, 2008**

	<u>Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)			
Cultural and recreational: (Continued)			
Temple Theater	\$ 9,000	\$ 9,000	\$ -
Arts Council	2,500	2,500	-
Total cultural and recreational	<u>2,267,181</u>	<u>2,413,544</u>	<u>(146,363)</u>
Debt service:			
Principal retirement	3,275,000	3,274,996	4
Interest and fees	3,349,556	3,348,286	1,270
Capital lease payments - principal	454,146	454,146	-
Capital lease payments - interest	101,228	100,185	1,043
Total debt service	<u>7,179,930</u>	<u>7,177,613</u>	<u>2,317</u>
Total expenditures	<u>63,542,579</u>	<u>59,329,503</u>	<u>4,213,076</u>
Revenues over (under) expenditures	<u>(6,932,261)</u>	<u>(1,848,856)</u>	<u>5,083,405</u>
Other financing sources (uses):			
Transfers from other funds:			
Special Revenue Funds	4,718,598	3,978,884	(739,714)
Transfers to other funds:			
Special Revenue Funds	(942,404)	(942,404)	-
Total other financing sources (uses)	<u>3,776,194</u>	<u>3,036,480</u>	<u>(739,714)</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	(3,156,067)	1,187,624	4,343,691
Appropriated fund balance	<u>3,156,067</u>	<u>-</u>	<u>(3,156,067)</u>
Revenues, other financing sources (uses) and appropriated fund balance over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>1,187,624</u>	<u>\$ 1,187,624</u>
Fund balance:			
Beginning of year - July 1		<u>14,641,801</u>	
End of year - June 30		<u>\$ 15,829,425</u>	

**THIS PAGE LEFT INTENTIONALLY BLANK.**

## **MAJOR CAPITAL PROJECT FUND**

*Middle School Project Fund* – Accounts for the costs associated with the construction of a new middle school.

**THIS PAGE LEFT INTENTIONALLY BLANK.**

**LEE COUNTY, NORTH CAROLINA**  
**Middle School Project Fund - Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2008**

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ -	\$ 483,764	\$ 602,198	\$ 1,085,962
Expenditures:				
Capital outlay:				
Education	23,680,403	12,077,655	9,500,498	21,578,153
Revenues over (under) expenditures	(23,680,403)	(11,593,891)	(8,898,300)	(20,492,191)
Other financing sources (uses):				
Certificates of participation issued	23,680,403	-	22,925,000	22,925,000
Original issuance premium	-	-	755,403	755,403
Total other financing sources (uses)	23,680,403	-	23,680,403	23,680,403
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	\$ -	(11,593,891)	\$ 14,782,103	\$ 3,188,212
Fund balance:				
Beginning of year - July 1		14,782,103		
End of year - June 30		\$ 3,188,212		

**THIS PAGE LEFT INTENTIONALLY BLANK.**

**NONMAJOR GOVERNMENTAL FUNDS**

**THIS PAGE LEFT INTENTIONALLY BLANK.**

**LEE COUNTY, NORTH CAROLINA**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2008**

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 4,466,056	\$ 1,388,991	\$ 5,855,047
Taxes receivable - net	104,806	-	104,806
Accounts receivable - net	676,112	183,051	859,163
Accrued interest receivable	21,466	11,231	32,697
Cash and investments - restricted	<u>-</u>	<u>2,957,123</u>	<u>2,957,123</u>
 Total assets	 <u>\$ 5,268,440</u>	 <u>\$ 4,540,396</u>	 <u>\$ 9,808,836</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 23,609	\$ 385,488	\$ 409,097
Deferred revenues	<u>113,098</u>	<u>-</u>	<u>113,098</u>
 Total liabilities	 <u>136,707</u>	 <u>385,488</u>	 <u>522,195</u>
Fund balances:			
Reserved by State statute	697,578	-	697,578
Reserved for encumbrances	-	506,264	506,264
Unreserved:			
Designated for subsequent year's expenditures	263,851	-	263,851
Undesignated	<u>4,170,304</u>	<u>3,648,644</u>	<u>7,818,948</u>
 Total fund balances	 <u>5,131,733</u>	 <u>4,154,908</u>	 <u>9,286,641</u>
 Total liabilities and fund balances	 <u>\$ 5,268,440</u>	 <u>\$ 4,540,396</u>	 <u>\$ 9,808,836</u>

**LEE COUNTY, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2008**

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Revenues:			
Ad valorem taxes	\$ 2,134,386	\$ -	\$ 2,134,386
Local option sales taxes	1,995,877	-	1,995,877
Other taxes and licenses	609,901	-	609,901
Restricted intergovernmental	1,058,398	560,035	1,618,433
Investment earnings	217,540	227,785	445,325
Other revenues	-	56,204	56,204
Total revenues	<u>6,016,102</u>	<u>844,024</u>	<u>6,860,126</u>
Expenditures:			
Current:			
Public safety	2,122,512	-	2,122,512
Economic and physical development	54,997	794,583	849,580
Education	243,466	3,305,485	3,548,951
Total expenditures	<u>2,420,975</u>	<u>4,100,068</u>	<u>6,521,043</u>
Revenues over (under) expenditures	3,595,127	(3,256,044)	339,083
Other financing sources (uses):			
Transfers from other funds	261,554	-	261,554
Transfers to other funds	<u>(3,221,851)</u>	<u>(76,183)</u>	<u>(3,298,034)</u>
Total other financing sources (uses)	<u>(2,960,297)</u>	<u>(76,183)</u>	<u>(3,036,480)</u>
Net change in fund balances	634,830	(3,332,227)	(2,697,397)
Fund balances:			
Beginning of year - July 1	<u>4,496,903</u>	<u>7,487,135</u>	<u>11,984,038</u>
End of year - June 30	<u>\$ 5,131,733</u>	<u>\$ 4,154,908</u>	<u>\$ 9,286,641</u>

## NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation.

The following comprise the County's Special Revenue Funds:

- *Fire Protection Fund* - Accounts for the ad valorem tax levies of the nine fire districts in Lee County.
- *Capital Projects Outlay Fund* - Is used as a capital reserve fund and accounts for the accumulation of resources to be used for future construction projects.
- *School Capital Outlay Fund* - Accounts for the restricted portions of the Article 40 and Article 42 sales taxes.
- *Room Occupancy Tax Fund* - Accounts for room occupancy tax collected in Lee County.
- *Emergency Telephone System Fund* - Accounts for the E-911 surcharge levied on all Lee County telephone subscribers.
- *Airport Tax Revenue Fund* – Accounts for the tax revenue collected on personal property located at the Sanford-Lee County Regional Airport.
- *Drug Seizure Fund* – Accounts for payments received from drug seizures.

**THIS PAGE LEFT INTENTIONALLY BLANK.**

**LEE COUNTY, NORTH CAROLINA**  
**Combining Balance Sheet - Nonmajor Special Revenue Funds**  
**June 30, 2008**

	Fire Protection Fund	Capital Projects Outlay Fund	School Capital Outlay Fund	Room Occupancy Tax Fund	Emergency Telephone System Fund	Airport Tax Revenue Fund	Drug Seizure Funds	Totals
<b>Assets</b>								
Cash and investments	\$ 115,847	\$ 2,504,666	\$ 465,173	\$ 101,446	\$ 741,325	\$ 472,913	\$ 64,686	\$ 4,466,056
Taxes receivable - net	95,163	-	-	-	-	9,643	-	104,806
Accounts receivable	-	-	501,748	-	173,767	-	597	676,112
Accrued interest receivable	558	12,038	2,236	487	3,563	2,273	311	21,466
Total assets	\$ 211,568	\$ 2,516,704	\$ 969,157	\$ 101,933	\$ 918,655	\$ 484,829	\$ 65,594	\$ 5,268,440
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 23,609	\$ -	\$ -	\$ 23,609
Deferred revenues	103,455	-	-	-	-	9,643	-	113,098
Total liabilities	103,455	-	-	-	23,609	9,643	-	136,707
Fund balances:								
Reserved by State statute	558	12,038	503,984	487	177,330	2,273	908	697,578
Unreserved:								
Designated for subsequent year's expenditures	69,000	166,235	-	-	-	28,616	-	263,851
Undesignated	38,555	2,338,431	465,173	101,446	717,716	444,297	64,686	4,170,304
Total fund balance	108,113	2,516,704	969,157	101,933	895,046	475,186	65,594	5,131,733
Total liabilities and fund balances	\$ 211,568	\$ 2,516,704	\$ 969,157	\$ 101,933	\$ 918,655	\$ 484,829	\$ 65,594	\$ 5,268,440

**LEE COUNTY, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2008**

	Fire Protection Fund	Capital Projects Outlay Fund	School Capital Outlay Fund	Room Occupancy Tax Fund	Emergency Telephone System Fund	Airport Tax Revenue Fund	Drug Seizure Fund	Totals
Revenues:								
Ad valorem taxes	\$ 1,921,213	\$ -	\$ -	\$ -	\$ -	\$ 213,173	\$ -	\$ 2,134,386
Local option sales taxes	-	1,995,877	-	-	-	-	-	1,995,877
Other taxes and licenses	-	-	-	184,017	425,884	-	-	609,901
Restricted intergovernmental	-	-	908,204	-	-	-	150,194	1,058,398
Investment earnings	3,481	115,421	2,236	5,477	68,178	19,472	3,275	217,540
Total revenues	1,924,694	115,421	2,906,317	189,494	494,062	232,645	153,469	6,016,102
Expenditures:								
Current:								
General government:								
Public safety	1,718,366	-	-	-	312,696	-	91,450	2,122,512
Economic and physical development	-	-	-	-	-	54,997	-	54,997
Education	-	-	-	243,466	-	-	-	243,466
Total expenditures	1,718,366	-	-	243,466	312,696	54,997	91,450	2,420,975
Revenues over (under) expenditures	206,328	115,421	2,906,317	(53,972)	181,366	177,648	62,019	3,595,127
Other financing sources (uses):								
Transfers in (out):								
General Fund	(241,101)	185,371	(2,424,202)	-	(556,548)	-	-	(3,036,480)
Capital Project Fund	-	76,183	-	-	-	-	-	76,183
Total other financing sources (uses)	(241,101)	261,554	(2,424,202)	-	(556,548)	-	-	(2,960,297)
Net changes in fund balance	(34,773)	376,975	482,115	(53,972)	(375,182)	177,648	62,019	634,830
Fund balances, beginning of year	142,886	2,139,729	487,042	155,905	1,270,228	297,538	3,575	4,496,903
Fund balances, end of year	\$ 108,113	\$ 2,516,704	\$ 969,157	\$ 101,933	\$ 895,046	\$ 475,186	\$ 65,594	\$ 5,131,733

