

LEE COUNTY

NORTH CAROLINA

Committed Today for a Better Tomorrow



Comprehensive Annual Financial Report

***Fiscal Year Ended
June 30, 2007***

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

www.leecountync.gov

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NORTH CAROLINA

Committed Today for a Better Tomorrow

Comprehensive Annual Financial Report

**Lee County
North Carolina**

**For the Fiscal Year Ended
June 30, 2007**

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

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

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

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i-v
Certificate of Achievement for Excellence in Financial Reporting	vi
List of Principal Officials	vii
Organizational Chart	viii
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-12
BASIC FINANCIAL STATEMENTS:	
<u>Exhibit</u>	
1	13
2	14
3	15
4	16
5	17
6	18
7	19
8	20
9	21
10	22
	23-49
REQUIRED SUPPLEMENTAL FINANCIAL DATA:	
Law Enforcement Officers' Special Separation Allowance - Required Supplemental Information - Schedule of Funding Progress	50
Law Enforcement Officers' Special Separation Allowance - Required Supplemental Information and Notes - Schedule of Employer Contributions	51
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS:	
<i>General Fund:</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	52-62
<i>Major Capital Project Fund:</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Middle School Project Fund	63
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	65

	<u>Page</u>
FINANCIAL SECTION (Continued)	
<i>Nonmajor Special Revenue Funds:</i>	
Combining Balance Sheet	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	67
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
Fire Protection Fund	68
Capital Projects Outlay Fund	69
School Capital Outlay Fund	70
Room Occupancy Tax Fund	71
Emergency Telephone System Fund	72
Airport Tax Revenue Fund	73
Drug Seizure Fund	74
<i>Nonmajor Capital Project Funds:</i>	
Combining Balance Sheet	75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)	76
Schedule of Revenues, Expenditures, and Changes in Fund Balance - budget and actual:	
CCCC Telecommunications Building Fund	77
Industrial Park Expansion Fund	78
New High School Construction Fund	79
Community Development Block Grant Fund	80
Sewer Line Extension Fund	81
Emergency Services Training Facility Fund	82
Tramway Road Park Fund	83
Makepeace Street Office Expansion	84
Floyd L. Knight Addition Fund	85
CCCC 2006 COPS Capital Project Fund	86
<i>Enterprise Funds:</i>	
Schedule of Revenues and Expenditures - Budget and Actual (non GAAP) - Solid Waste Management Fund	87
<i>Agency Funds:</i>	
Statement of Changes in Assets and Liabilities	88
<i>Supplemental Financial Data:</i>	
Schedule of Ad Valorem Taxes Receivable - General Fund	89
Analysis of Current Tax Levy - County-Wide Levy	90

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

		<u>Page</u>
STATISTICAL SECTION (UNAUDITED)		
<u>Schedule</u>		
1	Net Assets by Component	91
2	Changes in Net Assets	92-93
3	Fund Balances, Governmental Funds	94
4	Changes in Fund Balances, Governmental Funds	95
5	Assessed Value and Actual Value of Taxable Property	96
6	Direct and Overlapping Property Tax Rates	97
7	Principal Property Taxpayers	98
8	Property Tax Levies and Collections	99
9	Ratio of Outstanding Debt by Type	100
10	Ratios of Net General Obligation Bonded Debt Outstanding	101
11	Legal Debt Margin Information	102
12	Direct and Overlapping Governmental Activities	103
13	Demographic and Economic Statistics	104
14	Principal Employers	105
15	Full-time Equivalent County Government Employees by Function	106
16	Operating Indicators by Function/Program	107
17	Capital Asset Statistics by Function/Program	108
COMPLIANCE SECTION		
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Audit Standards</i>	109-110
	Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	111-112
	Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act	113-114
	Schedule of findings, responses and questioned costs	115-118
	Summary schedule of prior year audit findings	119
	Schedule of expenditures of federal and State awards	120-126

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LEE COUNTY

NORTH CAROLINA

Committed Today for a Better Tomorrow

October 31, 2007

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, 2007.

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, 2007, 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, 2007, 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 56,908. 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 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 is constructing a \$50 million administration facility and now has a headcount in excess of 1,500 people

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, 2008 totals \$62,700,660 with a tax rate of \$0.75 per \$100 of assessed value, based on a total valuation of \$4,506,845,741.

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 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, 2007, there were 56 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.

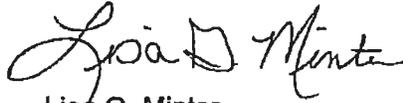
Awards and Acknowledgements

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, 2006. This was the eleventh 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 Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 cursive script that reads "Lisa G. Minter". The signature is written in black ink and is positioned above the printed name.

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, 2006

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.



President

Executive Director

COUNTY OF LEE, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

June 30, 2007

BOARD OF COUNTY COMMISSIONERS

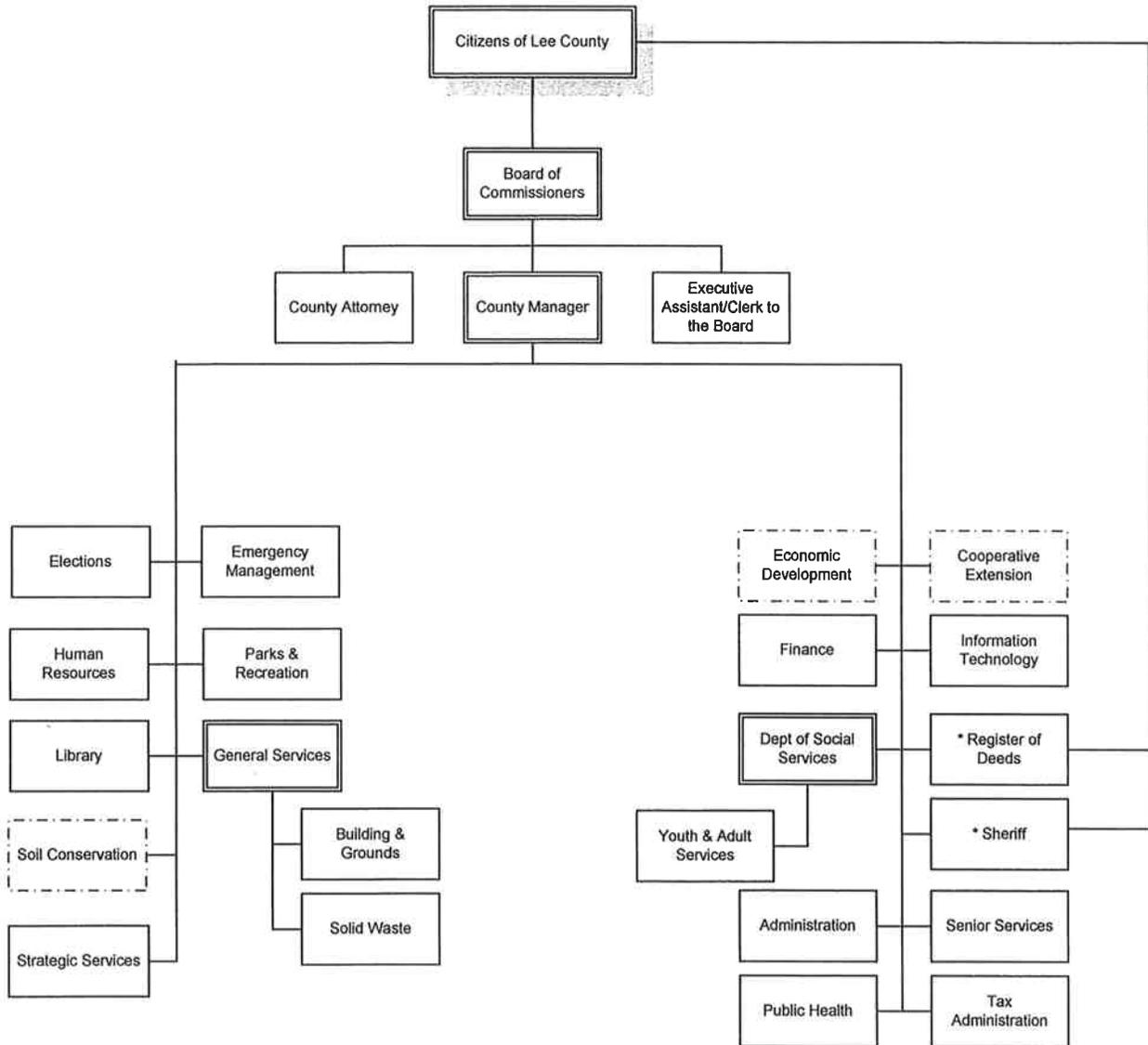
Robert H. Brown	Chairman
Jerry M. Lemmond	Vice Chairman
James C. Kelly	Commissioner
Nathan E. Paschal	Commissioner
Robert T. Reives	Commissioner
Linda A. Shook	Commissioner
Kirk D. Smith	Commissioner

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 Conclin	County Extension Director
Nancy Kimble	Elections Director
Eric Griffin	Emergency Services Director
Shane Seagroves	Fire Marshal
Russell Spivey	General Services Director
Mike Hanes	Health Director
Joyce McGehee	Human Resources Director
Ryan Draughn	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



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, 2007, 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 opinion.

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, 2007, 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.

The 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 31, 2007 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, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act 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 31, 2007

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, 2007. 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.

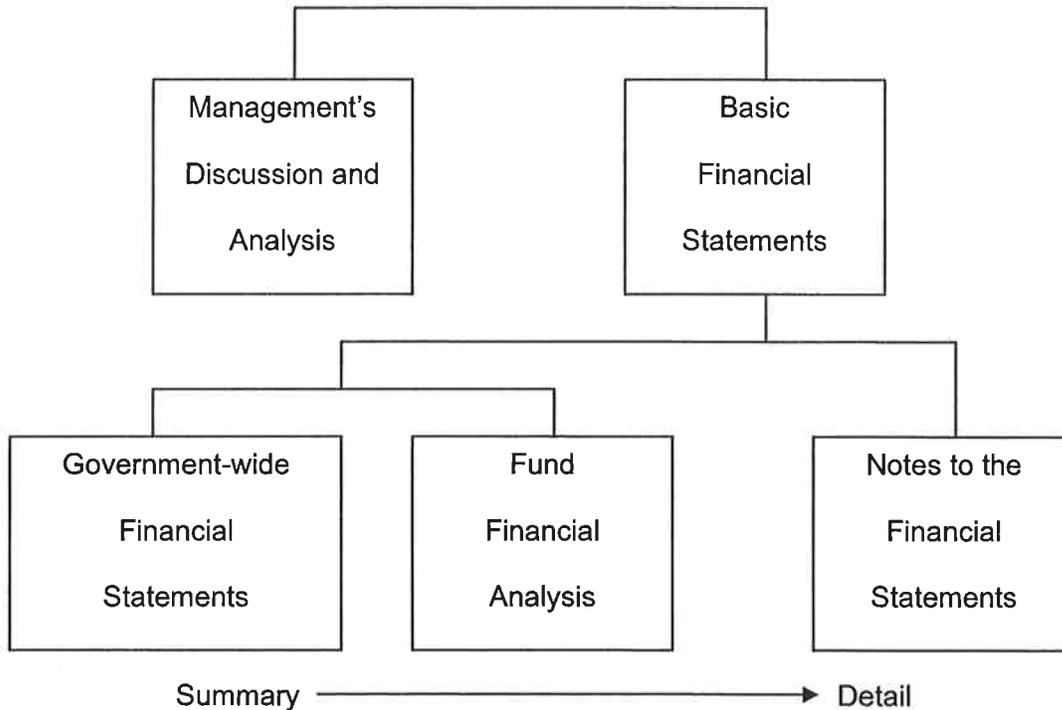
Financial Highlights

- The liabilities of Lee County exceeded its assets at the close of the fiscal year by (\$9,257,730) (*net assets*).
- The total net assets of governmental activities was a deficit \$10,877,814, an increase of \$4,599,656 from the prior year's deficit amount of \$6,278,158, primarily due to school capital spending and the issuance of debt 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 \$41,407,942 an increase of \$21,593,755 from the prior year. 59.5 percent of this total amount or \$24,628,384 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 \$10,104,350 or 18.6 percent of total general fund expenditures for the fiscal year.
- Lee County's total debt increased by \$24,764,432 (54.5%) during the current fiscal year. The key factor in the increase was the issuance of Certificates of Participation.
- The County maintained its A1 bond rating from Moody's Investor Services and its and 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 non-major 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.

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 22 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 50-51 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 2007 and provides comparative data from fiscal year 2006.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 49,385,178	\$ 22,991,987	\$ 961,939	\$ 1,002,530	\$ 50,347,117	\$ 23,994,517
Capital assets	17,962,365	18,448,359	723,230	782,962	18,685,595	19,231,321
Total assets	<u>67,347,543</u>	<u>41,440,346</u>	<u>1,685,169</u>	<u>1,785,492</u>	<u>69,032,712</u>	<u>43,225,838</u>
Long-term liabilities outstanding	70,183,652	45,420,321	34,968	33,867	70,218,620	45,454,188
Other liabilities	8,041,705	2,298,183	30,117	39,510	8,071,822	2,337,693
Total liabilities	<u>78,225,357</u>	<u>47,718,504</u>	<u>65,085</u>	<u>73,377</u>	<u>78,290,442</u>	<u>47,791,881</u>
Net assets:						
Investment in capital assets, net						
of related debt	12,814,728	12,873,381	723,230	522,537	13,537,958	13,395,918
Restricted	24,159,356	5,188,730	-	-	24,159,356	5,188,730
Unrestricted	(47,851,898)	(24,340,269)	896,854	1,189,578	(46,955,044)	(23,150,691)
Total net assets	<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>

The liabilities of Lee County exceed assets by (\$9,257,730) at the close of the most recent fiscal year. 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, \$24,159,356, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$46,955,044 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, 2007, approximately \$64.5 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 98.01 percent for real and personal property and 86.40 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	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 2,887,845	\$ 2,318,971	\$ 1,151,100	\$ 1,103,943	\$ 4,038,945	\$ 3,422,914
Operating grants and contributions	8,496,136	8,228,479	9,440	21,275	8,505,576	8,249,754
Capital grants and contributions	735,339	428,283	-	-	735,339	428,283
General revenues:						
Property taxes	33,789,800	32,669,298	-	-	33,789,800	32,669,298
Other taxes	11,607,303	10,405,130	-	-	11,607,303	10,405,130
Grants and contributions not restricted to specific programs	58,482	52,632	-	-	58,482	52,632
Investment earnings	1,787,096	846,030	51,337	36,291	1,838,433	882,321
Other	381,893	469,110	34,669	96,478	416,562	565,588
Total revenues	<u>59,743,894</u>	<u>55,417,933</u>	<u>1,246,546</u>	<u>1,257,987</u>	<u>60,990,440</u>	<u>56,675,920</u>
Expenses:						
General government	6,831,197	7,468,078	-	-	6,831,197	7,468,078
Public safety	8,247,248	7,690,828	-	-	8,247,248	7,690,828
Economic and physical development	2,338,709	2,254,367	-	-	2,338,709	2,254,367
Human services	16,751,156	15,611,730	-	-	16,751,156	15,611,730
Cultural and recreation	1,618,181	1,593,900	-	-	1,618,181	1,593,900
Education	25,806,322	17,237,457	-	-	25,806,322	17,237,457
Interest on long-term debt	2,750,737	2,079,230	-	-	2,750,737	2,079,230
Landfill	-	-	1,338,577	1,278,856	1,338,577	1,278,856
Total expenses	<u>64,343,550</u>	<u>53,935,590</u>	<u>1,338,577</u>	<u>1,278,856</u>	<u>65,682,127</u>	<u>55,214,446</u>
Increase (decrease) in net assets	(4,599,656)	1,482,343	(92,031)	(20,869)	(4,691,687)	1,461,474
Net assets, July 1	(6,278,158)	(7,760,501)	1,712,115	1,732,984	(4,566,043)	(6,027,517)
Net assets, June 30	<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>

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 \$8,000,060, while total fund balance reached \$14,641,801. 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 14.8 percent of the total General Fund expenditures, while total fund balance represents 27.0 percent of that same amount.