**LEE COUNTY, NORTH CAROLINA**  
**Fire Protection Fund - Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2008**

	2008		Variance With Final Budget Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Current year	\$ 1,823,788	\$ 1,867,416	\$ 43,628
Prior years	-	53,797	53,797
Total ad valorem taxes	<u>1,823,788</u>	<u>1,921,213</u>	<u>97,425</u>
Investment earnings	-	3,481	3,481
Total revenues	<u>1,823,788</u>	<u>1,924,694</u>	<u>100,906</u>
Expenditures:			
Public safety	<u>1,718,687</u>	<u>1,718,366</u>	<u>321</u>
Revenues over (under) expenditures	105,101	206,328	101,227
Other financing sources (uses):			
Transfers in (out):			
General Fund	<u>(241,101)</u>	<u>(241,101)</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (	(136,000)	(34,773)	101,227
Appropriated fund balance	<u>136,000</u>	<u>-</u>	<u>(136,000)</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(34,773)</u>	<u>\$ (34,773)</u>
Fund balanaes:			
Beginning of year - July 1		<u>142,886</u>	
End of year - June 30		<u>\$ 108,113</u>	

**LEE COUNTY, NORTH CAROLINA**  
**Capital Projects Outlay Fund - Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2008**

	2008		Variance With Final Budget Positive (Negative)
	Budget	Actual	
Revenues:			
Investment earnings	\$ -	\$ 115,421	\$ 115,421
Revenues over (under) expenditures	-	115,421	115,421
Other financing sources (uses):			
Transfers in (out):			
General Fund	(440,629)	185,371	626,000
Capital Project Fund	-	76,183	76,183
Total other financing sources (uses)	(440,629)	261,554	702,183
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	(440,629)	376,975	817,604
Appropriated fund balance	440,629	-	(440,629)
Revenues, other financing sources (uses) and appropriated fund balance over (under) expenditures and other financing sources (uses)	\$ -	376,975	\$ 376,975
Fund balance:			
Beginning of year - July 1		2,139,729	
End of year - June 30		\$ 2,516,704	

**LEE COUNTY, NORTH CAROLINA**  
**School Capital Outlay Fund - Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2008**

	2008		Variance With Final Budget Positive (Negative)
	Budget	Actual	
Revenues:			
Local option sales taxes	\$ 1,987,200	\$ 1,995,877	\$ 8,677
Restricted intergovernmental revenues:			
Public School Building Capital Fund	599,241	-	(599,241)
Public School Building Capital Fund-Lottery	1,441,499	908,204	(533,295)
Investment earnings	-	2,236	2,236
Total revenues	<u>4,027,940</u>	<u>2,906,317</u>	<u>(1,121,623)</u>
Revenues over (under) expenditures	4,027,940	2,906,317	(1,121,623)
Other financing sources (uses):			
Transfers in (out):			
General Fund	<u>(4,027,940)</u>	<u>(2,424,202)</u>	<u>1,603,738</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	482,115	<u>\$ 482,115</u>
Fund balance:			
Beginning of year - July 1		<u>487,042</u>	
End of year - June 30		<u>\$ 969,157</u>	

**LEE COUNTY, NORTH CAROLINA**  
**Room Occupancy Tax Fund - Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2008**

	2008		Variance With Final Budget Positive (Negative)
	Budget	Actual	
Revenues:			
Other taxes and licenses:			
Room occupancy tax	\$ 168,751	\$ 184,017	\$ 15,266
Investment earnings	-	5,477	5,477
Total revenues	<u>168,751</u>	<u>189,494</u>	<u>20,743</u>
Expenditures:			
Education - CCCC appropriation	<u>243,466</u>	<u>243,466</u>	-
Revenues over (under) expenditures	(74,715)	(53,972)	20,743
Appropriated fund balance	<u>74,715</u>	-	<u>(74,715)</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	(53,972)	<u>\$ (53,972)</u>
Fund balance:			
Beginning of year - July 1		<u>155,905</u>	
End of year - June 30		<u>\$ 101,933</u>	

**LEE COUNTY, NORTH CAROLINA**  
**Emergency Telephone System Fund - Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2008**

	2008		Variance With Final Budget Positive (Negative)
	Budget	Actual	
Revenues:			
Other taxes and licenses	\$ 357,134	\$ 425,884	\$ 68,750
Investment earnings	-	68,178	68,178
Total revenues	<u>357,134</u>	<u>494,062</u>	<u>136,928</u>
Expenditures:			
Public safety	<u>343,424</u>	<u>312,696</u>	<u>30,728</u>
Revenues over (under) expenditures	13,710	181,366	167,656
Other financing sources (uses):			
Transfers in (out):			
General Fund	<u>(567,259)</u>	<u>(556,548)</u>	<u>10,711</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	(553,549)	(375,182)	178,367
Appropriated fund balance	<u>553,549</u>	<u>-</u>	<u>(553,549)</u>
Revenues, other financing sources (uses) and appropriated fund balance over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>(375,182)</u>	<u>\$ (375,182)</u>
Fund balance:			
Beginning of year - July 1		<u>1,270,228</u>	
End of year - June 30		<u>\$ 895,046</u>	

**LEE COUNTY, NORTH CAROLINA**  
**Airport Tax Revenue Fund - Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2008**

	2008		Variance With Final Budget Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Current year	\$ 54,997	\$ 211,446	\$ 156,449
Prior years	-	1,727	1,727
Investment earnings	-	19,472	19,472
Total revenues	<u>54,997</u>	<u>232,645</u>	<u>177,648</u>
Expenditures:			
Economic and physical development	<u>54,997</u>	<u>54,997</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	177,648	<u>\$ 177,648</u>
Fund balance:			
Beginning of year - July 1		<u>297,538</u>	
End of year - June 30		<u>\$ 475,186</u>	

**LEE COUNTY, NORTH CAROLINA**  
**Drug Seizure Fund - Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2008**

	2008		Variance With Final Budget Positive (Negative)
	Budget	Actual	
Revenues:			
Intergovernmental revenues	\$ 106,065	\$ 150,194	\$ 44,129
Investment earnings	-	3,275	3,275
Total revenues	<u>106,065</u>	<u>153,469</u>	<u>47,404</u>
Expenditures:			
Public Safety	<u>109,600</u>	<u>91,450</u>	<u>18,150</u>
Revenues over (under) expenditures	(3,535)	62,019	65,554
Appropriated fund balance	<u>3,535</u>	-	<u>(3,535)</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	62,019	<u>\$ 62,019</u>
Fund balance:			
Beginning of year - July 1		<u>3,575</u>	
End of year - June 30		<u>\$ 65,594</u>	

**THIS PAGE LEFT INTENTIONALLY BLANK.**

## NONMAJOR CAPITAL PROJECT FUNDS

Capital Project Funds account for all resources used for the acquisition and/or construction of major capital facilities other than those financed by Proprietary Funds and Trust Funds.

The following comprise the County's Capital Project Funds:

- *CCCC Telecommunications Building Fund* – Accounts for the costs of constructing a new Telecommunications School for Central Carolina Community College
- *Industrial Park Expansion Fund* – Accounts for the costs associated with the expansion of Lee County's Industrial Park.
- *New High School Construction Fund* – Accounts for the costs associated with construction of a new high school
- *Fiscal Year 2002 Community Development Block Grant Fund* – Accounts for State funds used to renovate housing.
- *Sewer Line Extension Fund* – Accounts for the costs associated with extending sewer to the location of the new high school under construction.
- *Emergency Services Training Facility Fund* – Accounts for cost of constructing a new Emergency Services Training Facility for Central Carolina Community College
- *Tramway Road Park Fund* – Accounts for the costs of the construction a new park facility located on Tramway Road.
- *Makepeace Street Office Expansion Fund* – Accounts for the costs of expanding the Makepeace Street Office.
- *Floyd L. Knight Addition Fund* – Accounts for the costs of adding a multipurpose gym room to the Floyd L. Knight School.
- *CCCC 2006 COPS Capital Project Fund* – Accounts for the costs associated with renovations and repairs at Central Carolina Community College and Dennis Wicker Civic Center.
- *Endor Iron Works Restoration Fund* – Accounts for the planning work associated with the restoration of the Endor Iron Works.
- *Fiscal Year 2005 Community Development Block Grant Fund* – Accounts for State funds used to renovate housing.

**THIS PAGE LEFT INTENTIONALLY BLANK.**

**LEE COUNTY, NORTH CAROLINA**  
**Combining Balance Sheet - Nonmajor Capital Project Funds**  
**June 30, 2008**

	CCCC Telecommunications Building Fund	Industrial Park Expansion Fund	New High School Construction Fund	Fiscal Year 2002		Sewer Line Extension Fund	Emergency Services Training Facility Fund	Tramway Road Park Fund	Makepeace Street Office Expansion Fund	Floyd L. Knight Addition Fund	CCCC 2006 COPS Capital Project Fund	Totals
				Community Development Block Grant Fund	Development Block Grant Fund							
Cash and investments	\$ 23,241	\$ 36,853	\$ 249,363	\$ 1,000	\$ -	\$ -	\$ 727,673	\$ 1,181	\$ 349,680	\$ -	\$ -	\$ 1,388,991
Accounts receivable - net	-	-	-	-	-	-	-	119,526	-	63,525	-	183,051
Accrued interest receivable	112	177	88	-	-	-	4,618	953	-	861	4,422	11,231
Cash and investments - restricted	-	-	10,208	-	-	-	129,639	429,988	-	389,696	1,997,592	2,957,123
<b>Total assets</b>	<b>\$ 23,353</b>	<b>\$ 37,030</b>	<b>\$ 259,659</b>	<b>\$ 1,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 861,930</b>	<b>\$ 551,648</b>	<b>\$ 349,680</b>	<b>\$ 454,082</b>	<b>\$ 2,002,014</b>	<b>\$ 4,540,396</b>
<b>Liabilities and Fund Balances</b>												
<b>Liabilities:</b>												
Accounts payable and accrued liabilities	\$ -	\$ 779	-	\$ 1,000	\$ -	\$ -	\$ -	\$ 160,878	\$ -	\$ 197,607	\$ 25,224	\$ 385,488
Total liabilities	-	779	-	1,000	-	-	-	160,878	-	197,607	25,224	385,488
<b>Fund balances:</b>												
Reserved for encumbrances	-	-	-	-	-	-	-	506,264	-	-	-	506,264
Unreserved - Undesignated	23,353	36,251	259,659	-	-	-	861,930	(115,494)	349,680	256,475	1,976,790	3,648,644
Total fund balance (deficit)	23,353	36,251	259,659	-	-	-	861,930	390,770	349,680	256,475	1,976,790	4,154,908
Total liabilities and fund balances	\$ 23,353	\$ 37,030	\$ 259,659	\$ 1,000	\$ -	\$ -	\$ 861,930	\$ 551,648	\$ 349,680	\$ 454,082	\$ 2,002,014	\$ 4,540,396

**LEE COUNTY, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund**  
**Balances (Deficit) - Nonmajor Capital Project Funds**  
**For the Year Ended June 30, 2008**

	Fiscal Year 2002				Fiscal Year 2005				Totals			
	CCCC Telecommunications Building Fund	Industrial Park Expansion Fund	New High School Construction Fund	Community Development Block Grant Fund	Sewer Line Extension Fund	Emergency Services Training Facility Fund	Tramway Road Park Fund	Makepeace Street Office Expansion Fund		Floyd L. Knight Addition Fund	CCCC 2006 COPS Capital Project Fund	Endor Iron Works Restoration Fund
<b>Revenues:</b>												
Restricted intergovernmental investment earnings	112	2,100	484	-	-	62,848	117,705	-	41,542	101,756	42,330	400,000
Other revenues	-	-	-	-	-	-	17,404	-	38,800	-	-	-
Total revenues	112	2,100	484	-	-	62,848	154,052	-	80,342	101,756	42,330	400,000
<b>Expenditures:</b>												
Capital outlay:												
Economic and physical development	-	7,376	-	-	-	-	344,877	-	-	-	42,330	400,000
Education	2,893	-	4	-	-	1,487,686	-	-	1,079,510	735,392	-	-
Total expenditures	2,893	7,376	4	-	-	1,487,686	344,877	-	1,079,510	735,392	42,330	400,000
Revenues over (under) expenditures	(2,781)	(5,276)	480	-	-	(1,424,838)	(190,825)	-	(999,168)	(633,636)	-	-
Other financing sources (uses)												
Transfers in (out):												
Capital Project Fund	-	-	-	-	(76,183)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(76,183)	-	-	-	-	-	-	-
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	(2,781)	(5,276)	480	-	(76,183)	(1,424,838)	(190,825)	-	(999,168)	(633,636)	-	-
Fund balances (deficit):												
Beginning of year - July	26,134	41,527	259,179	-	76,183	2,286,768	581,595	349,680	1,255,643	2,610,426	-	-
End of year - June 30	23,353	36,251	259,659	-	-	861,930	390,770	349,680	256,475	1,976,790	-	-

**LEE COUNTY, NORTH CAROLINA**  
**CCCC Telecommunications Building Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2006**

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ 33,065	\$ 112	\$ 33,064	\$ 33,176
Expenditures:				
Capital outlay:				
Education	2,509,429	2,893	2,506,930	2,509,823
Revenues over (under) expenditures	<u>(2,476,364)</u>	<u>(2,781)</u>	<u>(2,473,866)</u>	<u>(2,476,647)</u>
Other financing sources (uses):				
Capital lease issuance	2,500,000	-	2,500,000	2,500,000
Transfers in (out):				
Special Revenue Fund	<u>(23,636)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>2,476,364</u>	<u>-</u>	<u>2,500,000</u>	<u>2,500,000</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>(2,781)</u>	<u>\$ 26,134</u>	<u>\$ 23,353</u>
Fund balance:				
Beginning of year - July 1		<u>26,134</u>		
End of year - June 30		<u>\$ 23,353</u>		

**LEE COUNTY, NORTH CAROLINA**  
**Industrial Park Expansion Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2008**

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ 52,146	\$ 2,100	\$ 69,097	\$ 71,197
Expenditures:				
Capital outlay:				
Economic and physical development	2,187,146	7,376	2,162,570	2,169,946
Revenues over (under) expenditures	(2,135,000)	(5,276)	(2,093,473)	(2,098,749)
Other financing sources (uses):				
Transfers in (out):				
Enterprise Fund	700,000	-	700,000	700,000
Bond issuance	1,435,000	-	1,435,000	1,435,000
Total other financing sources (uses)	2,135,000	-	2,135,000	2,135,000
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	\$ -	(5,276)	\$ 41,527	\$ 36,251
Fund balance:				
Beginning of year - July 1		41,527		
End of year - June 30		\$ 36,251		

**LEE COUNTY, NORTH CAROLINA**  
**New High School Construction Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2006**

	Project Budget	Actual		Total to Date
		Current Year	Prior Years	
<b>Revenues:</b>				
Investment earnings	\$ 175,000	\$ 484	\$ 420,674	\$ 421,158
Other revenues	400,000	-	456,954	456,954
Total revenues	<u>575,000</u>	<u>484</u>	<u>877,628</u>	<u>878,112</u>
<b>Expenditures:</b>				
Capital outlay:				
Education	<u>25,718,570</u>	<u>4</u>	<u>25,744,709</u>	<u>25,744,713</u>
Revenues over (under) expenditures	<u>(25,143,570)</u>	<u>480</u>	<u>(24,867,081)</u>	<u>(24,866,601)</u>
<b>Other financing sources (uses):</b>				
Transfers in (out):				
General Fund	850,000	-	850,000	850,000
Capital Project Fund	(200,000)	-	(200,000)	(200,000)
Certificates of participation issued	24,493,570	-	23,755,320	23,755,320
Original issuance premium	-	-	720,940	720,940
Total other financing sources (uses)	<u>25,143,570</u>	<u>-</u>	<u>25,126,260</u>	<u>25,126,260</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>480</u>	<u>\$ 259,179</u>	<u>\$ 259,659</u>
<b>Fund balance:</b>				
Beginning of year - July 1		<u>259,179</u>		
End of year - June 30		<u>\$ 259,659</u>		

**LEE COUNTY, NORTH CAROLINA**  
**Fiscal Year 2002 Community Development Block Grant Fund -**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2008**

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Restricted intergovernmental:				
CDBG grant funds	\$ 400,000	\$ -	\$ 400,000	\$ 400,000
Expenditures:				
Capital outlay:				
Economic and physical development	411,809	-	411,809	411,809
Revenues over (under) expenditures	(11,809)	-	(11,809)	(11,809)
Other financing sources (uses):				
Transfers in (out):				
General Fund	6,912	-	6,912	6,912
Special Revenue Fund	4,897	-	4,897	4,897
Total other financing sources (uses)	11,809	-	11,809	11,809
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	\$ -	-	\$ -	\$ -
Fund balance:				
Beginning of year - July 1		-		
End of year - June 30		\$ -		

**LEE COUNTY, NORTH CAROLINA**  
**Sewer Line Extension Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2006**

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Other revenues	\$ 300,000	\$ -	\$ 300,000	\$ 300,000
Expenditures:				
Capital outlay:				
Economic and physical development	1,053,540	-	1,053,540	1,053,540
Revenues over (under) expenditures	(753,540)	-	(753,540)	(753,540)
Other financing sources (uses):				
Transfers in (out):				
General Fund	386,900	-	486,809	486,809
Enterprise fund	442,823	-	342,914	342,914
Special Revenue Fund	(76,183)	(76,183)	-	(76,183)
Total other financing sources (uses)	753,540	(76,183)	829,723	753,540
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	\$ -	(76,183)	\$ 76,183	\$ -
Fund balance:				
Beginning of year - July 1		76,183		
End of year - June 30		\$ -		

**LEE COUNTY, NORTH CAROLINA**  
**Emergency Services Training Facility Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2006**

	Project Budget	Actual		Total to Date
		Current Year	Prior Years	
Revenues:				
Investment earnings	\$ 92,173	\$ 62,848	\$ 259,992	\$ 322,840
Expenditures:				
Capital outlay:				
Economic and physical development	2,633,449	1,487,686	512,703	2,000,389
Revenues over (under) expenditures	<u>(2,541,276)</u>	<u>(1,424,838)</u>	<u>(252,711)</u>	<u>(1,677,549)</u>
Other financing sources (uses):				
Certificates of participation issued	2,541,276	-	2,464,680	2,464,680
Original issuances premium	-	-	74,799	74,799
Total other financing sources (uses)	<u>2,541,276</u>	<u>-</u>	<u>2,539,479</u>	<u>2,539,479</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>(1,424,838)</u>	<u>\$ 2,286,768</u>	<u>\$ 861,930</u>
Fund balance:				
Beginning of year - July 1		<u>2,286,768</u>		
End of year - June 30		<u>\$ 861,930</u>		

**LEE COUNTY, NORTH CAROLINA**  
**Tramway Road Park Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2006**

	Project Budget	Current Year	Actual Prior Years	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental				
PARTF grant	\$ 750,000	\$ 117,705	\$ 356,174	\$ 473,879
Investment earnings	-	18,943	16,916	35,859
Other revenues	<u>17,400</u>	<u>17,404</u>	<u>-</u>	<u>17,404</u>
Total revenues	<u>767,400</u>	<u>154,052</u>	<u>373,090</u>	<u>527,142</u>
<b>Expenditures:</b>				
Capital outlay:				
Cultural and recreational	<u>1,766,133</u>	<u>344,877</u>	<u>790,228</u>	<u>1,135,105</u>
Revenues over (under) expenditures	<u>(998,733)</u>	<u>(190,825)</u>	<u>(417,138)</u>	<u>(607,963)</u>
<b>Other financing sources (uses):</b>				
Certificates of participation issued	714,283	-	700,000	700,000
Original issuance premium	-	-	14,283	14,283
Transfers in (out):				
General Fund	<u>284,450</u>	<u>-</u>	<u>284,450</u>	<u>284,450</u>
Total other financing sources (uses)	<u>998,733</u>	<u>-</u>	<u>998,733</u>	<u>998,733</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>(190,825)</u>	<u>\$ 581,595</u>	<u>\$ 390,770</u>
<b>Fund balance:</b>				
Beginning of year - July 1		<u>581,595</u>		
End of year - June 30		<u>\$ 390,770</u>		