At June 30, 2007, the governmental funds of the County reported a combined fund balance of \$41,407,942, a 109 percent increase from the prior year. The primary reason for this increase was unexpended 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 \$2,101,384.

Major budget increases during the year include:

- Carry forward of unfinished County projects from 6-30-07 of \$494,042.
- Increase of \$1,092,679 due to additional federal and State funds for various programs.

Ad valorem taxes were \$959,949 over budget as a result of greater than expected growth in the tax base. Investment earnings were \$301,455 higher than expected due to interest rate increases during the year. Restricted intergovernmental revenues were \$195,204 under budget, but a corresponding under expenditure is present in the Human Services expenditures. Actual expenditures were under the final budget by \$3,573,159 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 \$891,579. 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, 2007, totals \$18,685,595 (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.
- Development of a new parks and recreation facility.
- Purchase and equipping a mobile command post.

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 2,767,777	\$ 2,768,894	\$ 260,425	\$ 260,425	\$ 3,028,202	\$ 3,029,319
Land improvements	242,923	242,923	-	-	242,923	242,923
Buildings	9,897,076	10,871,806	212,315	233,759	10,109,391	11,105,565
Roads	653,582	-	-	-	653,582	-
Equipment	2,092,861	1,930,306	250,490	288,778	2,343,351	2,219,084
Construction in progress	2,308,146	2,634,430	-	-	2,308,146	2,634,430
Totals	\$ 17,962,365	\$ 18,448,359	\$ 723,230	\$ 782,962	\$ 18,685,595	\$ 19,231,321

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, 2007, Lee County had total debt outstanding of \$68,871,899, of which General Obligation Bonds are backed by the full faith and credit of the County and all other debt is covered by pledged collateral and is subject to appropriation.

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$ 13,410,000	\$ 16,210,000	\$ -	\$ -	\$ 13,410,000	\$ 16,210,000
Certificates of Participation	53,075,000	25,220,000	-	-	53,075,000	25,220,000
Installment Notes	2,386,899	2,822,304	-	-	2,386,899	2,822,304
Totals	\$ 68,871,899	\$ 44,252,304	\$ -	\$ -	\$ 68,871,899	\$ 44,252,304

Lee County's total debt increased by \$24,619,595 during the past fiscal year, primarily due to issuance of Certificates of Participation to fund the construction of a new middle school, an addition to a special needs school, renovations and repairs to Central Carolina Community College facilities, and development of park facilities.

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 and 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 \$252,544,436.

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 County has approved a \$62,700,660 general fund budget for fiscal year 2008, which represents a 7.5 percent increase from the final 2007 budget. The following factors were considered when developing the 2008 budget:

- Local education funding for current expense and major capital outlay needs
- New positions needed to provide increased demand in services
- Maintaining a sufficient fund balance while not placing a burden on property owners

Budget Highlights for the Fiscal Year Ending June 30, 2008

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 \$34,095,010 represents an increase of 9.8 percent from the amended FY 2007 budget. Budgeted sales tax revenues are \$10,734,100, a 3.8 percent increase above FY 2007.

The FY 2008 budget includes a three percent cost of living adjustment for County employees and funding for three new positions in the Sheriff's Department and for two new positions in Social Services.

Education and related debt service make up the largest expenditures in the FY 2008 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 \$23,462,147 in the FY 2008 budget.

Business-type activities. The FY 2008 Solid Waste Fund budget totals \$1,345,444 which represents an increase of 5.2 percent from the amended FY 2007 budget. The collection fee and the disposal fee increased a \$1.50 each in the FY 2008 budget due to an anticipated three percent increase in tipping fees, escalating fuel costs and increased maintenance costs on older equipment.

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, NC 27330.

LEE COUNTY, NORTH CAROLINA
Statement of Net Assets
June 30, 2007

Exhibit 1

	Primary Government		
	Governmental Activities	Business- type Activities	Total
Assets			
Cash and investments	\$ 16,896,913	\$ 862,917	\$ 17,759,830
Taxes receivable - net	1,925,417	-	1,925,417
Accounts receivable - net	4,588,605	95,465	4,684,070
Accrued interest receivable	182,578	3,557	186,135
Restricted assets:			
Temporarily restricted:			
Cash and investments	24,678,149	-	24,678,149
Deferred charge - issuance costs	1,113,516	-	1,113,516
Capital assets:			
Land, improvements, and construction in progress	5,318,846	260,425	5,579,271
Other capital assets, net of depreciation	12,643,519	462,805	13,106,324
Total capital assets	<u>17,962,365</u>	<u>723,230</u>	<u>18,685,595</u>
Total assets	<u>67,347,543</u>	<u>1,685,169</u>	<u>69,032,712</u>
Liabilities			
Accounts payable and accrued liabilities	5,022,551	30,117	5,052,668
Unamortized bond premium	1,538,692	-	1,538,692
Accrued interest payable	1,242,370	-	1,242,370
Unearned revenues	238,092	-	238,092
Long-term liabilities			
Due within one year	4,739,146	19,727	4,758,873
Due in more than one year	65,444,506	15,241	65,459,747
Total long-term liabilities	<u>70,183,652</u>	<u>34,968</u>	<u>70,218,620</u>
Total liabilities	<u>78,225,357</u>	<u>65,085</u>	<u>78,290,442</u>
Net assets			
Invested in capital assets, net of related debt	12,814,728	723,230	13,537,958
Restricted for:			
Capital projects	515,116	-	515,116
Public Safety	1,567,831	-	1,567,831
Economic and Physical Development	41,527	-	41,527
Education	21,963,200	-	21,963,200
Register of Deeds	71,682	-	71,682
Unrestricted	<u>(47,851,898)</u>	<u>896,854</u>	<u>(46,955,044)</u>
Total net assets	<u>\$ (10,877,814)</u>	<u>\$ 1,620,084</u>	<u>\$ (9,257,730)</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, 2007

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	Primary Government Business-type Activities	Total
Primary government:							
Government activities:							
General government	\$ 6,831,197	\$ 568,023	-	-	\$ (6,263,174)	\$ -	\$ (6,263,174)
Public safety	8,247,248	371,425	607,251	-	(7,268,572)	-	(7,268,572)
Economic and physical development	2,338,709	-	3,620	3,197	(2,331,892)	-	(2,331,892)
Human services	16,751,156	1,709,299	7,607,904	-	(7,433,953)	-	(7,433,953)
Cultural and recreation	1,618,181	239,098	277,361	-	(1,101,722)	-	(1,101,722)
Education	25,806,322	-	-	732,142	(25,074,180)	-	(25,074,180)
Interest on long-term debt	2,750,737	-	-	-	(2,750,737)	-	(2,750,737)
Total governmental activities	64,343,550	2,887,845	8,496,136	735,339	(52,224,230)	-	(52,224,230)
Business type activities:							
Solid Waste Management Fund	1,338,577	1,151,100	9,440	-	(178,037)	-	(178,037)
Total business type activities	1,338,577	1,151,100	9,440	-	(178,037)	-	(178,037)
Total primary government	\$ 65,682,127	\$ 4,038,945	\$ 8,505,576	\$ 735,339	(52,224,230)	(178,037)	(52,402,267)
General revenues:							
Ad valorem taxes					33,789,800	-	33,789,800
Sales taxes					10,616,103	-	10,616,103
Other taxes					991,200	-	991,200
Grants and contributions not restricted to specific programs					58,482	-	58,482
Investment earnings					1,787,096	51,337	1,838,433
Miscellaneous					381,893	34,669	416,562
Total general revenues					47,624,574	86,006	47,710,580
Change in net assets					(4,599,656)	(92,031)	(4,691,687)
Net assets, beginning of year					(6,278,158)	1,712,115	(4,566,043)
Net assets, end of year					\$ (10,877,814)	\$ 1,620,084	\$ (9,257,730)

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

LEE COUNTY, NORTH CAROLINA
Balance Sheet - Governmental Funds
June 30, 2007

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Middle School Project Fund	Non Major Governmental Funds	
Assets				
Assets:				
Cash and investments	\$ 11,377,465	\$ -	\$ 5,519,448	\$ 16,896,913
Taxes receivable - net	1,842,426	-	82,991	1,925,417
Accounts receivable - net	3,702,608	93,814	583,538	4,379,960
Accrued interest receivable	56,337	79,006	47,235	182,578
Notes receivable	539,645	-	-	539,645
Cash and investments - restricted	-	18,486,373	6,191,776	24,678,149
Total assets	\$ 17,518,481	\$ 18,659,193	\$ 12,424,988	\$ 48,602,662
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 795,084	\$ 3,877,090	\$ 350,377	\$ 5,022,551
Deferred revenues	2,081,596	-	90,573	2,172,169
Total liabilities	2,876,680	3,877,090	440,950	7,194,720
Fund balances:				
Reserved by State statute	3,750,285	172,820	556,186	4,479,291
Reserved for encumbrances	175,839	10,394,554	1,043,960	11,614,353
Reserved for register of deeds	71,682	-	-	71,682
Reserved for notes receivable	539,645	-	-	539,645
Unreserved:				
Designated for subsequent year's expenditures:				
General fund	2,098,270	-	-	2,098,270
Special revenue funds	-	-	576,629	576,629
Designated for special purposes	6,020	-	-	6,020
Undesignated, reported in:				
General fund	8,000,060	-	-	8,000,060
Special revenue funds	-	-	3,364,088	3,364,088
Capital project funds	-	4,214,729	6,443,175	10,657,904
Total fund balances	14,641,801	14,782,103	11,984,038	41,407,942
Total liabilities and fund balances	\$ 17,518,481	\$ 18,659,193	\$ 12,424,988	\$ 48,602,662
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				\$ 41,407,942
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				17,962,365
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds				2,716,593
Compensated absences not expected to be materially liquidated with expendable available resources				(1,232,379)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds				(71,732,335)
Net assets of governmental activities				\$(10,877,814)

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 Fiscal Year Ended June 30, 2007

Exhibit 4

	Major Funds			Total Governmental Funds
	General Fund	Middle School Project Fund	Nonmajor Governmental Funds	
Revenues:				
Ad valorem taxes	\$ 32,013,687	\$ -	\$ 1,713,071	\$ 33,726,758
Local option sales taxes	8,659,202	-	1,956,901	10,616,103
Other taxes and licenses	495,365	-	657,517	1,152,882
Unrestricted intergovernmental	58,482	-	-	58,482
Restricted intergovernmental	8,441,446	-	870,074	9,311,520
Permits and fees	367,884	-	-	367,884
Sales and services	2,120,353	-	-	2,120,353
Investment earnings	751,455	602,198	433,443	1,787,096
Miscellaneous	599,192	-	-	599,192
Total revenues	<u>53,507,066</u>	<u>602,198</u>	<u>5,631,006</u>	<u>59,740,270</u>
Expenditures:				
Current:				
General government	6,628,376	-	-	6,628,376
Public safety	6,033,034	-	1,736,664	7,769,698
Economic and physical development	1,759,240	-	488,772	2,248,012
Human services	16,738,792	-	-	16,738,792
Education	15,451,828	9,500,498	1,471,624	26,423,950
Cultural and recreational	1,849,485	-	-	1,849,485
Debt service:				
Principal retirement	3,717,087	-	-	3,717,087
Interest and fees	2,037,429	-	-	2,037,429
Total expenditures	<u>54,215,271</u>	<u>9,500,498</u>	<u>3,697,060</u>	<u>67,412,829</u>
Revenues over (under) expenditures	(708,205)	(8,898,300)	1,933,946	(7,672,559)
Other financing sources (uses):				
Transfers from other funds	2,823,572	-	-	2,823,572
Transfers to other funds	(565,809)	-	(2,208,763)	(2,774,572)
Certificates of participation issued	-	22,925,000	5,430,000	28,355,000
Original issuance premium	-	755,403	106,911	862,314
Total other financing sources (uses)	<u>2,257,763</u>	<u>23,680,403</u>	<u>3,328,148</u>	<u>29,266,314</u>
Net change in fund balances	1,549,558	14,782,103	5,262,094	21,593,755
Fund balances, beginning of year	<u>13,092,243</u>	<u>-</u>	<u>6,721,944</u>	<u>19,814,187</u>
Fund balances, end of year	<u>\$ 14,641,801</u>	<u>\$ 14,782,103</u>	<u>\$ 11,984,038</u>	<u>\$ 41,407,942</u>
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				
Net changes in fund balances - total governmental funds				\$ 21,593,755
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				927,534
Depreciation				(1,382,264)
Basis of assets disposed				(31,264)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds				62,472
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.				
				(25,769,889)
Change in net assets of governmental activities				<u>\$ (4,599,656)</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 -
Budget and Actual - General Funds
For the Year Ended June 30, 2007