**LEE COUNTY, NORTH CAROLINA**  
**Makepeace Street Office Expansion - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2008**

	Project Budget	Current Year	Actual Prior Years	Total to Date
Expenditures:				
Capital outlay:				
Economic and physical development	\$ 365,800	\$ -	\$ 16,120	\$ 16,120
Revenues over (under) expenditures	(365,800)	-	(16,120)	(16,120)
Other financing sources (uses):				
Transfers in (out):				
General Fund	365,800	-	365,800	365,800
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	\$ -	-	\$ 349,680	\$ 349,680
Fund balance:				
Beginning of year - July 1		349,680		
End of year - June 30		\$ 349,680		

**LEE COUNTY, NORTH CAROLINA**  
**Floyd L. Knight Addition Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2006**

	Project Budget	Actual		Total to Date
		Current Year	Prior Years	
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 41,542	\$ 56,169	\$ 97,711
Other revenues	-	38,800	-	38,800
Total revenues	-	80,342	56,169	136,511
<b>Expenditures:</b>				
Capital outlay:				
Education	2,225,940	1,079,510	1,026,466	2,105,976
Revenues over (under) expenditures	(2,225,940)	(999,168)	(970,297)	(1,969,465)
<b>Other financing sources (uses):</b>				
Certificates of participation issued	2,225,940	-	2,185,000	2,185,000
Original issuance premium	-	-	40,940	40,940
Total other financing sources (uses)	2,225,940	-	2,225,940	2,225,940
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	\$ -	(999,168)	\$ 1,255,643	\$ 256,475
<b>Fund balance:</b>				
Beginning of year - July 1		1,255,643		
End of year - June 30		\$ 256,475		

**LEE COUNTY, NORTH CAROLINA**  
**CCCC 2006 COPS Capital Project Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2006**

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ -	\$ 101,756	\$ 70,844	\$ 172,600
Expenditures:				
Capital outlay:				
Education	2,596,688	735,392	57,106	792,498
Revenues over (under) expenditures	<u>(2,596,688)</u>	<u>(633,636)</u>	<u>13,738</u>	<u>(619,898)</u>
Other financing sources (uses):				
Certificates of participation issued	2,596,688	-	2,545,000	2,545,000
Original issuance premium	-	-	51,688	51,688
Total other financing sources (uses)	<u>2,596,688</u>	<u>-</u>	<u>2,596,688</u>	<u>2,596,688</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>(633,636)</u>	<u>\$ 2,610,426</u>	<u>\$ 1,976,790</u>
Fund balance:				
Beginning of year - July 1		<u>2,610,426</u>		
End of year - June 30		<u>\$ 1,976,790</u>		

**LEE COUNTY, NORTH CAROLINA**  
**Endor Iron Works Restoration Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2008**

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Restricted intergovernmental	\$ 42,330	\$ 42,330	\$ -	\$ 42,330
Expenditures:				
Capital outlay:				
Economic and physical development	42,330	42,330	-	42,330
Revenues over (under) expenditures	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance:				
Beginning of year - July 1		-		
End of year - June 30		<u>\$ -</u>		

**LEE COUNTY, NORTH CAROLINA**  
**FY 2005 Community Development Block Grant Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2006**

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Restricted intergovernmental	\$ 400,000	\$ 400,000	\$ -	\$ 400,000
Expenditures:				
Capital outlay:				
Economic and physical development	400,000	400,000	-	400,000
Revenues over (under) expenditures	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance:				
Beginning of year - July 1		-		
End of year - June 30		<u>\$ -</u>		

## ENTERPRISE FUNDS

Enterprise Funds account for operations that are financed and operated in a manner similar to private business or where the County has decided that periodic determination of net income is appropriate for capital maintenance, management control, accountability, public policy, or other purposes.

The following comprise the County's Enterprise Funds

- *Solid Waste Management Fund* - Accounts for the operations of the County's solid waste activities.

**THIS PAGE LEFT INTENTIONALLY BLANK.**

**LEE COUNTY, NORTH CAROLINA**  
**Solid Waste Management Fund - Schedule of Revenues and Expenditures -**  
**Budget and Actual (non GAAP)**  
**For the Fiscal Year Ended June 30, 2008**

	Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
Operating revenues:			
Solid waste charges	\$ 1,161,630	\$ 1,129,739	\$ (31,891)
Other operating revenues	109,354	115,427	6,073
Total operating revenues	<u>1,270,984</u>	<u>1,245,166</u>	<u>(25,818)</u>
Nonoperating revenues:			
Investment earnings	<u>20,000</u>	<u>49,102</u>	<u>29,102</u>
Total revenues	<u>1,290,984</u>	<u>1,294,268</u>	<u>3,284</u>
Expenditures:			
Salaries and employee benefits	618,770	579,658	39,112
Other operating expenditures	731,674	856,656	(124,982)
Capital outlay	<u>15,000</u>	<u>12,035</u>	<u>2,965</u>
Total expenditures	<u>1,365,444</u>	<u>1,448,349</u>	<u>(82,905)</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	(74,460)	(154,081)	(79,621)
Appropriated fund balance	<u>74,460</u>	<u>-</u>	<u>(74,460)</u>
Revenues, other financing sources (uses) and appropriated fund balance over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (154,081)</u>	<u>\$ (154,081)</u>
Reconciliation of modified accrual basis to full accrual basis:			
Revenues and other financing sources (uses) over (under) expenditures		\$ (154,081)	
Capital outlay		12,035	
Depreciation		<u>(47,621)</u>	
Change in net assets		<u>\$ (189,667)</u>	

**THIS PAGE LEFT INTENTIONALLY BLANK.**

## AGENCY FUNDS

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds.

The following comprise the County's Agency Funds:

- *Town of Broadway* - Accounts for tax revenues collected on behalf of the Town of Broadway.
- *City of Sanford* - Accounts for tax revenues collected on behalf of the City of Sanford.
- *Central Business District* - Accounts for tax revenues collected on behalf of the Central Business District.
- *Fines and Forfeitures Fund* - This fund accounts for fines and forfeitures collected by the County that are required to be remitted to the Lee County Board of Education.
- *Social Services Payee Accounts* - Accounts for monies held by Social Services Department for the benefit of certain individuals in the County.
- *Jail Inmate Trust Accounts* - Accounts for monies held by the jail for the benefit of the inmates.
- *Motor Vehicle Tax Fund* – Accounts for three percent interest on the first month of delinquent motor taxes that the County is required to remit to the North Carolina Department of Motor Vehicles.
- *Mental Health Insurance Funds* – Accounts for funds received from Lee-Harnett Mental Health Authority and its former employees to cover insurance costs for retirees.

**THIS PAGE LEFT INTENTIONALLY BLANK.**

**LEE COUNTY, NORTH CAROLINA**  
**Agency Funds - Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2008**

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b>TOWN OF BROADWAY</b>				
Assets:				
Cash, cash equivalents and investments	\$ 3,924	\$ 362,693	\$ 361,653	\$ 4,964
Taxes receivable	19,691	360,014	359,962	19,743
Total assets	<u>\$ 23,615</u>	<u>\$ 722,707</u>	<u>\$ 721,615</u>	<u>\$ 24,707</u>
Liabilities:				
Due to tax district	\$ 23,615	\$ 722,707	\$ 721,615	\$ 24,707
<b>CITY OF SANFORD</b>				
Assets:				
Cash, cash equivalents and investments	\$ 4,746	\$ 12,226,933	\$ 12,223,143	\$ 8,536
Taxes receivable	947,727	12,140,060	12,255,347	832,440
Total assets	<u>\$ 952,473</u>	<u>\$ 24,366,993</u>	<u>\$ 24,478,490</u>	<u>\$ 840,976</u>
Liabilities:				
Due to tax district	\$ 952,473	\$ 24,366,993	\$ 24,478,490	\$ 840,976
<b>CENTRAL BUSINESS DISTRICT</b>				
Assets:				
Cash, cash equivalents and investments	\$ 343	\$ 56,668	\$ 56,524	\$ 487
Taxes receivable	3,543	56,126	55,272	4,397
Total assets	<u>\$ 3,886</u>	<u>\$ 112,794</u>	<u>\$ 111,796</u>	<u>\$ 4,884</u>
Liabilities:				
Due to tax district	\$ 3,886	\$ 112,794	\$ 111,796	\$ 4,884
<b>FINES AND FORFEITURES</b>				
Assets:				
Intergovernmental receivable	\$ 22,439	\$ 442,997	\$ 416,800	\$ 48,636
Liabilities:				
Intergovernmental payable	\$ 22,439	\$ 442,997	\$ 416,800	\$ 48,636
<b>SOCIAL SERVICES PAYEE ACCOUNTS</b>				
Assets:				
Cash, cash equivalents and investments	\$ 85,322	\$ 598,656	\$ 651,271	\$ 32,707
Liabilities:				
Due to participants	\$ 85,322	\$ 598,656	\$ 651,271	\$ 32,707
<b>JAIL INMATE TRUST ACCOUNTS</b>				
Assets:				
Cash, cash equivalents and investments	\$ 34,086	\$ 98,476	\$ 95,707	\$ 36,855
Liabilities:				
Due to participants	\$ 34,086	\$ 98,476	\$ 95,707	\$ 36,855
<b>MOTOR VEHICLE TAX</b>				
Assets:				
Cash, cash equivalents and investments	\$ 2,869	\$ 40,114	\$ 39,734	\$ 3,249
Liabilities:				
Miscellaneous liabilities	\$ 2,869	\$ 40,114	\$ 39,734	\$ 3,249
<b>MENTAL HEALTH INSURANCE</b>				
Assets:				
Cash, cash equivalents and investments	\$ 475,397	\$ 32,545	\$ 47,355	\$ 460,587
Accrued interest receivable	1,972	2,214	1,972	2,214
Total assets	<u>\$ 477,369</u>	<u>\$ 34,759</u>	<u>\$ 49,327</u>	<u>\$ 462,801</u>
Liabilities:				
Due to participants	\$ 477,369	\$ 34,759	\$ 49,327	\$ 462,801
<b>COMBINING TOTALS</b>				
Assets:				
Cash and investments	\$ 606,687	\$ 13,416,085	\$ 13,475,387	\$ 547,385
Accounts receivable	22,439	442,997	416,800	48,636
Taxes receivable	970,961	12,556,200	12,670,581	856,580
Accrued interest receivable	1,972	2,214	1,972	2,214
Total assets	<u>\$ 1,602,059</u>	<u>\$ 26,417,496</u>	<u>\$ 26,564,740</u>	<u>\$ 1,454,815</u>
Liabilities:				
Due to participants	\$ 596,777	\$ 731,891	\$ 796,305	\$ 532,363
Miscellaneous liabilities	2,869	40,114	39,734	3,249
Intergovernmental payable	22,439	442,997	416,800	48,636
Due to tax district	979,974	25,202,494	25,311,901	870,567
Total liabilities	<u>\$ 1,602,059</u>	<u>\$ 26,417,496</u>	<u>\$ 26,564,740</u>	<u>\$ 1,454,815</u>

**THIS PAGE LEFT INTENTIONALLY BLANK.**

## **SUPPLEMENTAL FINANCIAL DATA**

**THIS PAGE LEFT INTENTIONALLY BLANK.**

**LEE COUNTY, NORTH CAROLINA**  
**Schedule of Ad Valorem Taxes Receivable - General Fund**  
**For the Fiscal Year Ended June 30, 2008**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2007</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2008</u>
2007-08	\$ -	\$ 34,682,275	\$ 33,618,528	\$ 1,063,747
2006-07	1,008,274	17,085	688,310	337,049
2005-06	330,071	18,048	137,788	210,331
2004-05	226,717	15,099	117,438	124,378
2003-04	178,147	-	61,919	116,228
2002-03	161,024	-	55,107	105,917
2001-02	107,893	-	3,940	103,953
2000-01	89,304	-	1,575	87,729
1999-00	30,102	-	1,353	28,749
1998-99	47,819	-	920	46,899
1997-98	49,620	-	49,620	-
<b>Total</b>	<b><u>\$ 2,228,971</u></b>	<b><u>\$ 34,732,507</u></b>	<b><u>\$ 34,736,498</u></b>	<b>2,224,980</b>
Less: allowance for uncollected taxes receivable				<u>(411,192)</u>
Ad valorem taxes receivable (net)				<b><u>\$ 1,813,788</u></b>
Reconciliation with revenues:				
Ad valorem collections and credits				\$ 34,736,498
Penalties and interest				206,260
Advertisement and collection fees				45,468
Taxes written off				(48,863)
Releases				(117,133)
Adjustments				<u>318</u>
Total ad valorem collections and credits				<b><u>\$ 34,822,548</u></b>

**LEE COUNTY, NORTH CAROLINA**  
**Analysis of Current Tax Levy - County-Wide Levy**  
**For the Fiscal Year Ended June 30, 2008**

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 4,439,626,708	\$ 0.79	\$ 33,297,297	\$ 31,284,003	\$ 2,013,294
Motor vehicles taxed at prior year's rate	162,421,712		1,283,141	-	1,283,141
Penalties	-		25,629	25,629	-
	<u>4,602,048,420</u>		<u>34,606,067</u>	<u>31,309,632</u>	<u>3,296,435</u>
Total					
Discoveries:					
Current year taxes	14,841,928		159,359	159,359	-
Penalties	-		15,520	15,520	-
	<u>14,841,928</u>		<u>174,879</u>	<u>174,879</u>	<u>-</u>
Total					
Abatements	<u>(15,197,425)</u>		<u>(98,671)</u>	<u>(37,172)</u>	<u>(61,499)</u>
Total property valuation	<u>\$ 4,601,692,923</u>				
Net levy			34,682,275	31,447,339	3,234,936
Less uncollected taxes at June 30, 2008			<u>1,063,747</u>	<u>609,323</u>	<u>454,424</u>
Current year's taxes collected			<u>\$ 33,618,528</u>	<u>\$ 30,838,016</u>	<u>\$ 2,780,512</u>
Current levy collection percentage			<u>97%</u>	<u>98%</u>	<u>86%</u>

## STATISTICAL SECTION

This part of the Lee County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

*Financial Trends* – These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time. The following schedules fall in this category:

- Net Assets by Component
- Changes in Net Assets
- Fund Balances, Governmental Funds
- Changes in Fund Balance, Governmental Funds

*Revenue Capacity* – These schedules present information to help the reader assess the factors affecting the County's ability to generate its property taxes. The following schedules fall in this category:

- Assessed Value and Actual Value of Taxable Property
- Direct and Overlapping Property Tax Rates
- Principal Property Taxpayers
- Property Tax Levies and Collections

*Debt Capacity* – These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future. The following schedules fall in this category:

- Ratio of Outstanding Debt by Type
- Ratio of Net General Obligation Bonded Debt Outstanding
- Legal Debt Margin Information
- Direct and Overlapping Governmental Activities Debt

*Demographic and Economic Information* – These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments. The following schedules fall in this category:

- Demographic and Economic Statistics
- Principal Employers

*Operating Information* – These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs. The following schedules fall in this category:

- Full-time Equivalent County Government Employees by Function
- Operating Indicators by Function/Program
- Capital Asset Statistics by Function/Program

**THIS PAGE LEFT INTENTIONALLY BLANK.**

**Lee County, North Carolina**  
**Net Assets by Component**  
**Last Six Fiscal Years**  
(accrual basis of accounting)

	Fiscal Year (1)					
	2003	2004	2005	2006	2007	2008
<b>Governmental activities</b>						
Invested in capital assets, net of related debt	\$ 10,748,849	\$ 15,923,982	\$ 12,958,415	\$ 12,873,381	\$ 12,814,728	\$ 14,782,003
Restricted	5,128,645	20,795,822	7,201,990	5,188,730	24,159,356	9,520,433
Unrestricted	<u>(5,594,990)</u>	<u>(21,727,925)</u>	<u>(27,917,052)</u>	<u>(24,340,269)</u>	<u>(47,851,898)</u>	<u>(43,979,888)</u>
Total Governmental activities net assets	<u>\$ 10,282,504</u>	<u>\$ 14,991,879</u>	<u>\$ (7,756,647)</u>	<u>\$ (6,278,158)</u>	<u>\$ (10,877,814)</u>	<u>\$ (19,677,452)</u>
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	\$ 4,821,778	\$ 4,815,025	\$ 859,456	\$ 782,962	\$ 723,230	\$ 687,644
Unrestricted	<u>2,198,086</u>	<u>1,960,265</u>	<u>873,528</u>	<u>929,153</u>	<u>896,854</u>	<u>742,773</u>
Total business-type activities net assets	<u>\$ 7,019,864</u>	<u>\$ 6,775,290</u>	<u>\$ 1,732,984</u>	<u>\$ 1,712,115</u>	<u>\$ 1,620,084</u>	<u>\$ 1,430,417</u>
<b>Primary government</b>						
Invested in capital assets, net of related debt	\$ 15,570,627	\$ 20,739,007	\$ 13,817,871	\$ 13,656,343	\$ 13,537,958	\$ 15,469,647
Restricted	5,128,645	20,795,822	7,201,990	5,188,730	24,159,356	9,520,433
Unrestricted	<u>(3,396,904)</u>	<u>(19,767,660)</u>	<u>(27,043,524)</u>	<u>(23,411,116)</u>	<u>(46,955,044)</u>	<u>(43,237,115)</u>
Total primary government net assets	<u>\$ 17,302,368</u>	<u>\$ 21,767,169</u>	<u>\$ (6,023,663)</u>	<u>\$ (4,566,043)</u>	<u>\$ (9,257,730)</u>	<u>\$ (18,247,035)</u>

## Notes:

(1) Six years presented due to implementation of GASB Statement 34 in Fiscal Year 2003.

**Lee County, North Carolina**  
**Changes in Net Assets**  
**Last Six Fiscal Years**  
(accrual basis of accounting)

	Fiscal Year (1)					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Expenses</b>						
Governmental activities:						
General government	\$ 5,524,431	\$ 5,120,577	\$ 5,829,053	\$ 7,468,078	\$ 6,831,197	\$ 7,266,396
Public safety	6,997,973	7,698,199	7,483,289	7,690,828	8,247,248	9,837,560
Economic and physical development	1,205,936	1,362,255	15,955,571	2,254,367	2,338,709	2,486,334
Human services	13,208,427	13,705,752	14,541,954	15,611,730	16,751,156	16,711,241
Cultural and recreation	1,716,914	1,734,880	1,595,953	1,593,900	1,618,181	1,724,553
Education	11,868,150	11,738,642	12,385,372	17,237,457	25,806,322	32,346,713
Interest on long-term debt	1,400,175	1,737,550	2,405,894	2,079,230	2,750,737	3,148,880
Total governmental activities expenses	<u>41,922,006</u>	<u>43,097,855</u>	<u>60,197,086</u>	<u>53,935,590</u>	<u>64,343,550</u>	<u>73,521,677</u>
Business-type activities:						
Water & Sewer	1,854,437	1,608,198	1,030,102	-	-	-
Solid Waste Management Fund	<u>1,140,152</u>	<u>1,208,279</u>	<u>1,275,318</u>	<u>1,278,856</u>	<u>1,338,577</u>	<u>1,483,935</u>
Total business-type activities	<u>2,994,589</u>	<u>2,816,477</u>	<u>2,305,420</u>	<u>1,278,856</u>	<u>1,338,577</u>	<u>1,483,935</u>
Total primary government expenses	<u>\$ 44,916,595</u>	<u>\$ 45,914,332</u>	<u>\$ 62,502,506</u>	<u>\$ 55,214,446</u>	<u>\$ 65,682,127</u>	<u>\$ 75,005,612</u>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
General government	\$ 504,444	\$ 533,896	\$ 472,894	\$ 582,616	\$ 568,023	\$ 580,535
Public safety	565,676	507,992	371,883	394,025	371,425	470,031
Economic and physical development	5,555	-	3,060	-	-	-
Human services	1,098,119	1,035,565	1,173,939	1,100,019	1,709,299	1,850,002
Culture and recreation	236,132	238,197	238,794	242,311	239,098	265,482
Operating grants and contributions:						
General government	2,000	2,000	9,584	34,262	-	48,630
Public safety	174,830	223,960	323,638	272,347	607,251	212,644
Economic and physical development	81,352	13,042	72,970	54,745	3,620	2,025
Human services	6,292,635	7,000,256	7,310,648	7,729,970	7,607,904	7,563,866
Culture and recreation	109,892	109,607	115,792	137,155	277,361	742,415
Capital grants and contributions:						
Economic and physical development	-	240,627	-	-	3,197	442,330
Education	18,948	392,758	413,400	428,283	732,142	908,204
Total governmental activities program revenues	<u>9,089,583</u>	<u>10,297,900</u>	<u>10,506,602</u>	<u>10,975,733</u>	<u>12,119,320</u>	<u>13,086,164</u>
Business-type activities:						
Charges for services:						
Water & Sewer	1,349,140	1,587,754	977,923	-	-	-
Solid Waste Management Fund	933,755	1,014,040	1,069,301	1,103,943	1,151,100	1,213,702
Operating grants and contributions:						
Solid Waste Management Fund	70,364	149,445	67,765	21,275	9,440	-
Capital grants and contributions:						
Water & Sewer	1,164,797	465,302	-	-	-	-
Solid Waste Management Fund	-	-	48,691	-	-	-
Total business-type activities program revenues	<u>3,518,056</u>	<u>3,216,541</u>	<u>2,163,680</u>	<u>1,125,218</u>	<u>1,160,540</u>	<u>1,213,702</u>
Total primary governmental program revenues	<u>\$ 12,607,639</u>	<u>\$ 13,514,441</u>	<u>\$ 12,670,282</u>	<u>\$ 12,100,951</u>	<u>\$ 13,279,860</u>	<u>\$ 14,299,866</u>