Exhibit 5

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 31,053,738	\$ 31,053,738	\$ 32,013,687	\$ 959,949
Local option sales taxes	8,597,430	8,597,430	8,659,202	61,772
Other taxes and licenses	401,000	401,000	495,365	94,365
Unrestricted intergovernmental	53,000	53,000	58,482	5,482
Restricted intergovernmental	7,794,576	8,636,650	8,441,446	(195,204)
Permits and fees	372,000	372,000	367,884	(4,116)
Sales and services	2,124,796	2,143,796	2,120,353	(23,443)
Investment earnings	450,000	450,000	751,455	301,455
Miscellaneous	407,152	670,485	599,192	(71,293)
Total revenues	<u>51,253,692</u>	<u>52,378,099</u>	<u>53,507,066</u>	<u>1,128,967</u>
Expenditures:				
Current:				
General government	7,033,975	7,710,228	6,628,376	1,081,852
Public safety	6,026,866	6,457,702	6,033,034	424,668
Economic and physical development	2,015,731	2,031,459	1,759,240	272,219
Human services	17,589,507	18,412,855	16,738,792	1,674,063
Education	15,371,828	15,451,828	15,451,828	-
Cultural and recreational	1,934,149	1,961,559	1,849,485	112,074
Debt service:				
Principal retirement	3,517,883	3,717,883	3,717,087	796
Interest and fees	2,198,916	2,044,916	2,037,429	7,487
Total expenditures	<u>55,688,855</u>	<u>57,788,430</u>	<u>54,215,271</u>	<u>3,573,159</u>
Revenues over (under) expenditures	(4,435,163)	(5,410,331)	(708,205)	4,702,126
Other financing sources (uses):				
Transfers from other funds	2,678,879	2,680,879	2,823,572	142,693
Transfers to other funds	(564,000)	(565,809)	(565,809)	-
Total other financing sources (uses)	<u>2,114,879</u>	<u>2,115,070</u>	<u>2,257,763</u>	<u>142,693</u>
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	(2,320,284)	(3,295,261)	1,549,558	4,844,819
Appropriated fund balance	<u>2,320,284</u>	<u>3,295,261</u>	-	<u>(3,295,261)</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	1,549,558	<u>\$ 1,549,558</u>
Fund balances, beginning of year			<u>13,092,243</u>	
Fund balances, end of year			<u>\$ 14,641,801</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, 2007

Exhibit 6

	Major Fund Solid Waste Management Fund	Water and Sewer District #1 Fund	Total Business-type Activities Enterprise
Assets			
Current assets:			
Cash and investments	\$ 857,642	\$ 5,275	\$ 862,917
Accounts receivable - net	95,465	-	95,465
Accrued interest receivable	3,557	-	3,557
Total current assets	<u>956,664</u>	<u>5,275</u>	<u>961,939</u>
Noncurrent assets:			
Land	260,425	-	260,425
Other capital assets, net of accumulated depreciation	462,805	-	462,805
Total noncurrent assets	<u>723,230</u>	<u>-</u>	<u>723,230</u>
Total assets	<u>1,679,894</u>	<u>5,275</u>	<u>1,685,169</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	3,028	-	3,028
Accrued landfill closure costs	27,089	-	27,089
Total current liabilities	<u>30,117</u>	<u>-</u>	<u>30,117</u>
Noncurrent liabilities:			
Compensated absences payable	34,968	-	34,968
Total noncurrent liabilities	<u>34,968</u>	<u>-</u>	<u>34,968</u>
Total liabilities	<u>65,085</u>	<u>-</u>	<u>65,085</u>
Net assets			
Invested in capital assets	723,230	-	723,230
Unrestricted	891,579	5,275	896,854
Total net assets	<u>\$ 1,614,809</u>	<u>\$ 5,275</u>	<u>\$ 1,620,084</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, 2007

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	\$ 1,073,803	\$ -	\$ 1,073,803
Other miscellaneous revenues	121,406	-	121,406
Total operating revenues	<u>1,195,209</u>	<u>-</u>	<u>1,195,209</u>
Operating expenses:			
Cost of service and administration	1,269,128	-	1,269,128
Depreciation	69,449	-	69,449
Total operating expenses	<u>1,338,577</u>	<u>-</u>	<u>1,338,577</u>
Operating income (loss)	<u>(143,368)</u>	<u>-</u>	<u>(143,368)</u>
Nonoperating revenues (expenses):			
Investment earnings	51,337	-	51,337
Nonoperating revenues (expenses) - net	<u>51,337</u>	<u>-</u>	<u>51,337</u>
Net income (loss)	(92,031)	-	(92,031)
Net assets, beginning of year	<u>1,706,840</u>	<u>5,275</u>	<u>1,712,115</u>
Net assets, end of year	<u>\$ 1,614,809</u>	<u>\$ 5,275</u>	<u>\$ 1,620,084</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, 2007

Exhibit 8

	Major Fund Solid Waste Management Fund	Water and Sewer District #1 Fund	Total Business-type Activities Enterprise
Cash flows from operating activities:			
Receipts from customers	\$ 1,099,041	\$ -	\$ 1,099,041
Payments to suppliers for goods and services	(678,412)	-	(678,412)
Payments to or on behalf of employees	(604,115)	-	(604,115)
Other operating revenues	121,182	-	121,182
Net cash provided (used) by operating activities	<u>(62,304)</u>	<u>-</u>	<u>(62,304)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(9,717)	-	(9,717)
Net cash provided (used) by capital and related financing activities	<u>(9,717)</u>	<u>-</u>	<u>(9,717)</u>
Cash flows from investing activities -			
Interest on investments	51,395	-	51,395
Net increase (decrease) in cash and cash equivalents	(20,626)	-	(20,626)
Cash and cash equivalents, beginning of year	878,268	5,275	883,543
Cash and cash equivalents, end of year	<u>\$ 857,642</u>	<u>\$ 5,275</u>	<u>\$ 862,917</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (143,368)	\$ -	\$ (143,368)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation	69,449	-	69,449
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	19,907	-	19,907
Increase (decrease) in accounts payable and accrued expenses	(8,292)	-	(8,292)
Net cash provided (used) by operating activities	<u>\$ (62,304)</u>	<u>\$ -</u>	<u>\$ (62,304)</u>

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, 2007

Exhibit 9

	Pension Trust Law Enforcement Employees	Kenneth Brown Bequest Fund	Agency Funds
Assets			
Cash and investments	\$ 8,478	\$ 24,839	\$ 606,687
Taxes receivable - net	-	-	970,961
Accounts receivable	-	-	22,439
Accrued interest receivable	35	103	1,972
	<u>8,513</u>	<u>24,942</u>	<u>1,602,059</u>
Total assets	<u>8,513</u>	<u>24,942</u>	<u>1,602,059</u>
Liabilities			
Other liabilities	-	-	599,646
Due to other governmental units	-	-	1,002,413
	<u>-</u>	<u>-</u>	<u>1,602,059</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>1,602,059</u>
Net assets			
Held in trust for employee's pension benefits	8,513	-	-
Held in trust for the Library	-	24,942	-
	<u>-</u>	<u>24,942</u>	<u>-</u>
Total net assets	<u>\$ 8,513</u>	<u>\$ 24,942</u>	<u>\$ -</u>

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, 2007

Exhibit 10

	<u>Pension Trust Law Enforcement Employees</u>	<u>Kenneth Brown Bequest Fund</u>
Additions:		
Investment earnings	\$ 2,709	\$ 1,397
Deductions:		
Pension plan benefits	(47,000)	-
Library expenses	<u>-</u>	<u>(2,000)</u>
Net increase (decrease)	(44,291)	(603)
Net assets, beginning of year	<u>52,804</u>	<u>25,545</u>
Net assets, end of year	<u>\$ 8,513</u>	<u>\$ 24,942</u>

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

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.

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. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The County reports the following major governmental funds:

General Fund 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. The County has two fiduciary funds. The Pension Trust Law Enforcement Employees that accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system, and the Kenneth Brown Bequest Fund that is a private trust to provide resources to the public library.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting (Continued)

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 those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, 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 2006 through February 2007 apply to the fiscal year ended June 30, 2007. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annual registration expired December 31 each year with taxes due by May 1 of the following year. To transition from the staggered into the annual registration, the initial 2007 registration renewal will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system,

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.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Data (Continued)

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, a 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.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2006. The legal lien date is January 1.

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 donation. 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.

The County holds title to certain Lee County Board of Education and Central Carolina Community College properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Capital Assets (Continued)

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.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. 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.

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 2007-08 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)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. 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 \$(52,285,756) consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 38,103,410
Less accumulated depreciation	<u>(20,141,045)</u>
Net capital assets	<u>17,962,365</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	1,113,516
Deferred revenue	<u>1,934,077</u>
	<u>2,716,593</u>
Compensated absences not expected to be materially liquidated with expendable resources	<u>(1,232,379)</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	(68,871,900)
Accrued interest	(1,242,370)
Premium – Certificates of Participation	(1,538,692)
LEO pension obligation	<u>(79,373)</u>
	<u>(71,732,335)</u>
Total adjustment	<u>\$ (52,285,756)</u>

LEE COUNTY, NORTH CAROLINA
Notes To Financial Statements (Continued)

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 \$(26,193,411) consists of several elements as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 927,534
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.	(1,382,264)
Cost of disposed capital assets not recorded in fund statements	(31,264)
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	63,042
Change in health department fees deferred in the fund statements	(570)
New debt issued during the year is recorded as a source of funds in the fund financial statements; it has no effect on the statement of activities. It affects only the government-wide statement of net assets	
Certificates of Participation issued	(28,355,000)
Bond Issuance Premium	(862,314)
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	3,735,404
Expenses reported on fund financial statements that are capitalized on government-wide financial statements	
Bond issuance costs	599,311
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)	(753,095)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(122,874)
Amortization of issuance costs not recorded on fund statements	(30,247)
Amortization of premium on certificates of participation not recorded on fund statements	39,787
Difference in retirement expense between fund statements (modified accrual) and government-wide statements (full accrual)	<u>(20,861)</u>
Total adjustment	<u>\$ (26,193,411)</u>

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. One capital project fund, New High School Construction Fund, did not have adequate appropriations for the year ended June 30, 2007. Adequate appropriations will be made for this fund 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 the unit's 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, 2007, the carrying amount of the County's bank deposits (including fiduciary funds) was \$11,044,052 and the bank balance was \$11,303,341. There was \$24,678,149 in escrow accounts with financial institutions. Sufficient collateral was maintained at June 30, 2007 to secure the County's deposits. Of the bank balance, \$543,903 was covered by federal depository insurance, \$834,000 was covered by collateral held under the Dedicated Method and \$9,371,744 was collateralized under the Pooling Method.

At June 30, 2007, the County had \$1,622 cash on hand.

The County elected to maintain a non-interest 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)

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments

At June 30, 2007, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6 -12 Months</u>	<u>1-3 Years</u>
Commercial Paper	\$ 4,932,362	\$ 4,932,362	\$ -	\$ -
NC Capital Management Trust – Cash Portfolio	<u>2,421,798</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
	<u>\$ 7,354,160</u>	<u>\$ 4,932,362</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2007.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County had no policy on custodial credit risk.

Concentration of Credit Risk: The County does have a policy regarding diversification by financial institution.

<u>Type of Investment</u>	<u>% of Portfolio with any one institution</u>
Bankers Acceptance	No more than 25%
Commercial Paper	No more than 25%
Repurchase Agreements	No more than 15%
Certificates of Deposit	No more than 50%
Certificates of Deposit – Savings & Loans	No more than 30%
NCCMT	No more than 75%

LEE COUNTY, NORTH CAROLINA
Notes To Financial Statements (Continued)

III. DETAIL NOTES ON ALL FUNDS (Continued)

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>
2006	\$ 848,319	\$ 48,778	\$ 897,097
2005	853,015	125,820	978,835
2004	712,499	169,219	881,718
2003	<u>664,090</u>	<u>217,489</u>	<u>881,579</u>
Total	<u>\$ 3,077,923</u>	<u>\$ 561,306</u>	<u>\$ 3,639,229</u>

C. Receivables

Receivables at the government-wide level at June 30, 2007 were as follows:

	<u>Taxes receivable- net</u>	<u>Accounts Receivable-Net</u>		
		<u>Accounts</u>	<u>Due from other government</u>	<u>Total</u>
Governmental activities:				
General	\$ 2,228,971	\$ 2,043,629	\$ 2,353,259	\$ 4,396,888
Middle School Project Fund	-	-	93,814	93,814
Other governmental	<u>98,402</u>	<u>77,455</u>	<u>506,083</u>	<u>583,538</u>
Total receivables	2,327,373	2,121,084	2,953,156	5,074,240
Allowance for doubtful accounts	<u>(401,956)</u>	<u>(485,635)</u>	-	<u>(485,635)</u>
Total governmental activities	<u>\$ 1,925,417</u>	<u>\$ 1,635,449</u>	<u>\$ 2,953,156</u>	<u>\$ 4,588,605</u>
Business-type activities:				
Solid waste management	-	87,534	7,931	95,465
Allowance for doubtful accounts	-	-	-	-
Total business-type activities	<u>\$ -</u>	<u>\$ 87,534</u>	<u>\$ 7,931</u>	<u>\$ 95,465</u>

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

Local option sales tax	\$ 2,705,437
Sales tax	<u>247,719</u>
	<u>\$ 2,953,156</u>

LEE COUNTY, NORTH CAROLINA
Notes To Financial Statements (Continued)

III. DETAIL NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

Governmental activities by type:

	<u>June 30,</u> <u>2006</u>	<u>Transfers In/ Additions</u>	<u>Transfers Out/ Disposals</u>	<u>June 30,</u> <u>2007</u>
Nondepreciable assets:				
Land	\$ 2,768,894	\$ -	\$ 1,117	\$ 2,767,777
Land Improvements	242,923	-	-	242,923
Construction in progress	<u>2,634,430</u>	<u>354,530</u>	<u>680,814</u>	<u>2,308,146</u>
	<u>5,646,247</u>	<u>354,530</u>	<u>681,931</u>	<u>5,318,846</u>
Depreciable assets:				
Buildings	26,112,394	24,851	13,305	26,123,940
Roads	-	680,814	-	680,814
Equipment	<u>5,695,662</u>	<u>573,004</u>	<u>288,857</u>	<u>5,979,809</u>
	<u>31,808,056</u>	<u>1,278,669</u>	<u>302,162</u>	<u>32,784,563</u>
Less accumulated depreciation and amortization for:				
Buildings	15,240,588	991,667	5,391	16,226,864
Roads	-	27,232	-	27,232
Equipment	<u>3,765,356</u>	<u>385,863</u>	<u>264,271</u>	<u>3,886,948</u>
	<u>19,005,944</u>	<u>\$ 1,404,762</u>	<u>\$ 269,662</u>	<u>20,141,044</u>
Depreciable assets - net	<u>12,802,112</u>			<u>12,643,519</u>
Total Governmental Activities Capital Assets - net	<u>\$ 18,448,359</u>			<u>\$17,962,365</u>

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

General government	\$ 321,910
Public safety	680,151
Human services	159,094
Economic & physical development	115,479
Cultural & recreational	<u>105,630</u>
	<u>\$ 1,382,264</u>

LEE COUNTY, NORTH CAROLINA
Notes To Financial Statements (Continued)

III. DETAIL NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Business-type activities by type:

	<u>June 30,</u> <u>2006</u>	<u>Transfers In/</u> <u>Additions</u>	<u>Transfers Out/</u> <u>Disposals</u>	<u>June 30,</u> <u>2007</u>
Nondepreciable assets:				
Land	\$ 260,425	\$ -	\$ -	\$ 260,425
	<u>260,425</u>	<u>-</u>	<u>-</u>	<u>260,425</u>
Depreciable assets:				
Buildings	562,226	3,256	-	565,482
Equipment	1,378,681	6,641	-	1,385,142
	<u>1,940,907</u>	<u>9,717</u>	<u>-</u>	<u>1,950,624</u>
Less accumulated depreciation and amortization for:				
Buildings	328,467	24,477	-	353,167
Equipment	1,089,903	44,749	-	1,134,652
	<u>1,418,370</u>	<u>\$ 69,449</u>	<u>\$ -</u>	<u>1,487,819</u>
Depreciable assets - net	<u>522,537</u>			<u>462,805</u>
Total Business Activities Capital Assets - net	<u>\$ 782,962</u>			<u>\$ 723,230</u>

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

Solid waste	\$ <u>69,449</u>
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Construction commitments

The government has active construction projects as of June 30, 2007. The projects include the construction of a new middle school and an addition to another school.

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining commitment</u>
New Middle School	\$ 7,412,659	\$ 11,578,841
Floyd L. Knight Addition	793,828	1,147,867
Total	<u>\$ 8,206,487</u>	<u>\$ 12,726,708</u>

LEE COUNTY, NORTH CAROLINA
Notes To Financial Statements (Continued)

III. DETAIL NOTES ON ALL FUNDS (Continued)

E. Liabilities

Payables

Payables at the government-wide level at June 30, 2007 were as follows:

	<u>Vendors</u>
Governmental activities:	
General	\$ 795,084
Middle School Project Fund	3,877,090
Other governmental	350,377
Total governmental activities	\$ 5,022,551
Business-type activities:	
Solid waste management	\$ 30,117
	\$ 30,117

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 Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, or by calling (919) 981-5454.

Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.93% and 4.78%, 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, 2007, 2006, and 2005 were \$520,437, \$535,626, and \$507,989, respectively. The contributions made by the County equaled the required contributions for each year.

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. This plan issues unaudited plan financial statements. This report may be obtained by writing to Lee County Finance, 106 Hillcrest, Sanford, NC 27330.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2006, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>39</u>
Total	<u>44</u>

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 \$11,297, or .72% 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)

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, 2005 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, 2005 was 25 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	\$ 31,418
Interest on net pension obligation	4,242
Adjustment to annual required contribution	<u>(3,502)</u>
Annual pension cost	32,158
Contributions made	<u>11,297</u>
Increase (decrease) in net pension obligation	20,861
Net pension obligation beginning of fiscal year	<u>58,512</u>
Net pension obligation end of fiscal year	<u>\$ 79,373</u>

<u>Fiscal year ended</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
6/30/05	\$ 27,186	141.64%	\$ 66,027
6/30/06	34,650	121.69%	58,512
6/30/07	32,158	35.13%	79,373

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.

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, 2007 were \$90,160 which consisted of \$77,849 from the County and \$12,311 from the law enforcement officers.

III. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan Obligations (Continued)

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.

Funding Policy

On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) 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, 2007, the County's required and actual contributions were \$16,846.

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, 2007 were \$736,379, which consisted of \$527,757 from the County and \$208,622 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, 2007, there were 56 retirees eligible for post-retirement health benefits. The County made payments for post-retirement health benefit premiums of \$209,431. The County obtains health care coverage through private insurers.

LEE COUNTY, NORTH CAROLINA
Notes To Financial Statements (Continued)

III. DETAIL NOTES ON ALL FUNDS (Continued)

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, 2007, the County made contributions to the State for death benefits of \$15,716. 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.

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 will continue to accept a limited amount of waste, primarily construction and demolition materials. 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 \$275,229; \$248,140 has been incurred as of June 30, 2007 and the remaining \$27,089 is reported as liability within the Solid Waste Management Fund at June 30, 2007. 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	\$ 238,092	\$ 238,092
Taxes receivable, net (General)	1,842,426	-
Taxes receivable, net (Special Revenue)	82,991	-
Accounts receivable, net (General)	<u>8,660</u>	<u>-</u>
	<u>\$ 2,172,169</u>	<u>\$ 238,092</u>

III. DETAIL NOTES ON ALL FUNDS (Continued)

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 \$45.9 million per occurrence, general liability coverage of \$2 million per occurrence, and workers' compensation coverage up to the statutory limits. There have been no significant reductions insurance coverage from the previous year and settled claims have not exceeded commercial insurance coverage in any of the last three fiscal years.

The County does not carry 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.

LEE COUNTY, NORTH CAROLINA
Notes To Financial Statements (Continued)

III. DETAIL NOTES ON ALL FUNDS (Continued)

O. Long-Term Obligations (Continued)

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, 2007:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007	Current portion of balance
Governmental activities:					
General obligation bonds	\$ 16,210,000	\$ -	\$ 2,800,000	\$ 13,410,000	\$ 2,775,000
Certificates of participation	25,220,000	28,355,000	500,000	53,075,000	500,000
Installment notes payable	2,822,304	-	435,405	2,386,899	454,146
Unfunded pension liability	58,512	32,158	11,297	79,373	-
Compensated absences	1,109,505	1,133,168	1,010,293	1,232,380	1,010,000
Total governmental activities	\$ 45,420,321	\$ 29,520,326	\$ 4,756,995	\$ 70,183,652	\$ 4,739,146
Business-type activities:					
Compensated absences	33,867	20,828	19,727	34,968	19,727
Total business-type activities	\$ 33,867	\$ 20,828	\$ 19,727	\$ 34,968	\$ 19,727

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

2. Certificates of Participation

A summary of the County's Certificate of Participation is as follows:

Amount	Original Issue Date	Rate	Payment Information Period	Amount	Outstanding Balance	Purpose and Collateral
\$ 26,220,000	January 2004	2.00% - 5.25%	Annual	\$ 500,000 - 1,720,000	\$ 24,720,000	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	28,355,000	Construct middle school, addition at alternative school, renovations and repairs for community college; and park construction; secured by real estate
Total certificates of participation					\$ 53,075,000	

LEE COUNTY, NORTH CAROLINA
Notes To Financial Statements (Continued)

III. DETAIL NOTES ON ALL FUNDS (Continued)

O. Long-Term Obligations (continued)

2. Certificates of Participation (continued)

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>
2008	\$ 500,000	\$ 2,705,845
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
2013-2017	15,385,000	9,297,273
2018-2022	15,760,000	5,778,613
2023-2027	13,035,000	2,123,563
2028-2032	<u>2,195,000</u>	<u>104,262</u>
Total	<u>\$ 53,075,000</u>	<u>\$ 29,141,960</u>

3. General Obligation Bonds

Serviced by the General Fund:

Refunding series, issued November 2001; interest at 4.00%; due serially to 2009	\$ 2,025,000
Public improvement, issued November 2001; interest at 4.00% to 4.30%; due serially to 2015	1,385,000
School bonds series 1998, issued April 1998; interest at 4.80% to 5.00%; due serially to 2012	<u>10,000,000</u>
	<u>\$ 13,410,000</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>
2008	\$ 2,775,000	\$ 637,980
2009	2,750,000	511,980
2010	2,800,000	383,980
2011	2,800,000	244,980
2012	1,550,000	105,980
2013-2017	<u>735,000</u>	<u>61,815</u>
Total	<u>\$ 13,410,000</u>	<u>\$ 1,946,715</u>

4. Installment notes payable

<u>Original Issue</u>		<u>Payment Information</u>		<u>Outstanding</u>	<u>Security</u>
<u>Date</u>	<u>Rate</u>	<u>Period</u>	<u>Amount</u>	<u>Balance</u>	
May 1999	6.69%	Monthly	\$ 17,492	\$ 376,607	Agribusiness Center
November 1999	6.90%	Monthly	9,247	246,358	EMS Facility
January 2003	3.96%	Monthly	13,889 + interest	<u>1,763,934</u>	Telecommunications School
Total installment notes payable				<u>\$ 2,386,899</u>	

LEE COUNTY, NORTH CAROLINA
Notes To Financial Statements (Continued)

III. DETAIL NOTES ON ALL FUNDS (Continued)

O. Long-Term Obligations (Continued)

4. Installment notes payable (continued)

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>
2008	\$ 454,146	\$ 100,951
2009	456,705	74,281
2010	212,115	55,106
2011	166,667	47,700
2012	166,667	41,083
2013-2017	833,333	106,136
2018-2022	<u>97,266</u>	<u>1,647</u>
Total	<u>\$ 2,386,899</u>	<u>\$ 426,904</u>

In fiscal year ended June 30, 2005, the Lee County Water & Sewer District #1 entered into an interlocal agreement with the City of Sanford to sell the assets of the Lee County Water & 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, 2007, the balance of this debt was \$975,000, and debt service payments made by the City of Sanford totaled \$127,700.

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, 2007 Lee County has a legal debt margin of \$252,544,436.

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 \$252,000 to the Center during the fiscal year ended June 30, 2007. 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, 2007. Complete financial statements for the Center can be obtained from the Center's office in West End, North Carolina 27376.

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, 2007. 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, 2007. Complete financial statements for the Airport can be obtained from the Airport's administrative office at 3000 Airport Road, Sanford, NC 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 \$1,777,305 to the community college for operating purposes and \$102,200 for capital outlay purposes during the fiscal year ended June 30, 2007. 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, 2007. Complete financial statements for the community college may be obtained from the community college's business office at 1105 Kelly Drive, Sanford, NC 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 \$1,182,995 to the Corporation during the fiscal year ended June 30, 2007. 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, 2007. Financial reports for the Corporation can be obtained from the Corporation's administrative office at 130 Wicker Street, Sanford, NC 27330.

LEE COUNTY, NORTH CAROLINA
Notes To Financial Statements (Continued)

III. DETAIL NOTES ON ALL FUNDS (Continued)

Q. Jointly Governed Organization

The County, in conjunction with for other counties and twenty municipalities established he 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 \$9,866 to the Council during the fiscal year ended June 30, 2007.

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, 2007, 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	\$ 32,391,935	\$ 16,022,848
TANF	335,121	(29)
Food Stamps	5,365,062	-
WIC	1,748,729	-
Other	141,985	132,999
State/County Special Assistance	-	467,997
	<u>\$ 39,982,832</u>	<u>\$ 16,623,805</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, 2007. The original issue amount of such bonds totaled \$15,650,000. The amount of conduit debt outstanding at June 30, 2007 was not determinable and could not be reasonably estimated.

LEE COUNTY, NORTH CAROLINA
Notes To Financial Statements (Continued)

III. DETAIL NOTES ON ALL FUNDS (Continued)

U. Interfund Balances and Activity

Transfers From / To Other Funds

Transfers to/from other funds at June 30, 2007 consist of the following:

From the General Fund to the Capital Projects Outlay Fund to accumulate resources for future capital projects	\$ (564,000)
From the General Fund to the Fiscal Year 2002 Community Development Block Grant Fund to provide local resources for the capital project	(1,809)
From the School Capital Outlay Fund to the General Fund for debt service	2,614,266
From the Emergency Telephone System Fund to the General Fund to cover E911 related costs	14,767
From the Fire Districts Fund to the General Fund to cover Fire Marshal operating expenses	<u>145,539</u>
General Fund transfers, net	<u>2,208,763</u>

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**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

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LEE COUNTY, NORTH CAROLINA
Law Enforcement Officer's Special Separation Allowance
Required Supplemental Information
Schedule of Funding Progress

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)
12-31-97	\$ 67,350	\$ 122,128	\$ 54,778	55.15%	\$ 761,238	7.20%
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%

*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

<u>Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
1998	12,427	9,187	73.9%
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%

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, 2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	24 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*

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.