(Continued)

**Lee County, North Carolina**  
**Changes in Net Assets**  
**Last Five Fiscal Years**  
(accrual basis of accounting)

	Fiscal Year (1)					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Prgram Revenues (continued)</b>						
Net (expense)/revenue						
Governmental activities	\$ (32,832,423)	\$ (32,799,955)	\$ (49,690,484)	\$ (42,959,857)	\$ (52,224,230)	\$ (60,435,513)
Business-type activities	<u>523,467</u>	<u>400,064</u>	<u>(141,740)</u>	<u>(153,638)</u>	<u>(178,037)</u>	<u>(270,233)</u>
Total primary governmental net (expense)/revenue	<u>\$ (32,308,956)</u>	<u>\$ (32,399,891)</u>	<u>\$ (49,832,224)</u>	<u>\$ (43,113,495)</u>	<u>\$ (52,402,267)</u>	<u>\$ (60,705,746)</u>
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities:						
Taxes						
Ad valorem taxes	\$ 24,922,467	\$ 25,869,230	\$ 26,271,487	\$ 32,669,298	\$ 33,789,800	\$ 36,950,111
Sales taxes	7,103,481	9,073,883	9,065,325	9,481,892	10,616,103	11,547,687
Other taxes	850,317	854,137	931,185	923,238	991,200	1,017,318
Unrestricted grants and contributions	49,549	272,749	141,921	52,632	58,482	61,341
Investment earnings	307,744	201,772	601,147	846,030	1,787,096	1,567,655
Miscellaneous	459,656	616,590	938,772	426,945	381,893	491,763
Transfers	-	705,242	342,914	42,165	-	-
Total governmental activities	<u>33,693,214</u>	<u>37,593,603</u>	<u>38,292,751</u>	<u>44,442,200</u>	<u>47,624,574</u>	<u>51,635,875</u>
Business-type activities:						
Investment earnings	49,612	23,163	58,204	36,291	51,337	49,102
Miscellaneous	20,422	33,199	31,262	96,478	34,669	31,464
Loss on disposal of capital assets	(741,274)	-	(4,648,118)	-	-	-
Transfers	-	(700,000)	(342,914)	-	-	-
Total business-type activities	<u>(671,240)</u>	<u>(643,638)</u>	<u>(4,901,566)</u>	<u>132,769</u>	<u>86,006</u>	<u>80,566</u>
Total primary government	<u>\$ 33,021,974</u>	<u>\$ 36,949,965</u>	<u>\$ 33,391,185</u>	<u>\$ 44,574,969</u>	<u>\$ 47,710,580</u>	<u>\$ 51,716,441</u>
<b>Change in Net Assets</b>						
Governmental activities	\$ 860,791	\$ 4,793,648	\$ (11,397,733)	\$ 1,482,343	\$ (4,599,656)	\$ (8,799,638)
Business-type activities	<u>(147,773)</u>	<u>(243,574)</u>	<u>(5,043,306)</u>	<u>(20,869)</u>	<u>(92,031)</u>	<u>(189,667)</u>
Total primary government	<u>\$ 713,018</u>	<u>\$ 4,550,074</u>	<u>\$ (16,441,039)</u>	<u>\$ 1,461,474</u>	<u>\$ (4,691,687)</u>	<u>\$ (8,989,305)</u>

## Notes:

(1) Six years presented due to implementation of GASB Statement 34 in Fiscal Year 2003.

**Lee County, North Carolina**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>General Fund</b>										
Reserved	\$ 2,991,802	\$ 5,129,926	\$ 3,137,047	\$ 3,381,774	\$ 4,262,748	\$ 4,083,915	\$ 3,817,812	\$ 4,383,855	\$ 4,537,451	\$ 4,872,074
Unreserved										
Designated	3,099,001	2,487,765	1,422,081	1,603,441	2,799,908	4,558,603	2,811,519	2,449,864	2,104,290	2,903,446
Undesignated	6,544,740	5,843,949	9,582,159	9,323,208	6,980,508	6,330,983	6,872,982	6,258,524	8,000,060	8,053,905
Total General Fund	<u>\$ 12,635,543</u>	<u>\$ 13,461,640</u>	<u>\$ 14,141,287</u>	<u>\$ 14,308,423</u>	<u>\$ 14,043,164</u>	<u>\$ 14,973,501</u>	<u>\$ 13,502,313</u>	<u>\$ 13,092,243</u>	<u>\$ 14,641,801</u>	<u>\$ 15,829,425</u>
<b>All Other Governmental Funds</b>										
Reserved	\$ 2,461,547	\$ 1,025,574	\$ 732,331	\$ 1,011,685	\$ 1,013,283	\$ 16,306,086	\$ 4,620,045	\$ 852,476	\$ 12,167,520	\$ 1,349,397
Unreserved, reported in:										
Special revenue funds	784,789	1,323,852	903,120	4,107,131	1,232,925	2,847,535	1,805,835	3,008,922	3,940,717	263,851
Capital projects funds	270,891	(378,630)	102,571	1,107,751	3,749,069	3,560,836	1,472,797	2,860,546	10,657,904	10,861,605
Total all other governmental funds	<u>\$ 3,517,227</u>	<u>\$ 1,970,796</u>	<u>\$ 1,738,022</u>	<u>\$ 6,226,567</u>	<u>\$ 5,995,277</u>	<u>\$ 22,714,457</u>	<u>\$ 7,898,677</u>	<u>\$ 6,721,944</u>	<u>\$ 26,766,141</u>	<u>\$ 12,474,853</u>

**Lee County, North Carolina**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Revenues</b>										
Ad valorem taxes	\$ 19,819,904	\$ 21,312,731	\$ 21,911,427	\$ 23,627,695	\$ 24,340,309	\$ 25,922,979	\$ 26,336,761	\$ 32,482,953	\$ 33,726,758	\$ 36,956,934
Local option sales taxes	6,469,739	6,584,700	6,748,754	6,543,194	7,103,481	9,073,883	9,065,325	9,481,892	10,616,103	11,547,687
Other taxes and licenses	711,534	849,072	854,425	971,832	952,532	964,597	1,047,268	1,067,196	1,152,882	1,112,829
Unrestricted intergovernmental	1,724,393	1,704,471	1,717,227	1,143,107	49,549	272,749	141,921	52,632	58,482	61,341
Restricted intergovernmental	6,660,242	7,018,469	7,523,911	9,981,803	6,607,517	7,790,098	8,102,734	8,409,895	9,311,520	10,046,958
Permits and fees	346,328	307,072	392,521	389,193	393,393	397,358	354,375	363,334	367,884	318,936
Sales and services	1,354,703	1,959,550	2,589,214	2,531,471	2,120,445	2,051,891	2,006,891	2,088,930	2,120,353	2,740,167
Investment earnings	912,919	891,461	872,581	406,118	307,744	201,772	601,147	846,030	1,787,096	1,567,654
Miscellaneous	276,594	437,810	692,383	342,834	441,430	669,091	847,498	499,687	599,192	472,031
Total revenues	<u>38,276,356</u>	<u>41,065,336</u>	<u>43,302,443</u>	<u>45,937,247</u>	<u>42,316,400</u>	<u>47,344,420</u>	<u>48,503,920</u>	<u>55,292,549</u>	<u>59,740,270</u>	<u>64,824,537</u>
<b>Expenditures</b>										
General government	4,483,884	4,762,053	4,804,657	4,778,656	5,128,776	5,357,670	5,484,097	6,684,886	6,628,376	7,234,685
Public safety	5,177,544	5,464,252	5,925,730	5,888,615	6,567,226	7,073,903	7,100,827	7,477,227	7,769,698	9,540,060
Economic and physical development	945,823	775,828	859,259	915,714	916,921	1,267,088	1,217,939	1,840,574	1,875,938	1,600,880
Human services	10,770,776	11,981,496	13,123,607	13,306,534	13,069,459	13,821,570	14,357,689	15,501,884	16,738,792	16,820,123
Education	10,514,733	10,657,220	10,952,805	10,956,955	11,868,150	11,738,642	12,385,372	14,798,332	15,613,181	16,963,573
Cultural and recreational	1,553,403	1,614,724	1,766,739	1,663,518	1,643,024	1,636,450	1,667,361	1,776,748	1,849,485	2,413,544
Capital outlay	5,224,122	2,468,204	612,207	1,065,231	1,427,596	11,854,225	16,572,646	2,939,387	11,182,843	16,177,723
Debt service										
Principal	2,851,521	2,929,800	3,009,333	3,086,840	3,249,663	3,316,151	3,746,506	3,737,359	3,717,087	3,729,142
Interest and fees	1,974,781	1,947,093	1,806,633	1,515,781	1,442,134	1,350,185	2,630,685	2,161,266	2,037,429	3,448,471
Total expenditures	<u>43,496,587</u>	<u>42,600,670</u>	<u>42,860,970</u>	<u>43,177,844</u>	<u>45,312,949</u>	<u>57,415,884</u>	<u>65,163,122</u>	<u>56,917,663</u>	<u>67,412,829</u>	<u>77,928,201</u>
Excess of revenues over (under) expenditures	<u>(5,220,231)</u>	<u>(1,535,334)</u>	<u>441,473</u>	<u>2,759,403</u>	<u>(2,996,549)</u>	<u>(10,071,464)</u>	<u>(16,659,202)</u>	<u>(1,625,114)</u>	<u>(7,672,559)</u>	<u>(13,103,664)</u>
<b>Other financing sources (uses)</b>										
Transfers in										
Transfers out	5,073,725	2,367,005	2,714,016	2,272,483	4,723,645	4,605,899	5,592,857	2,304,678	2,823,572	4,240,438
Bonds issued	(4,909,725)	(2,352,005)	(2,714,016)	(2,261,205)	(4,723,645)	(3,900,657)	(5,220,623)	(2,262,513)	(2,774,572)	(4,240,438)
Installment purchase issued	1,530,000	800,000	-	1,885,000	-	-	-	-	-	-
Certificates of participation issued	-	-	-	-	-	26,220,000	-	-	28,355,000	-
Original issuance premium	-	-	-	-	-	795,739	-	-	862,314	-
Capital leases	-	-	-	-	(2,500,000)	-	-	-	-	-
Total other financing sources (uses)	<u>1,694,000</u>	<u>815,000</u>	<u>-</u>	<u>1,896,278</u>	<u>2,500,000</u>	<u>27,720,981</u>	<u>372,234</u>	<u>42,165</u>	<u>29,266,314</u>	<u>-</u>
Net change in fund balances	<u>\$ (3,526,231)</u>	<u>\$ (720,334)</u>	<u>\$ 441,473</u>	<u>\$ 4,655,681</u>	<u>\$ (496,549)</u>	<u>\$ 17,649,517</u>	<u>\$ (16,286,968)</u>	<u>\$ (1,582,949)</u>	<u>\$ 21,593,755</u>	<u>\$ (13,103,664)</u>
Debt services as a percentage of noncapital expenditures	12.6%	12.2%	11.4%	10.9%	10.7%	10.3%	10.2%	10.6%	8.7%	9.4%

**Lee County, North Carolina**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year	Real Property		Personal Property	Public Service Companies (1)	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate (2)	Estimated Actual Taxable Value (3)	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property							
1999	1,557,933,506	314,099,710	819,055,894	87,656,102	179,936,442	2,598,808,770	0.71	2,970,067,166	87.50%
2000	1,586,239,201	329,223,470	900,630,655	76,014,586	159,547,546	2,732,560,366	0.75	3,259,644,955	83.83%
2001	1,613,939,624	346,740,060	940,480,179	77,491,104	156,760,978	2,821,889,989	0.75	3,425,455,194	82.38%
2002	1,662,357,800	387,816,800	967,218,133	83,696,227	186,151,467	2,914,937,493	0.78	3,562,622,211	81.82%
2003	1,692,094,500	420,771,100	1,023,584,061	77,065,305	195,895,632	3,017,619,334	0.78	4,010,125,361	75.25%
2004	2,042,744,100	603,641,300	1,052,518,849	96,087,790	172,891,586	3,622,100,453	0.67	3,622,100,453	100.00%
2005	2,165,767,500	641,559,100	1,031,506,417	100,485,686	267,506,752	3,671,811,951	0.67	3,841,611,164	95.58%
2006	2,096,670,300	659,680,800	1,199,743,255	101,758,654	139,581,042	3,918,271,967	0.79	4,414,954,329	88.75%
2007	2,157,260,462	679,908,600	1,207,962,419	112,251,434	139,678,704	4,017,704,211	0.79	4,526,990,660	88.75%
2008	2,292,577,157	1,033,165,900	1,193,221,817	120,626,826	37,898,777	4,601,692,923	0.75	4,601,692,923	100.00%

Source: Lee County Tax Office

Notes:

- (1) Public service companies valuations are provided to the County by the North Carolina Department of Revenue. These amounts include both real and personal property.
- (2) Per \$100 of value.
- (3) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the State Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year.
- (4) Property in Lee County is reassessed every four years. The last reassessment was on January 1, 2007.

**Lee County, North Carolina**  
**Direct and Overlapping Property Tax Rates,**  
**Last Ten Fiscal Years**  
 (Per \$100.00 of Assessed Value)

	1999	2000	2001	2002	2003	2004 (1)	2005	2006	2007	2008 (1)
<b>County:</b>										
Lee	0.710	0.750	0.750	0.780	0.780	0.670	0.670	0.790	0.790	0.750
<b>Municipalities:</b>										
Town of Broadway	0.590	0.530	0.530	0.530	0.530	0.490	0.490	0.490	0.470	0.440
City of Sanford	0.550	0.550	0.570	0.570	0.570	0.560	0.590	0.590	0.610	0.550
<b>Fire Districts</b>										
Cameron	0.078	0.095	0.086	0.070	0.066	0.071	0.068	0.068	0.067	0.080
Cape Fear	0.040	0.055	0.055	0.079	0.082	0.068	0.066	0.066	0.058	0.073
Carolina Trace	0.028	0.035	0.035	0.034	0.038	0.037	0.037	0.040	0.052	0.064
Deep River	0.053	0.073	0.081	0.081	0.085	0.076	0.076	0.082	0.068	0.086
Lemon Springs	0.042	0.047	0.056	0.056	0.053	0.070	0.072	0.072	0.065	0.067
Northview	0.044	0.039	0.065	0.064	0.061	0.070	0.077	0.060	0.064	0.071
Northwest Pocket	0.061	0.081	0.078	0.086	0.084	0.084	0.079	0.085	0.086	0.099
Tramway	0.031	0.036	0.037	0.041	0.041	0.038	0.042	0.049	0.069	0.075
West Sanford	0.099	0.051	0.083	0.087	0.103	0.088	0.082	0.082	0.091	0.086
<b>Other Districts: (3)</b>										
Central Business District	0.100	0.100	0.100	0.130	0.130	0.130	0.130	0.150	0.150	0.130
Lee County Water & Sewer District #1	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

**Notes:**

- (1) Property in Lee County is reassessed every four years. The last reassessment was on January 1, 2007.
- (2) The property tax rates for each of the governments listed above are based on unit-wide tax rates. For each government, certain motor vehicles were taxed at the preceding year's rate.
- (3) The Lee County Water & Sewer District # 1 has not enacted property taxes as of June 30, 2008.

Source : Lee County Tax Department.

Lee County, North Carolina  
Principal Property Taxpayers  
Current Year and Nine Years Ago

Taxpayer	Type of Business	Fiscal Year 2008				Fiscal Year 1998			
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		
Wyeth	Pharmaceuticals	\$ 262,883,015	1	5.7%	\$ 43,534,123	3	1.7%		
Donald R. Simpson	Real Estate	61,857,804	2	1.3%	-		0.0%		
GKN Automotive Components, Inc.	Automotive Parts	55,368,986	3	1.2%	63,519,763	1	2.4%		
Coty, Inc.	Cosmetics	51,936,118	4	1.1%	33,229,674	6	1.3%		
Alltel Carolina Inc.	Utility	42,397,238	5	0.9%	32,342,229	7	1.2%		
Progress Energy	Utility	41,803,015	6	0.9%	26,628,860	8	1.0%		
Lee Brick	Brick Manufacturing	38,018,203	7	0.8%	-		0.0%		
Moen, Inc.	Plumbing fixtures	32,869,492	8	0.7%	33,943,872	5	1.3%		
Commercial Grading, Inc.	Construction	30,376,756	9	0.7%	-		0.0%		
Magneti Marelli, Inc.	Automotive Parts	29,551,667	10	0.6%	21,598,994	9	0.8%		
Frontier Spinning Mills LLC	Textiles	-		0.0%	45,408,449	2	1.7%		
Parkdale America LLC	Textiles	-		0.0%	36,612,491	4	1.4%		
Tyson Foods, Inc.	Food Production	-		0.0%	19,421,981	10	0.7%		
Totals		\$ 647,062,294		14.1%	\$ 356,240,436		13.7%		

Source: Lee County Tax Department

Lee County, North Carolina  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy
1999	19,183,266	18,569,496	96.8%			\$ 19,075,418	99.4%
2000	20,852,055	20,080,240	96.3%	505,922		\$ 20,807,339	99.8%
2001	21,266,214	20,301,075	95.5%	727,099		\$ 21,151,827	99.5%
2002	22,784,612	21,820,606	95.8%	832,144		\$ 22,652,750	99.4%
2003	23,574,692	22,393,187	95.0%	1,053,999		\$ 23,447,186	99.5%
2004	24,499,755	23,471,377	95.8%	879,933		\$ 24,351,310	99.4%
2005	24,701,551	23,797,835	96.3%	734,788		\$ 24,532,623	99.3%
2006	30,865,687	29,860,345	96.7%	811,144		\$ 30,671,489	99.4%
2007	31,896,203	30,887,929	96.8%	678,990		\$ 31,566,919	99.0%
2008	34,682,275	33,618,528	96.9%	-		\$ 33,618,528	96.9%

Lee County, North Carolina  
Ratio of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Certificates of Participation	Installment Loans	General Obligation Bonds	Bond Anticipation Notes	Installment Loans	General Obligation Bonds	Bond Anticipation Notes			
1999	34,195,000	-	2,412,938	4,281,000	-	-	40,888,938	-	3.49%	842	
2000	31,410,000	-	2,929,359	4,200,000	-	-	38,539,359	-	3.18%	790	
2001	28,580,000	-	2,603,608	4,118,000	-	-	35,301,608	-	2.84%	714	
2002	27,780,000	-	2,257,294	4,035,000	4,166,000	-	38,238,294	-	3.01%	748	
2003	24,805,000	-	4,027,844	8,116,500	-	-	36,949,344	-	2.80%	710	
2004	21,875,000	26,220,000	3,641,693	8,030,000	-	-	59,766,693	-	4.45%	1,119	
2005	19,030,000	25,720,000	3,240,187	-	-	-	47,990,187	-	3.33%	882	
2006	16,210,000	25,220,000	2,822,304	-	-	-	44,252,304	-	2.85%	794	
2007	13,410,000	53,075,000	2,386,899	-	-	-	68,871,899	-	4.18%	1,210	
2008	10,635,000	52,575,000	1,932,754	-	-	-	65,142,754	-	*	1,124	

\* Information not yet available

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.  
(1) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Calendar 2007 personal income not available to calculate fiscal year 2008.