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LEE COUNTY, NORTH CAROLINA
General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ 30,903,738	\$ 31,822,690	\$ 918,952
Penalties and interest	150,000	190,997	40,997
	<u>31,053,738</u>	<u>32,013,687</u>	<u>959,949</u>
Local option sales taxes:			
Article 39 one percent	4,596,300	4,350,361	(245,939)
Article 40 one-half of one percent	1,360,380	1,530,872	170,492
Article 42 one-half of one percent	771,015	867,209	96,194
Article 44 one-half of one percent	1,869,735	1,910,760	41,025
	<u>8,597,430</u>	<u>8,659,202</u>	<u>61,772</u>
Other taxes and licenses:			
Deed stamp excise tax	200,000	289,851	89,851
Privilege licenses	4,000	5,075	1,075
Rental vehicle tax	40,000	49,262	9,262
Cable TV franchise tax	157,000	151,177	(5,823)
	<u>401,000</u>	<u>495,365</u>	<u>94,365</u>
Unrestricted intergovernmental:			
Beer and wine tax	53,000	58,482	5,482
	<u>53,000</u>	<u>58,482</u>	<u>5,482</u>
Restricted intergovernmental:			
Federal and state grants	8,520,430	8,332,793	(187,637)
Court facility fees	102,220	95,866	(6,354)
ABC bottles taxes	14,000	12,787	(1,213)
	<u>8,636,650</u>	<u>8,441,446</u>	<u>(195,204)</u>
Permits and fees:			
Register of deeds	372,000	367,884	(4,116)
Sales and services:			
Rents, concessions, and fees	399,506	354,797	(44,709)
Jail fees	181,200	237,143	55,943
Vehicle tax collection fees	15,000	18,088	3,088
Health department fees	563,316	740,787	177,471
Other sales and services	984,774	769,538	(215,236)
	<u>2,143,796</u>	<u>2,120,353</u>	<u>(23,443)</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, 2007

	Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (Continued)			
Investment earnings	\$ 450,000	\$ 751,455	\$ 301,455
Miscellaneous	670,485	599,192	(71,293)
Total revenues	<u>52,378,099</u>	<u>53,507,066</u>	<u>1,128,967</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	82,133	78,270	3,863
Operating expenditures	148,469	125,651	22,818
	<u>230,602</u>	<u>203,921</u>	<u>26,681</u>
Administration			
Salaries and employee benefits	447,291	441,394	5,897
Operating expenditures	51,781	46,731	5,050
Capital outlay	1,000	-	1,000
	<u>500,072</u>	<u>488,125</u>	<u>11,947</u>
Human resources/Veterans affairs:			
Salaries and employee benefits	246,235	231,459	14,776
Operating expenditures	284,785	261,077	23,708
	<u>531,020</u>	<u>492,536</u>	<u>38,484</u>
Finance:			
Salaries and employee benefits	310,331	305,695	4,636
Operating expenditures	26,213	20,533	5,680
Professional services	62,055	62,054	1
Capital outlay	12,750	-	12,750
	<u>411,349</u>	<u>388,282</u>	<u>23,067</u>
Internal Services:			
Operating expenditures	67,915	64,315	3,600
	<u>67,915</u>	<u>64,315</u>	<u>3,600</u>
Tax administration:			
Salaries and employee benefits	790,582	714,922	75,660
Operating expenditures	141,680	85,598	56,082
Contracted services	50,200	46,087	4,113
Professional services	92,000	64,678	27,322
Capital outlay	2,000	1,672	328
	<u>1,076,462</u>	<u>912,957</u>	<u>163,505</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, 2007

	Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)			
General government: (Continued)			
Tax revaluation:			
Salaries and employee benefits	\$ 65,898	\$ 51,010	\$ 14,888
Operating expenditures	154,700	89,307	65,393
	<u>220,598</u>	<u>140,317</u>	<u>80,281</u>
Strategic Services			
Salaries and employee benefits	291,766	289,311	2,455
Operating expenditures	61,569	55,514	6,055
	<u>353,335</u>	<u>344,825</u>	<u>8,510</u>
Court facilities:			
Operating expenditures	5,365	1,830	3,535
Capital outlay	3,587	-	3,587
	<u>8,952</u>	<u>1,830</u>	<u>7,122</u>
Elections:			
Salaries and employee benefits	115,632	109,202	6,430
Operating expenditures	97,214	63,387	33,827
Capital outlay	1,850	1,567	283
	<u>214,696</u>	<u>174,156</u>	<u>40,540</u>
Register of deeds:			
Salaries and employee benefits	281,545	278,394	3,151
Operating expenditures	91,750	77,358	14,392
	<u>373,295</u>	<u>355,752</u>	<u>17,543</u>
Information technology:			
Salaries and employee benefits	266,811	263,126	3,685
Operating expenditures	135,681	90,590	45,091
Contracted services	223,269	157,686	65,583
Capital outlay	145,592	104,865	40,727
	<u>771,353</u>	<u>616,267</u>	<u>155,086</u>
Buildings and grounds:			
Salaries and employee benefits	1,340,273	1,323,188	17,085
Operating expenditures	1,012,872	915,540	97,332
Capital outlay	597,434	206,365	391,069
	<u>2,950,579</u>	<u>2,445,093</u>	<u>505,486</u>
Total general government	<u>7,710,228</u>	<u>6,628,376</u>	<u>1,081,852</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, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Expenditures: (Continued)			
Public safety:			
Sheriff :			
Salaries and employee benefits	\$ 2,593,079	\$ 2,550,569	\$ 42,510
Operating expenditures	538,325	520,554	17,771
Capital outlay	<u>234,134</u>	<u>68,398</u>	<u>165,736</u>
	<u>3,365,538</u>	<u>3,139,521</u>	<u>226,017</u>
Jail:			
Salaries and employee benefits	1,037,462	1,029,624	7,838
Operating expenditures	531,577	508,486	23,091
Capital outlay	<u>114,494</u>	<u>14,309</u>	<u>100,185</u>
	<u>1,683,533</u>	<u>1,552,419</u>	<u>131,114</u>
E911 Service	<u>133,996</u>	<u>133,996</u>	<u>-</u>
State fire control contribution	<u>81,428</u>	<u>69,415</u>	<u>12,013</u>
Inspections:			
Contracted services	<u>530</u>	<u>530</u>	<u>-</u>
Medical examiner:			
Professional services	<u>32,000</u>	<u>25,500</u>	<u>6,500</u>
Juvenile detention	<u>40,000</u>	<u>17,214</u>	<u>22,786</u>
Juvenile probation	<u>13,905</u>	<u>13,740</u>	<u>165</u>
Emergency medical services:			
Contracted services	<u>525,000</u>	<u>525,000</u>	<u>-</u>
Emergency services:			
Salaries and employee benefits	102,762	98,195	4,567
Operating expenditures	215,632	223,326	(7,694)
Capital outlay	<u>28,800</u>	<u>11,314</u>	<u>17,486</u>
	<u>347,194</u>	<u>332,835</u>	<u>14,359</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, 2007

	Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)			
Public safety: (Continued)			
Fire Marshal:			
Salaries and employee benefits	\$ 135,722	\$ 127,025	\$ 8,697
Operating expenditures	47,176	44,260	2,916
Capital outlay	51,680	51,579	101
	<u>234,578</u>	<u>222,864</u>	<u>11,714</u>
Total public safety	<u>6,457,702</u>	<u>6,033,034</u>	<u>424,668</u>
Economic and physical development:			
Economic development:			
Salaries and employee benefits	160,617	157,507	3,110
Operating expenditures	1,239,844	1,025,488	214,356
	<u>1,400,461</u>	<u>1,182,995</u>	<u>217,466</u>
Planning and zoning:			
Contracted services	<u>339,189</u>	<u>319,189</u>	<u>20,000</u>
Agricultural extension:			
Salaries and employee benefits	152,646	124,350	28,296
Operating expenditures	18,032	15,366	2,666
Capital outlay	15,035	15,035	-
	<u>185,713</u>	<u>154,751</u>	<u>30,962</u>
Conservation:			
Salaries and employee benefits	92,156	91,211	945
Operating expenditures	13,440	11,094	2,346
Capital outlay	500	-	500
	<u>106,096</u>	<u>102,305</u>	<u>3,791</u>
Total economic and physical development	<u>2,031,459</u>	<u>1,759,240</u>	<u>272,219</u>
Human services:			
Health:			
Administration:			
Salaries and employee benefits	544,100	538,351	5,749
Operating expenditures	49,525	47,813	1,712
Contracted services	10,000	9,448	552
Capital Outlay	19,287	19,286	1
	<u>622,912</u>	<u>614,898</u>	<u>8,014</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, 2007

	Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)			
Human services: (Continued)			
Health: (Continued)			
Maternal health:			
Salaries and employee benefits	\$ 256,335	\$ 228,325	\$ 28,010
Operating expenditures	48,420	41,404	7,016
	<u>304,755</u>	<u>269,729</u>	<u>35,026</u>
Child health:			
Salaries and employee benefits	114,947	101,766	13,181
Operating expenditures	20,261	19,793	468
	<u>135,208</u>	<u>121,559</u>	<u>13,649</u>
Primary care:			
Salaries and employee benefits	29,060	-	29,060
Operating expenditures	52,370	14,345	38,025
	<u>81,430</u>	<u>14,345</u>	<u>67,085</u>
Health promotion:			
Salaries and employee benefits	104,524	81,738	22,786
Operating expenditures	58,251	39,029	19,222
	<u>162,775</u>	<u>120,767</u>	<u>42,008</u>
WIC - Client services:			
Salaries and employee benefits	154,171	123,606	30,565
Operating expenditures	7,017	7,113	(96)
Capital outlay	1,030	1,030	-
	<u>162,218</u>	<u>131,749</u>	<u>30,469</u>
Jail Health:			
Salaries and employee benefits	177	-	177
Operating expenditures	202,917	197,243	5,674
	<u>203,094</u>	<u>197,243</u>	<u>5,851</u>
Family planning:			
Salaries and employee benefits	127,832	113,408	14,424
Operating expenditures	46,341	25,806	20,535
	<u>174,173</u>	<u>139,214</u>	<u>34,959</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, 2007

	Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)			
Human services: (Continued)			
Health: (Continued)			
Animal control:			
Salaries and employee benefits	\$ 235,268	\$ 232,470	\$ 2,798
Operating expenditures	62,837	55,631	7,206
Capital outlay	3,722	3,721	1
	<u>301,827</u>	<u>291,822</u>	<u>10,005</u>
Environmental health:			
Salaries and employee benefits	404,133	377,845	26,288
Operating expenditures	27,192	23,401	3,791
Capital outlay	1,790	1,790	-
	<u>433,115</u>	<u>403,036</u>	<u>30,079</u>
Aids control:			
Salaries and employee benefits	37,108	30,686	6,422
Operating expenditures	673	125	548
	<u>37,781</u>	<u>30,811</u>	<u>6,970</u>
Bioterrorism:			
Salaries and employee benefits	45,249	42,797	2,452
Operating expenditures	22,170	13,796	8,374
Capital outlay	15,482	11,312	4,170
	<u>82,901</u>	<u>67,905</u>	<u>14,996</u>
WIC - Breastfeeding:			
Salaries and employee benefits	11,970	7,105	4,865
Operating expenditures	3,030	1,543	1,487
	<u>15,000</u>	<u>8,648</u>	<u>6,352</u>
Child service coordinator:			
Salaries and employee benefits	124,409	109,505	14,904
Operating expenditures	12,333	9,624	2,709
	<u>136,742</u>	<u>119,129</u>	<u>17,613</u>
Communicable diseases:			
Salaries and employee benefits	118,074	103,397	14,677
Operating expenditures	30,386	25,464	4,922
	<u>148,460</u>	<u>128,861</u>	<u>19,599</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, 2007

	Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)			
Human services: (Continued)			
Health: (Continued)			
Breast/cervical cancer control:			
Salaries and employee benefits	\$ 21,192	\$ 21,156	\$ 36
Operating expenditures	7,000	3,197	3,803
	<u>28,192</u>	<u>24,353</u>	<u>3,839</u>
Immunizations:			
Salaries and employee benefits	59,955	52,491	7,464
Operating expenditures	2,775	1,173	1,602
	<u>62,730</u>	<u>53,664</u>	<u>9,066</u>
HIV case management:			
Operating expenditures	10,194	1,731	8,463
	<u>10,194</u>	<u>1,731</u>	<u>8,463</u>
Dental:			
Salaries and employee benefits	226,137	212,812	13,325
Operating expenditures	123,471	117,796	5,675
Contracted services	33,394	26,471	6,923
Capital outlay	291,470	202,716	88,754
	<u>674,472</u>	<u>559,795</u>	<u>114,677</u>
Health check coordination:			
Salaries and employee benefits	47,371	46,584	787
Operating expenditures	3,650	3,024	626
	<u>51,021</u>	<u>49,608</u>	<u>1,413</u>
WIC - General administration:			
Salaries and employee benefits	9,936	4,821	5,115
Operating expenditures	64	54	10
	<u>10,000</u>	<u>4,875</u>	<u>5,125</u>
WIC - Nutrition education:			
Salaries and employee benefits	61,348	61,234	114
Operating expenditures	1,322	1,322	-
	<u>62,670</u>	<u>62,556</u>	<u>114</u>
Total health	<u>3,901,670</u>	<u>3,416,298</u>	<u>485,372</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, 2007

	Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)			
Human services: (Continued)			
Social services:			
Social services - administration:			
Salaries and employee benefits	\$ 4,502,585	\$ 4,311,300	\$ 191,285
Operating expenditures	504,154	447,764	56,390
Contracted services	22,900	20,205	2,695
Professional services	52,000	48,584	3,416
Capital outlay	63,098	62,300	798
	<u>5,144,737</u>	<u>4,890,153</u>	<u>254,584</u>
Social services - programs	<u>6,798,365</u>	<u>6,156,231</u>	<u>642,134</u>
Total Social Services	<u>11,943,102</u>	<u>11,046,384</u>	<u>896,718</u>
Mental health	<u>252,000</u>	<u>252,000</u>	<u>-</u>
Lee County Industries	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Senior services - transportation:			
Salaries and employee benefits	408,854	395,697	13,157
Operating expenditures	275,770	223,824	51,946
Capital outlay	98,058	92,812	5,246
	<u>782,682</u>	<u>712,333</u>	<u>70,349</u>
Senior services - general:			
Salaries and employee benefits	511,624	489,651	21,973
Operating expenditures	192,479	156,670	35,809
Contracted services	124,250	98,755	25,495
Capital outlay	2,900	1,891	1,009
	<u>831,253</u>	<u>746,967</u>	<u>84,286</u>
Johnston-Lee Community Action	<u>11,400</u>	<u>11,400</u>	<u>-</u>
HAVEN	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Youth services:			
Salaries and employee benefits	120,267	97,479	22,788
Operating expenditures	27,531	19,709	7,822
Capital outlay	-	200	(200)
	<u>147,798</u>	<u>117,388</u>	<u>30,410</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, 2007

	Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)			
Human services: (Continued)			
Thanks:			
Salaries and employee benefits	\$ 47,673	\$ 47,388	\$ 285
Operating expenditures	7,938	6,235	1,703
	<u>55,611</u>	<u>53,623</u>	<u>1,988</u>
Hillcrest:			
Salaries and employee benefits	275,402	254,034	21,368
Operating expenditures	39,066	29,890	9,176
Capital outlay	6,922	-	6,922
	<u>321,390</u>	<u>283,924</u>	<u>37,466</u>
Pretrial release			
Salaries and employee benefits	55,975	55,672	303
Operating expenditures	11,420	4,922	6,498
	<u>67,395</u>	<u>60,594</u>	<u>6,801</u>
Family centered casework:			
Salaries and employee benefits	47,603	21,018	26,585
Operating expenditures	5,813	1,863	3,950
	<u>53,416</u>	<u>22,881</u>	<u>30,535</u>
Emergency and contingency	<u>30,138</u>	-	<u>30,138</u>
Total human services	<u>18,412,855</u>	<u>16,738,792</u>	<u>1,674,063</u>
Education:			
Lee County Board of Education:			
Current appropriation	12,666,167	12,666,167	-
Capital outlay	850,417	850,417	-
Central Carolina Community College:			
Current appropriation	1,833,044	1,833,044	-
Capital outlay	102,200	102,200	-
Total education	<u>15,451,828</u>	<u>15,451,828</u>	<u>-</u>
Cultural and recreational:			
Parks and recreation:			
Salaries and employee benefits	795,250	737,002	58,248
Operating expenditures	298,474	280,963	17,511
Professional services	60,006	44,794	15,212
Capital outlay	23,259	22,341	918
	<u>1,176,989</u>	<u>1,085,100</u>	<u>91,889</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, 2007

	Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)			
Cultural and recreational: (Continued)			
Libraries:			
Salaries and employee benefits	\$ 522,931	\$ 516,958	\$ 5,973
Operating expenditures	236,639	230,609	6,030
Capital outlay	13,500	5,318	8,182
	<u>773,070</u>	<u>752,885</u>	<u>20,185</u>
Temple Theater	<u>9,000</u>	<u>9,000</u>	<u>-</u>
Arts Council	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Total cultural and recreational	<u>1,961,559</u>	<u>1,849,485</u>	<u>112,074</u>
Debt service:			
Principal retirement	3,300,000	3,299,204	796
Interest and fees	1,894,425	1,894,337	88
Capital lease payments - principal	417,883	417,883	-
Capital lease payments - interest	<u>150,491</u>	<u>143,092</u>	<u>7,399</u>
Total debt service	<u>5,762,799</u>	<u>5,754,516</u>	<u>8,283</u>
Total expenditures	<u>57,788,430</u>	<u>54,215,271</u>	<u>3,573,159</u>
Revenues over (under) expenditures	(5,410,331)	(708,205)	4,702,126
Other financing sources (uses):			
Transfers from other funds:			
Special Revenue Funds	2,631,879	2,774,572	142,693
Trust Funds	49,000	49,000	-
Transfers to other funds:			
Special Revenue Funds	(564,000)	(564,000)	-
Capital Projects Fund	<u>(1,809)</u>	<u>(1,809)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,115,070</u>	<u>2,257,763</u>	<u>142,693</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(3,295,261)	1,549,558	4,844,819
Appropriated fund balance	<u>3,295,261</u>	<u>-</u>	<u>(3,295,261)</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>1,549,558</u>	<u>\$ 1,549,558</u>
Fund balances, beginning of year		<u>13,092,243</u>	
Fund balances, end of year		<u>\$ 14,641,801</u>	

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MAJOR CAPITAL PROJECT FUND

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

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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, 2007

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ -	\$ 602,198	\$ -	\$ 602,198
Expenditures:				
Capital outlay:				
Education	23,680,403	9,500,498	-	9,500,498
Revenues over (under) expenditures	(23,680,403)	(8,898,300)	-	(8,898,300)
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 over (under) expenditures and other financing uses	\$ -	14,782,103	\$ -	\$ 14,782,103
Fund balance, beginning of year		-		
Fund balance, end of year		\$ 14,782,103		

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NONMAJOR GOVERNMENTAL FUNDS

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LEE COUNTY, NORTH CAROLINA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2007

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and investments	\$ 4,022,835	\$ 1,496,613	\$ 5,519,448
Taxes receivable - net	82,991	-	82,991
Accounts receivable - net	539,497	44,041	583,538
Accrued interest receivable	16,689	30,546	47,235
Cash and investments - restricted	<u>-</u>	<u>6,191,776</u>	<u>6,191,776</u>
Total assets	<u>\$ 4,662,012</u>	<u>\$ 7,762,976</u>	<u>\$ 12,424,988</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 74,536	\$ 275,841	\$ 350,377
Deferred revenues	<u>90,573</u>	<u>-</u>	<u>90,573</u>
Total liabilities	<u>165,109</u>	<u>275,841</u>	<u>440,950</u>
Fund balances:			
Reserved by State statute	556,186	-	556,186
Reserved for encumbrances	-	1,043,960	1,043,960
Unreserved:			
Designated for subsequent year's expenditures	576,629	-	576,629
Undesignated	<u>3,364,088</u>	<u>6,443,175</u>	<u>9,807,263</u>
Total fund balances	<u>4,496,903</u>	<u>7,487,135</u>	<u>11,984,038</u>
Total liabilities and fund balances	<u>\$ 4,662,012</u>	<u>\$ 7,762,976</u>	<u>\$ 12,424,988</u>

LEE COUNTY, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Ad valorem taxes	\$ 1,713,071	\$ -	\$ 1,713,071
Local option sales taxes	1,956,901	-	1,956,901
Other taxes and licenses	657,517	-	657,517
Restricted intergovernmental	735,702	134,372	870,074
Investment earnings	<u>172,851</u>	<u>260,592</u>	<u>433,443</u>
Total revenues	<u>5,236,042</u>	<u>394,964</u>	<u>5,631,006</u>
Expenditures:			
Current:			
Public safety	1,736,664	-	1,736,664
Economic and physical development	116,698	372,074	488,772
Education	<u>161,353</u>	<u>1,310,271</u>	<u>1,471,624</u>
Total expenditures	<u>2,014,715</u>	<u>1,682,345</u>	<u>3,697,060</u>
Revenues over (under) expenditures	3,221,327	(1,287,381)	1,933,946
Other financing sources (uses):			
Transfers to other funds	(2,210,572)	1,809	(2,208,763)
Certificates of participation issued	-	5,430,000	5,430,000
Original issuance premium	<u>-</u>	<u>106,911</u>	<u>106,911</u>
Total other financing sources (uses)	<u>(2,210,572)</u>	<u>5,538,720</u>	<u>3,328,148</u>
Net change in fund balances	1,010,755	4,251,339	5,262,094
Fund balances, beginning of year	<u>3,486,148</u>	<u>3,235,796</u>	<u>6,721,944</u>
Fund balances, end of year	<u>\$ 4,496,903</u>	<u>\$ 7,487,135</u>	<u>\$ 11,984,038</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.

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LEE COUNTY, NORTH CAROLINA
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2007

	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
Assets								
Cash and investments	\$ 149,852	\$ 2,130,889	\$ -	\$ 155,261	\$ 1,286,949	\$ 296,324	\$ 3,560	\$ 4,022,835
Taxes receivable - net	74,827	-	-	-	-	8,164	-	82,991
Accounts receivable	-	-	487,042	-	52,455	-	-	539,497
Accrued interest receivable	622	8,840	-	644	5,339	1,229	15	16,689
Total assets	\$ 225,301	\$ 2,139,729	\$ 487,042	\$ 155,905	\$ 1,344,743	\$ 305,717	\$ 3,575	\$ 4,662,012
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 6	\$ -	\$ -	\$ -	\$ 74,515	\$ 15	\$ -	\$ 74,536
Deferred revenues	82,409	-	-	-	-	8,164	-	90,573
Total liabilities	82,415	-	-	-	74,515	8,179	-	165,109
Fund balances:								
Reserved by State statute	622	8,840	487,042	644	57,794	1,229	15	556,186
Unreserved:								
Designated for subsequent year's expenditures	136,000	440,629	-	-	-	-	-	576,629
Undesignated	6,264	1,690,260	-	155,261	1,212,434	296,309	3,560	3,364,088
Total fund balance	142,886	2,139,729	487,042	155,905	1,270,228	297,538	3,575	4,496,903
Total liabilities and fund balances	\$ 225,301	\$ 2,139,729	\$ 487,042	\$ 155,905	\$ 1,344,743	\$ 305,717	\$ 3,575	\$ 4,662,012

LEE COUNTY, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance -
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2007

	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	\$ 1,509,016	\$ -	\$ -	\$ -	\$ -	\$ 204,055	\$ -	\$ 1,713,071
Local option sales taxes	-	-	1,956,901	-	-	-	-	1,956,901
Other taxes and licenses	-	-	-	181,006	476,511	-	-	657,517
Restricted intergovernmental	-	-	732,142	-	-	-	3,560	735,702
Investment earnings	3,363	84,373	-	7,355	64,296	13,449	15	172,851
Total revenues	<u>1,512,379</u>	<u>84,373</u>	<u>2,689,043</u>	<u>188,361</u>	<u>540,807</u>	<u>217,504</u>	<u>3,575</u>	<u>5,236,042</u>
Expenditures:								
Current:								
General government:								
Public safety	1,400,617	-	-	-	336,047	-	-	1,736,664
Economic and physical development	-	-	-	-	-	116,698	-	116,698
Education	-	-	-	161,353	-	-	-	161,353
Total expenditures	<u>1,400,617</u>	<u>-</u>	<u>-</u>	<u>161,353</u>	<u>336,047</u>	<u>116,698</u>	<u>-</u>	<u>2,014,715</u>
Revenues over (under) expenditures	<u>111,762</u>	<u>84,373</u>	<u>2,689,043</u>	<u>27,008</u>	<u>204,760</u>	<u>100,806</u>	<u>3,575</u>	<u>3,221,327</u>
Other financing sources (uses):								
Transfers in (out):								
General Fund	(145,539)	564,000	(2,614,266)	-	(14,767)	-	-	(2,210,572)
Total other financing sources (uses)	<u>(145,539)</u>	<u>564,000</u>	<u>(2,614,266)</u>	<u>-</u>	<u>(14,767)</u>	<u>-</u>	<u>-</u>	<u>(2,210,572)</u>
Net changes in fund balance	(33,777)	648,373	74,777	27,008	189,993	100,806	3,575	1,010,755
Fund balances, beginning of year	<u>176,663</u>	<u>1,491,356</u>	<u>412,265</u>	<u>128,897</u>	<u>1,080,235</u>	<u>196,732</u>	<u>-</u>	<u>3,486,148</u>
Fund balances, end of year	<u>\$ 142,886</u>	<u>\$ 2,139,729</u>	<u>\$ 487,042</u>	<u>\$ 155,905</u>	<u>\$ 1,270,228</u>	<u>\$ 297,538</u>	<u>\$ 3,575</u>	<u>\$ 4,496,903</u>

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, 2007

	2007		Variance With Final Budget Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Current year	\$ 1,386,324	\$ 1,448,288	\$ 61,964
Prior years	207	60,728	60,521
Total ad valorem taxes	<u>1,386,531</u>	<u>1,509,016</u>	<u>122,485</u>
Investment earnings	-	3,363	3,363
Total revenues	<u>1,386,531</u>	<u>1,512,379</u>	<u>125,848</u>
Expenditures:			
Public safety	<u>1,400,992</u>	<u>1,400,617</u>	<u>375</u>
Revenues over (under) expenditures	(14,461)	111,762	126,223
Other financing sources (uses):			
Transfers in (out):			
General Fund	<u>(145,539)</u>	<u>(145,539)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(160,000)	(33,777)	126,223
Appropriated fund balance	<u>160,000</u>	<u>-</u>	<u>(160,000)</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(33,777)</u>	<u>\$ (33,777)</u>
Fund balances, beginning of year		<u>176,663</u>	
Fund balances, end of year		<u>\$ 142,886</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, 2007

	2007		Variance With Final Budget Positive (Negative)
	Budget	Actual	
Revenues:			
Investment earnings	\$ -	\$ 84,373	\$ 84,373
Revenues over (under) expenditures	-	84,373	84,373
Other financing sources (uses):			
Transfers in (out):			
General Fund	-	564,000	564,000
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	648,373	\$ 648,373
Fund balances, beginning of year		1,491,356	
Fund balances, end of year		\$ 2,139,729	

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, 2007

	2007		Variance With Final Budget Positive (Negative)
	Budget	Actual	
Revenues:			
Local option sales taxes	\$ 1,897,959	\$ 1,956,901	\$ 58,942
Restricted intergovernmental revenues:			
State grant	<u>511,541</u>	<u>732,142</u>	<u>220,601</u>
Total revenues	<u>2,409,500</u>	<u>2,689,043</u>	<u>279,543</u>
Revenues over (under) expenditures	2,409,500	2,689,043	279,543
Other financing sources (uses):			
Transfers in (out):			
General Fund	<u>(2,630,101)</u>	<u>(2,614,266)</u>	<u>15,835</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(220,601)	74,777	295,378
Appropriated fund balance	<u>220,601</u>	<u>-</u>	<u>(220,601)</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>74,777</u>	<u>\$ 74,777</u>
Fund balances, beginning of year		<u>412,265</u>	
Fund balances, end of year		<u>\$ 487,042</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, 2007

	2007		
	Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
Other taxes and licenses:			
Room occupancy tax	\$ 161,353	\$ 181,006	\$ 19,653
Investment earnings	-	7,355	7,355
Total revenues	<u>161,353</u>	<u>188,361</u>	<u>27,008</u>
Expenditures:			
Education - CCCC appropriation	<u>235,528</u>	<u>161,353</u>	<u>(74,175)</u>
Revenues over (under) expenditures	(74,175)	27,008	101,183
Appropriated fund balance	<u>74,175</u>	<u>-</u>	<u>(74,175)</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	27,008	<u>\$ 27,008</u>
Fund balances, beginning of year		<u>128,897</u>	
Fund balances, end of year		<u>\$ 155,905</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, 2007

	2007		Variance With Final Budget Positive (Negative)
	Budget	Actual	
Revenues:			
Other taxes and licenses:			
E-911 surcharge	\$ 337,282	\$ 314,829	\$ (22,453)
Wireless E-911 surcharge	16,560	161,682	145,122
Investment earnings	-	64,296	64,296
Total revenues	<u>353,842</u>	<u>540,807</u>	<u>186,965</u>
Expenditures:			
Public safety	<u>347,870</u>	<u>336,047</u>	<u>11,823</u>
Revenues over (under) expenditures	5,972	204,760	198,788
Other financing sources (uses):			
Transfers in (out):			
General Fund	<u>(14,767)</u>	<u>(14,767)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(8,795)	189,993	198,788
Appropriated fund balance	<u>8,795</u>	<u>-</u>	<u>(8,795)</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	189,993	<u>\$ 189,993</u>
Fund balances, beginning of year		<u>1,080,235</u>	
Fund balances, end of year		<u>\$ 1,270,228</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, 2007

	2007		
	Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year	\$ 159,298	\$ 203,099	\$ 43,801
Prior years	-	956	956
Investment earnings	-	13,449	13,449
Total revenues	<u>159,298</u>	<u>217,504</u>	<u>58,206</u>
Expenditures:			
Economic and physical development	<u>159,298</u>	<u>116,698</u>	<u>42,600</u>
Revenues over (under) expenditures	<u>\$ -</u>	100,806	<u>\$ 100,806</u>
Fund balances, beginning of year		<u>196,732</u>	
Fund balances, end of year		<u>\$ 297,538</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, 2007

	2007		Variance With Final Budget Positive (Negative)
	Budget	Actual	
Revenues:			
Intergovernmental revenues	\$ -	\$ 3,560	\$ 3,560
Investment earnings	-	15	15
Revenues over (under) expenditures	<u>\$ -</u>	3,575	<u>\$ 3,575</u>
Fund balances, beginning of year		-	
Fund balances, end of year		<u>\$ 3,575</u>	

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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.