**Lee County, North Carolina**  
**Ratios of Net General Obligation Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

Fiscal Year	Gross General Obligation Bonded Debt	Less Debt Payable from Enterprise Fund	Net General Obligation Bonded Debt	Percentage of Personal Income (1)	Percentage of Actual Taxable Value of Property (2)	Per Capita (1)
1999	38,476,000	4,281,000	34,195,000	2.92%	1.32%	704
2000	35,610,000	4,200,000	31,410,000	2.59%	1.15%	644
2001	32,698,000	4,118,000	28,580,000	2.30%	1.01%	578
2002	31,815,000	4,035,000	27,780,000	2.18%	0.95%	544
2003	32,921,500	8,116,500	24,805,000	1.88%	0.82%	476
2004	29,905,000	8,030,000	21,875,000	1.63%	0.60%	409
2005	19,030,000	-	19,030,000	1.32%	0.52%	350
2006	16,210,000	-	16,210,000	1.04%	0.41%	291
2007	13,410,000	-	13,410,000	0.81%	0.33%	236
2008	10,635,000	-	10,635,000	*	0.23%	183

\* Information not yet available

Note: Details regarding the County's outstanding debt can be found in the notes to the Financial Statements.

(1) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Calendar 2007 personal income not available to calculate fiscal year 2008.

(2) See Schedule 5 for property value data.

Lee County, North Carolina  
 Legal Debt Margin Information  
 Last Ten Fiscal Years  
 (amounts expressed in thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Assesses Value of Property	\$ 2,598,809	\$ 2,732,560	\$ 2,821,890	\$ 2,914,937	\$ 3,017,619	\$ 3,622,100	\$ 3,671,812	\$ 3,918,272	\$ 4,017,704	\$ 4,601,693
Debt Limit, 8% of Assessed Value Statutory Limitation	207,905	218,605	225,751	233,195	241,410	289,768	293,745	313,462	321,416	368,135
Amount of Debt Applicable to Limit										
Gross debt	46,189	43,839	40,602	43,538	38,083	60,901	47,990	44,252	68,872	65,143
Less: Debt outstanding for water and sewer purposes	9,581	9,500	9,418	13,501	9,251	9,164	-	-	-	-
Total net debt applicable to limit	36,608	34,339	31,184	30,037	28,833	51,737	47,990	44,252	68,872	65,143
Legal debt margin	\$ 171,297	\$ 184,266	\$ 194,567	\$ 203,158	\$ 212,577	\$ 238,031	\$ 245,755	\$ 269,210	\$ 252,544	\$ 302,992
Total net debt applicable to the limit as a percentage of debt limit	17.61%	15.71%	13.81%	12.88%	11.94%	17.85%	16.34%	14.12%	21.43%	17.70%

Note: NC Statute GS159-55 limits the County's outstanding debt to 8% of the appraised value of property subject to taxation. The following deductions are made from gross debt to arrive at net debt applicable to the limit: money held for payment of principal; debt incurred for water, sewer, gas, or electric power purposes; uncollected special assessments, funding and refunding bonds not yet issued; and revenue bonds. The legal debt margin is the difference between the debt limit and the County's net debt outstanding applicable to the limit, and represents the County's legal borrowing authority.

**Lee County, North Carolina**  
**Direct and Overlapping Governmental Activities Debt**  
**General Obligation Bonds**  
**As of June 30, 2008**

---

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Underlying Debt</u>
Direct:			
Lee County	\$ 10,635,000	100%	\$ 10,635,000
Underlying Debt:			
Town of Broadway	700,000	100%	700,000
Lee County Water & Sewer District #1	900,000	100%	900,000
City of Sanford	<u>3,445,000</u>	100%	<u>3,445,000</u>
Total direct and overlapping debt	15,680,000		<u>\$ 15,680,000</u>

---

**Lee County, North Carolina**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

---

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (1) (amounts expressed in thousands)</b>	<b>Per Capita Personal Income (1)</b>	<b>Public School Enrollment (2)</b>	<b>Unemployment Rate (3)</b>
1999	48,559	1,171,750	24,130	8,618	3.40%
2000	48,766	1,210,686	24,826	8,593	4.20%
2001	49,424	1,243,247	25,155	8,725	6.30%
2002	51,111	1,272,007	24,887	8,778	7.40%
2003	52,058	1,320,754	25,371	8,834	7.60%
2004	53,421	1,342,616	25,218	8,924	6.00%
2005	54,417	1,439,609	26,455	9,056	5.60%
2006	55,704	1,554,422	26,777	9,219	5.40%
2007	56,908	1,646,704	28,975	9,330	5.50%
2008	57,973	*	*	9,458	6.90%

\* Information not yet available

Notes:

(1) Bureau of Economic Analysis, U. S. Department of Commerce. Figures are for the prior calendar year.

(2) Lee County Board of Education

(3) N.C. Employment Security Commission

Lee County, North Carolina  
Principal Employers  
Current Year and Nine Years Ago (1)

Employer	Fiscal Year 2008 (2)			Fiscal Year 2000 (1)		
	Approximate Number of Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Lee County Schools	1000-1500	1	4.97%	-	-	0.00%
Wyeth Vaccines	1000-1500	2	4.97%	-	-	0.00%
Pilgrims Pride Corporation	1000-1500	3	4.97%	1000-1500	1	5.01%
Static Control Components, Inc.	1000-1500	4	4.97%	500-999	2	3.01%
Coty, Inc.	500-999	5	2.98%	500-999	3	3.01%
Pentair Pool Products	500-999	6	2.98%	-	-	0.00%
Central Carolina Hospital	500-999	7	2.98%	500-999	5	3.01%
The Pantry, Inc.	500-999	8	2.98%	-	-	0.00%
Caterpillar, Inc.	500-999	9	2.98%	-	-	0.00%
Tyson Foods	500-999	10	2.98%	-	-	0.00%
Magneti Marelli USA, Inc.	-	-	0.00%	500-999	4	3.01%
Moen, Inc.	-	-	0.00%	500-999	6	3.01%
GKN Automotive Components, Inc.	-	-	0.00%	500-999	7	3.01%
Pac-Fab, Inc.	-	-	0.00%	500-999	8	3.01%
Redman Mobile Homes, Inc.	-	-	0.00%	250-499	9	1.50%
Cherokee Sanford Group LLC	-	-	0.00%	250-499	10	1.50%
<b>Total</b>			<b>37.73%</b>			<b>29.07%</b>

Source: NC Employment Security Commission; total county employment

Notes:

- (1) Information is actually provided for current year and eight years ago because data from nine years ago is not available.
- (2) Based on March 2008 employment which is most recent information provided by the NC Employment Security Commission.

Lee County, North Carolina  
**Full-time Equivalent County Government Employees by Function**  
 Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	71	75	75	75	72	72	72	79	80	80
Public safety	72	73	75	73	74	73	73	84	85	88
Economic and physical development	4	4	4	4	4	4	4	4	4	4
Human Services	164	168	171	168	165	173	173	195	195	197
Cultural and recreational	24	24	24	24	23	23	23	38	38	38
Total	335	344	349	344	338	345	345	400	402	407

Source: Lee County Finance Department

Note: The schedule represents the number of approved permanent FTE's as of June 30, 2008

**Lee County, North Carolina**  
**Operating Indicators by Function/Program**  
**Current and Three Prior Years (1)**

	Fiscal Year			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Sheriff</b>				
Civil papers issued	9,840	8,804	10,940	10,241
Criminal papers issued	5,309	5,251	4,399	4,455
<b>COLTS (County of Lee Transit System)</b>				
Passenger Trips	55,003	56,612	58,535	64,864
<b>Senior Services</b>				
Diners club meals served	21,877	19,501	17,585	19,729
Home delivered meals served	9,118	8,589	8,697	7,775
Unduplicated persons served using Senior Center Outreach Grant	2,625	1,915	2,205	800
Unduplicated persons served using Senior Center General Purpose Grant	2,124	3,517	2,900	900
<b>Library</b>				
Patron visits	154,592	159,979	167,771	171,144
Children participating in library programs	13,629	14,509	10,554	7,620
Seniors in outreach program	2,362	2,474	2,256	130
Books in collection	138,835	142,295	144,931	146,457
Book circulation	133,113	128,198	128,745	128,020
<b>Parks and Recreation</b>				
Youth recreation:				
Sports teams	131	115	123	105
Participants	1,712	1,459	1,522	1,300
Adult recreation:				
Sports teams	56	41	42	37
Participants	765	595	600	550
Gymnastics:				
Participants	1,304	1,229	1,240	1,300
San-Lee Park Summer Camps:				
Participants	99	110	127	210
<b>Solid Waste:</b>				
Waste collected (tons)	17,283	17,266	16,125	15,431
Ratio of recyclable to total waste received	20%	18%	20%	20%

Sources: Various County departments

Notes:

(1) Information is actually provided for current year and three prior years ago because data from previous years is not available.

**Lee County, North Carolina  
Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years**

Function	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Sheriff Protection:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	16	16	16	16	16	16	16	16	18	20
Jail										
Correctional facility capacity	126	126	126	126	126	126	126	126	126	126
Cultural and recreational										
Number of parks	11	11	11	11	11	11	12	12	12	12
Park acreage	283	283	283	283	300	300	327	327	327	327
Swimming pools	2	2	2	2	2	2	2	2	2	2
Libraries (branches)	3	3	3	3	3	3	3	3	3	3
Solid Waste										
Landfills	1	1	1	1	1	1	1	1	1	1
Convenience Centers	6	6	6	6	6	6	6	6	6	6
Education										
Schools	12	12	12	12	12	12	12	13	13	14
Teachers	523	539	543	570	581	561	582	600	598	606
Students	8,618	8,593	8,725	8,778	8,834	8,924	9,056	9,219	9,330	9,458

Sources: Various County departments. Lee County Board of Education