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LEE COUNTY, NORTH CAROLINA
Combining Balance Sheet - Nonmajor Capital Project Funds
June 30, 2007

	Fiscal Year										Totals
	CCCC Telecommunications Building Fund	Industrial Park Expansion Fund	New High School Construction Fund	Fiscal Year 2002 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	
Assets											
Cash and investments	\$ -	\$ 41,356	\$ 245,536	\$ 1,000	\$ 76,183	\$ 724,878	\$ 57,980	\$ 349,680	\$ -	\$ -	\$ 1,496,613
Accounts receivable - net	-	-	3,827	-	-	-	38,759	-	1,455	-	44,041
Accrued interest receivable	-	171	39	-	-	9,247	2,375	-	7,585	11,129	30,546
Cash and investments-restricted	26,134	-	9,777	-	-	1,552,643	499,785	-	1,504,140	2,599,297	6,191,776
Total assets	\$ 26,134	\$ 41,527	\$ 259,179	\$ 1,000	\$ 76,183	\$ 2,286,768	\$ 598,899	\$ 349,680	\$ 1,513,180	\$ 2,610,426	\$ 7,762,976
Liabilities and Fund Balances											
Liabilities:											
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 1,000	\$ -	\$ -	\$ 17,304	\$ -	\$ 257,537	\$ -	\$ 275,841
Total liabilities	-	-	-	1,000	-	-	17,304	-	257,537	-	275,841
Fund balances:											
Reserved for encumbrances	1,700	-	-	-	-	-	36,115	-	1,006,145	-	1,043,960
Unreserved - Undesignated	24,434	41,527	259,179	-	76,183	2,286,768	545,480	349,680	249,498	2,610,426	6,443,175
Total fund balance (deficit)	26,134	41,527	259,179	-	76,183	2,286,768	581,595	349,680	1,255,643	2,610,426	7,487,135
Total liabilities and fund balances	\$ 26,134	\$ 41,527	\$ 259,179	\$ 1,000	\$ 76,183	\$ 2,286,768	\$ 598,899	\$ 349,680	\$ 1,513,180	\$ 2,610,426	\$ 7,762,976

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, 2007

	CCCC Telecommunications Building Fund	Industrial Park Expansion Fund	New High School Construction Fund	Fiscal Year 2002 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	Totals
Revenues:											
Restricted intergovernmental	\$ 1,283	\$ -	\$ -	\$ 3,198	\$ -	\$ -	\$ 131,174	\$ -	\$ -	\$ -	\$ 134,372
Investment earnings	1,283	5,309	477	-	-	109,594	16,916	-	56,169	70,844	260,592
Total revenues	1,283	5,309	477	3,198	-	109,594	148,090	-	56,169	70,844	394,964
Expenditures:											
Capital outlay:											
Economic and physical development	-	13,249	-	8,477	-	29,109	321,239	-	-	-	372,074
Education	6,043	-	220,656	-	-	-	-	-	1,026,466	57,106	1,310,271
Total expenditures	6,043	13,249	220,656	8,477	-	29,109	321,239	-	1,026,466	57,106	1,682,345
Revenues over (under) expenditures	(4,760)	(7,940)	(220,179)	(5,279)	-	80,485	(173,149)	-	(970,297)	13,738	(1,287,381)
Other financing sources (uses)											
Certificates of participation issued	-	-	-	-	-	-	700,000	-	2,185,000	2,545,000	5,430,000
Original issuance premium	-	-	-	-	-	-	14,283	-	40,940	51,688	106,911
Transfers in (out):											
General Fund	-	-	-	1,809	-	-	-	-	-	-	1,809
Total other financing sources (uses)	-	-	-	1,809	-	-	714,283	-	2,225,940	2,596,688	5,538,720
Revenues and other financing sources over (under) expenditures and other financing uses	(4,760)	(7,940)	(220,179)	(3,470)	-	80,485	541,134	-	1,255,643	2,610,426	4,251,339
Fund balances (deficit), beginning of year	30,894	49,467	479,358	3,470	76,183	2,206,283	40,461	349,680	-	-	3,235,796
Fund balances (deficit), end of year	\$ 26,134	\$ 41,527	\$ 259,179	\$ -	\$ 76,183	\$ 2,286,768	\$ 581,595	\$ 349,680	\$ 1,255,643	\$ 2,610,426	\$ 7,487,135

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, 2007

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ 8,630	\$ 1,283	\$ 31,781	\$ 33,064
Expenditures:				
Capital outlay:				
Education	2,508,630	6,043	2,500,887	2,506,930
Revenues over (under) expenditures	(2,500,000)	(4,760)	(2,469,106)	(2,473,866)
Other financing sources (uses):				
Capital lease issuance	2,500,000	-	2,500,000	2,500,000
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(4,760)	\$ 30,894	\$ 26,134
Fund balance, beginning of year		30,894		
Fund balance, end of year		\$ 26,134		

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, 2007

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ 48,046	\$ 5,309	\$ 63,788	\$ 69,097
Expenditures:				
Capital outlay:				
Economic and physical development	2,183,046	13,249	2,149,321	2,162,570
Revenues over (under) expenditures	(2,135,000)	(7,940)	(2,085,533)	(2,093,473)
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 over (under) expenditures and other financing uses	\$ -	(7,940)	\$ 49,467	\$ 41,527
Fund balance, beginning of year		49,467		
Fund balance, end of year		\$ 41,527		

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, 2007

	Project Budget	Actual		Total to Date
		Current Year	Prior Years	
Revenues:				
Investment earnings	\$ 175,000	\$ 477	\$ 420,197	\$ 420,674
Other revenues	400,000	-	456,954	456,954
Total revenues	<u>575,000</u>	<u>477</u>	<u>877,151</u>	<u>877,628</u>
Expenditures:				
Capital outlay:				
Education	<u>25,718,570</u>	<u>220,656</u>	<u>25,524,053</u>	<u>25,744,709</u>
Revenues over (under) expenditures	(25,143,570)	(220,179)	(24,646,902)	(24,867,081)
Other financing sources (uses):				
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 over (under) expenditures and other financing uses	\$ -	(220,179)	\$ 479,358	\$ 259,179
Fund balance, beginning of year		<u>479,358</u>		
Fund balance, end of year		<u>\$ 259,179</u>		

LEE COUNTY, NORTH CAROLINA
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, 2007

	Project Budget	Actual		Total to Date
		Current Year	Prior Years	
Revenues:				
Restricted intergovernmental:				
CDBG grant funds	\$ 400,000	\$ 3,198	\$ 396,802	\$ 400,000
Expenditures:				
Capital outlay:				
Economic and physical development	411,809	8,477	403,332	411,809
Revenues over (under) expenditures	(11,809)	(5,279)	(6,530)	(11,809)
Other financing sources (uses):				
Transfers in (out):				
General Fund	6,912	1,809	5,103	6,912
Special Revenue Fund	4,897	-	4,897	4,897
Total other financing sources (uses)	11,809	1,809	10,000	11,809
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(3,470)	\$ 3,470	\$ -
Fund balance, beginning of year		3,470		
Fund balance, end of year		\$ -		

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, 2007

	Project Budget	Actual		Total to Date
		Current Year	Prior Years	
Revenues:				
Other revenues	\$ 300,000	\$ -	\$ 300,000	\$ 300,000
Expenditures:				
Capital outlay:				
Economic and physical development	1,129,723	-	1,053,540	1,053,540
Revenues over (under) expenditures	(829,723)	-	(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
Total other financing sources (uses)	829,723	-	829,723	829,723
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	-	\$ 76,183	\$ 76,183
Fund balance, beginning of year		76,183		
Fund balance, end of year		\$ 76,183		

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, 2007

	Project Budget	Actual		Total to Date
		Current Year	Prior Years	
Revenues:				
Investment earnings	\$ -	\$ 109,594	\$ 150,398	\$ 259,992
Expenditures:				
Capital outlay:				
Economic and physical development	2,541,276	29,109	483,594	512,703
Revenues over (under) expenditures	(2,541,276)	80,485	(333,196)	(252,711)
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)	2,541,276	-	2,539,479	2,539,479
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	80,485	\$ 2,206,283	\$ 2,286,768
Fund balance, beginning of year		2,206,283		
Fund balance, end of year		\$ 2,286,768		

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, 2007

	Project Budget	Actual		Total to Date
		Current Year	Prior Years	
Revenues:				
Restricted intergovernmental PARTF grant	\$ 750,000	\$ 131,174	\$ 225,000	\$ 356,174
Investment earnings	-	16,916	-	16,916
Total revenues	<u>750,000</u>	<u>148,090</u>	<u>225,000</u>	<u>373,090</u>
Expenditures:				
Capital outlay: Cultural and recreational	<u>1,748,733</u>	<u>321,239</u>	<u>468,989</u>	<u>790,228</u>
Revenues over (under) expenditures	(998,733)	(173,149)	(243,989)	(417,138)
Other financing sources (uses):				
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>714,283</u>	<u>284,450</u>	<u>998,733</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	541,134	\$ 40,461	\$ 581,595
Fund balance, beginning of year		<u>40,461</u>		
Fund balance, end of year		\$ <u>581,595</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, 2007

	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 over (under) expenditures and other financing uses	\$ -	-	\$ 349,680	\$ 349,680
Fund balance, beginning of year		349,680		
Fund balance, end of year		\$ 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, 2007

	Project Budget	Actual		Total to Date
		Current Year	Prior Years	
Revenues:				
Investment earnings	\$ -	\$ 56,169	\$ -	\$ 56,169
Expenditures:				
Capital outlay:				
Education	2,225,940	1,026,466	-	1,026,466
Revenues over (under) expenditures	(2,225,940)	(970,297)	-	(970,297)
Other financing sources (uses):				
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 over (under) expenditures and other financing uses	\$ -	1,255,643	\$ -	\$ 1,255,643
Fund balance, beginning of year		-		
Fund balance, end of year		\$ 1,255,643		

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, 2007

	Project Budget	Actual		Total to Date
		Current Year	Prior Years	
Revenues:				
Investment earnings	\$ -	\$ 70,844	\$ -	\$ 70,844
Expenditures:				
Capital outlay:				
Education	2,596,688	57,106	-	57,106
Revenues over (under) expenditures	(2,596,688)	13,738	-	13,738
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)	2,596,688	2,596,688	-	2,596,688
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	2,610,426	<u>\$ -</u>	<u>\$ 2,610,426</u>
Fund balance, beginning of year		-		
Fund balance, end of year		<u>\$ 2,610,426</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.

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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, 2007

	Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
Operating revenues:			
Solid waste charges	\$ 1,116,187	\$ 1,073,803	\$ (42,384)
Other operating revenues	83,500	121,406	37,906
Total operating revenues	1,199,687	1,195,209	(4,478)
Nonoperating revenues:			
Investment earnings	12,500	51,337	38,837
Total revenues	1,212,187	1,246,546	34,359
Expenditures:			
Salaries and employee benefits	607,298	605,216	2,082
Other operating expenditures	647,636	652,644	(5,008)
Capital outlay	23,699	20,985	2,714
Total expenditures	1,278,633	1,278,845	(212)
Revenues and other financing sources over (under) expenditures and other financing uses	(66,446)	(32,299)	34,147
Appropriated fund balance	66,446	-	(66,446)
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	\$ -	\$ (32,299)	\$ (32,299)
Reconciliation of modified accrual basis to full accrual basis:			
Revenues and other financing sources over (under) expenditures		\$ (32,299)	
Capital outlay		9,717	
Depreciation		(69,449)	
Net loss		\$ (92,031)	

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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.

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LEE COUNTY, NORTH CAROLINA
Agency Funds - Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
TOWN OF BROADWAY				
Assets:				
Cash, cash equivalents and investments	\$ 3,966	\$ 323,231	\$ 323,273	\$ 3,924
Taxes receivable	16,123	325,631	322,063	19,691
Total assets	<u>\$ 20,089</u>	<u>\$ 648,862</u>	<u>\$ 645,336</u>	<u>\$ 23,615</u>
Liabilities:				
Due to tax district	<u>\$ 20,089</u>	<u>\$ 648,862</u>	<u>\$ 645,336</u>	<u>\$ 23,615</u>
CITY OF SANFORD				
Assets:				
Cash, cash equivalents and investments	\$ 18,906	\$ 11,598,062	\$ 11,612,222	\$ 4,746
Taxes receivable	877,165	11,643,016	11,572,454	947,727
Total assets	<u>\$ 896,071</u>	<u>\$ 23,241,078</u>	<u>\$ 23,184,676</u>	<u>\$ 952,473</u>
Liabilities:				
Due to tax district	<u>\$ 896,071</u>	<u>\$ 23,241,078</u>	<u>\$ 23,184,676</u>	<u>\$ 952,473</u>
CENTRAL BUSINESS DISTRICT				
Assets:				
Cash, cash equivalents and investments	\$ 387	\$ 58,363	\$ 58,407	\$ 343
Taxes receivable	2,293	59,402	58,152	3,543
Total assets	<u>\$ 2,680</u>	<u>\$ 117,765</u>	<u>\$ 116,559</u>	<u>\$ 3,886</u>
Liabilities:				
Due to tax district	<u>\$ 2,680</u>	<u>\$ 117,765</u>	<u>\$ 116,559</u>	<u>\$ 3,886</u>
FINES AND FORFEITURES				
Assets:				
Intergovernmental receivable	\$ 32,123	\$ 377,127	\$ 386,811	\$ 22,439
Liabilities:				
Intergovernmental payable	<u>\$ 32,123</u>	<u>\$ 377,127</u>	<u>\$ 386,811</u>	<u>\$ 22,439</u>
SOCIAL SERVICES PAYEE ACCOUNTS				
Assets:				
Cash, cash equivalents and investments	\$ 51,659	\$ 756,772	\$ 723,109	\$ 85,322
Liabilities:				
Due to participants	<u>\$ 51,659</u>	<u>\$ 756,772</u>	<u>\$ 723,109</u>	<u>\$ 85,322</u>
JAIL INMATE TRUST ACCOUNTS				
Assets:				
Cash, cash equivalents and investments	\$ 17,524	\$ 126,103	\$ 109,541	\$ 34,086
Liabilities:				
Due to participants	<u>\$ 17,524</u>	<u>\$ 126,103</u>	<u>\$ 109,541</u>	<u>\$ 34,086</u>
MOTOR VEHICLE TAX				
Assets:				
Cash, cash equivalents and investments	\$ 1,996	\$ 34,995	\$ 34,122	\$ 2,869
Liabilities:				
Miscellaneous liabilities	<u>\$ 1,996</u>	<u>\$ 34,995</u>	<u>\$ 34,122</u>	<u>\$ 2,869</u>
MENTAL HEALTH INSURANCE				
Assets:				
Cash, cash equivalents and investments	\$ 486,325	\$ 37,241	\$ 48,169	\$ 475,397
Accrued interest receivable	2,002	1,972	2,002	1,972
Total assets	<u>\$ 488,327</u>	<u>\$ 39,213</u>	<u>\$ 50,171</u>	<u>\$ 477,369</u>
Liabilities:				
Due to participants	<u>\$ 488,327</u>	<u>\$ 39,213</u>	<u>\$ 50,171</u>	<u>\$ 477,369</u>
COMBINING TOTALS				
Assets:				
Cash and investments	\$ 580,763	\$ 12,934,767	\$ 12,908,843	\$ 606,687
Accounts receivable	32,123	377,127	386,811	22,439
Taxes receivable	895,581	12,028,049	11,952,669	970,961
Accrued interest receivable	2,002	1,972	2,002	1,972
Total assets	<u>\$ 1,510,469</u>	<u>\$ 25,341,915</u>	<u>\$ 25,250,325</u>	<u>\$ 1,602,059</u>
Liabilities:				
Due to participants	\$ 557,510	\$ 922,088	\$ 882,821	\$ 596,777
Miscellaneous liabilities	1,996	34,995	34,122	2,869
Intergovernmental payable	32,123	377,127	386,811	22,439
Due to tax district	918,840	24,007,705	23,946,571	979,974
Total liabilities	<u>\$ 1,510,469</u>	<u>\$ 25,341,915</u>	<u>\$ 25,250,325</u>	<u>\$ 1,602,059</u>

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SUPPLEMENTAL FINANCIAL DATA

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LEE COUNTY, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable - General Fund
For the Fiscal Year Ended June 30, 2007

Fiscal Year	Uncollected Balance June 30, 2006	Additions	Collections and Credits	Uncollected Balance June 30, 2007
2006-07	\$ -	\$ 31,896,203	\$ 30,887,929	\$ 1,008,274
2005-06	1,005,342	17,391	692,662	330,071
2004-05	349,880	13,373	136,536	226,717
2003-04	224,830	10,781	57,464	178,147
2002-03	177,011	-	15,987	161,024
2001-02	114,652	-	6,759	107,893
2000-01	92,741	-	3,437	89,304
1999-00	32,713	-	2,611	30,102
1998-99	48,562	-	743	47,819
1997-98	50,522	-	902	49,620
1996-97	48,770	-	48,770	-
	<u>\$ 2,145,023</u>	<u>\$ 31,937,748</u>	<u>\$ 31,853,800</u>	2,228,971
Less allowance for uncollected taxes receivable				<u>(386,545)</u>
Ad valorem taxes receivable (net)				<u>\$ 1,842,426</u>
Reconciliation with revenues:				
Ad valorem collections and credits				\$ 31,853,800
Penalties and interest				190,997
Advertisement and collection fees				46,364
Taxes written off				(48,042)
Releases				(30,785)
Adjustments				<u>1,353</u>
Total ad valorem collections and credits				<u>\$ 32,013,687</u>

LEE COUNTY, NORTH CAROLINA
Analysis of Current Tax Levy - County-wide Levy
For the Fiscal Year Ended June 30, 2007

	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	\$ 3,862,174,454	\$ 0.79	\$ 30,501,385	\$ 28,390,691	\$ 2,110,694
Motor vehicles taxed at prior year's rate	145,806,180		1,151,646	-	1,151,646
Penalties	-		33,791	33,791	-
Total	<u>4,007,980,634</u>		<u>31,686,822</u>	<u>28,424,482</u>	<u>3,262,340</u>
Discoveries:					
Current year taxes	23,991,820		309,523	309,523	-
Penalties	-		15,241	15,241	-
Total	<u>23,991,820</u>		<u>324,764</u>	<u>324,764</u>	<u>-</u>
Abatements	<u>(14,268,243)</u>		<u>(115,383)</u>	<u>(59,131)</u>	<u>(56,252)</u>
Total property valuation	<u>\$ 4,017,704,211</u>				
Net levy			31,896,203	28,690,115	3,206,088
Less uncollected taxes at June 30, 2007			<u>1,008,274</u>	<u>572,323</u>	<u>435,951</u>
Current year's taxes collected			<u>\$ 30,887,929</u>	<u>\$ 28,117,792</u>	<u>\$ 2,770,137</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

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

	Fiscal Year (1)				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 10,748,849	\$ 15,923,982	\$ 12,958,415	\$ 12,873,381	\$ 12,814,728
Restricted	5,128,645	20,795,822	7,201,990	5,188,730	24,159,356
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>
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>
Business-type activities					
Invested in capital assets, net of related debt	\$ 4,821,778	\$ 4,815,025	\$ 859,456	\$ 782,962	\$ 723,230
Unrestricted	<u>2,198,086</u>	<u>1,960,265</u>	<u>873,528</u>	<u>929,153</u>	<u>896,854</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>
Primary government					
Invested in capital assets, net of related debt	\$ 15,570,627	\$ 20,739,007	\$ 13,817,871	\$ 13,656,343	\$ 13,537,958
Restricted	5,128,645	20,795,822	7,201,990	5,188,730	24,159,356
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>
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>

Notes:

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

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

	Fiscal Year (1)				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 5,524,431	\$ 5,120,577	\$ 5,829,053	\$ 7,468,078	\$ 6,831,197
Public safety	6,997,973	7,698,199	7,483,289	7,690,828	8,247,248
Economic and physical development	1,205,936	1,362,255	15,955,571	2,254,367	2,338,709
Human services	13,208,427	13,705,752	14,541,954	15,611,730	16,751,156
Cultural and recreation	1,716,914	1,734,880	1,595,953	1,593,900	1,618,181
Education	11,868,150	11,738,642	12,385,372	17,237,457	25,806,322
Interest on long-term debt	1,400,175	1,737,550	2,405,894	2,079,230	2,750,737
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>
Business-type activities:					
Water & Sewer	1,854,437	1,608,198	1,030,102	-	-
Solid Waste Management Fund	1,140,152	1,208,279	1,275,318	1,278,856	1,338,577
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>
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>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 504,444	\$ 533,896	\$ 472,894	\$ 582,616	\$ 568,023
Public safety	565,676	507,992	371,883	394,025	371,425
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
Culture and recreation	236,132	238,197	238,794	242,311	239,098
Operating grants and contributions:					
General government	2,000	2,000	9,584	34,262	-
Public safety	174,830	223,960	323,638	272,347	607,251
Economic and physical development	81,352	13,042	72,970	54,745	3,620
Human services	6,292,635	7,000,256	7,310,648	7,729,970	7,607,904
Culture and recreation	109,892	109,607	115,792	137,155	277,361
Capital grants and contributions:					
Economic and physical development	-	240,627	-	-	3,197
Education	18,948	392,758	413,400	428,283	732,142
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>
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
Operating grants and contributions:					
Solid Waste Management Fund	70,364	149,445	67,765	21,275	9,440

(Continued)

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

	Fiscal Year (1)				
	2003	2004	2005	2006	2007
Program Revenues (continued)					
Business-type activities (continued)					
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>
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>
Net (expense)/revenue					
Governmental activities	\$ (32,832,423)	\$ (32,799,955)	\$ (49,690,484)	\$ (42,959,857)	\$ (52,224,230)
Business-type activities	<u>523,467</u>	<u>400,064</u>	<u>(141,740)</u>	<u>(153,638)</u>	<u>(178,037)</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>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Ad valorem taxes	\$ 24,922,467	\$ 25,869,230	\$ 26,271,487	\$ 32,669,298	\$ 33,789,800
Sales taxes	7,103,481	9,073,883	9,065,325	9,481,892	10,616,103
Other taxes	850,317	854,137	931,185	923,238	991,200
Unrestricted grants and contributions	49,549	272,749	141,921	52,632	58,482
Investment earnings	307,744	201,772	601,147	846,030	1,787,096
Miscellaneous	459,656	616,590	938,772	426,945	381,893
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>
Business-type activities:					
Investment earnings	49,612	23,163	58,204	36,291	51,337
Miscellaneous	20,422	33,199	31,262	96,478	34,669
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>
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>
Change in Net Assets					
Governmental activities	\$ 860,791	\$ 4,793,648	\$ (11,397,733)	\$ 1,482,343	\$ (4,599,656)
Business-type activities	<u>(147,773)</u>	<u>(243,574)</u>	<u>(5,043,306)</u>	<u>(20,869)</u>	<u>(92,031)</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>

Notes:

(1) Five 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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 2,474,178	\$ 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
Unreserved	2,276,970	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
Designated	4,949,931	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
Undesignated	\$ 9,701,079	\$ 12,635,543	\$ 13,461,640	\$ 14,141,287	\$ 14,308,423	\$ 14,043,164	\$ 14,973,501	\$ 13,502,313	\$ 13,092,243	\$ 14,641,801
Total General Fund	\$ 5,040,846	\$ 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
All Other Governmental Funds										
Reserved	1,001,352	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
Unreserved, reported in:	3,935,724	270,891	(378,630)	102,571	1,107,751	3,749,069	3,560,836	1,472,797	2,860,546	10,657,904
Special revenue funds	\$ 9,977,922	\$ 3,517,227	\$ 1,970,796	\$ 1,738,022	\$ 6,226,567	\$ 5,995,277	\$ 22,714,457	\$ 7,898,677	\$ 6,721,944	\$ 26,766,141
Capital projects funds										
Total all other governmental funds										

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Ad valorem taxes	\$ 18,655,566	\$ 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
Local option sales taxes	5,959,987	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
Other taxes and licenses	810,300	711,534	849,072	854,425	971,832	952,532	964,597	1,047,268	1,067,196	1,152,882
Unrestricted intergovernmental	1,720,495	1,724,393	1,704,471	1,717,227	1,143,107	49,549	272,749	141,921	52,632	58,482
Restricted intergovernmental	12,393,972	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
Permits and fees	336,381	346,328	307,072	392,521	389,193	393,393	397,358	354,375	363,334	367,884
Sales and services	1,591,562	1,354,703	1,959,550	2,589,214	2,531,471	2,120,445	2,051,893	2,006,891	2,088,930	2,120,353
Investment earnings	1,411,751	912,919	891,461	872,581	406,118	307,744	201,772	601,147	846,030	1,787,096
Miscellaneous	534,283	276,594	437,810	692,383	342,834	441,430	669,091	847,498	499,687	599,192
Total revenues	43,414,297	38,276,356	41,065,336	43,302,443	45,937,247	42,316,400	47,344,420	48,503,920	55,292,549	59,740,270
Expenditures										
General government	4,103,718	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
Public safety	4,708,129	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
Economic and physical development	1,179,900	945,823	775,828	859,259	915,714	916,921	1,267,088	1,217,939	1,840,574	1,875,938
Human services	10,121,753	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
Education	9,031,261	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
Capital and recreational	1,489,859	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
Capital outlay	21,389,039	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
Debt service										
Principal	3,052,683	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
Interest and fees	2,130,715	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
Total expenditures	57,207,057	43,496,587	42,600,670	42,860,970	43,177,844	45,312,949	57,415,884	65,163,122	56,917,663	67,412,829
Excess of revenues over (under) expenditures	(13,792,760)	(5,220,231)	(1,535,334)	441,473	2,759,403	(2,996,549)	(10,071,464)	(16,659,202)	(1,625,114)	(7,672,559)
Other financing sources (uses)										
Transfers in	4,647,290	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
Transfers out	(4,518,016)	(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)
Bonds issued	-	-	-	-	1,885,000	-	-	-	-	-
Installment purchase issued	-	1,530,000	800,000	-	-	-	-	-	-	-
Certificates of participation issued	-	-	-	-	-	-	26,220,000	-	-	28,355,000
Original issuance premium	-	-	-	-	-	-	795,739	-	-	862,314
Capital leases	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	129,274	1,694,000	815,000	-	1,896,278	2,500,000	27,720,981	372,234	42,165	29,266,314
Net change in fund balances	\$ (13,663,486)	\$ (3,526,231)	\$ (720,334)	\$ 441,473	\$ 4,655,681	\$ (496,549)	\$ 17,649,517	\$ (16,286,968)	\$ (1,582,949)	\$ 21,593,755
Debt services as a percentage of noncapital expenditures	14.5%	12.6%	12.2%	11.4%	10.9%	10.7%	10.2%	13.1%	10.9%	10.2%

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							
1998	\$ 1,510,912,004	\$ 297,338,468	\$ 719,109,030	\$ 80,589,660	\$ 177,644,954	\$2,430,304,208	0.71	\$2,749,212,905	88.40%
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%

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 and will be the basis for fiscal 2008 taxes.

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

	Year Taxes Are Payable									
	1998	1999	2000	2001	2002	2003	2004 (1)	2005	2006	2007
County:										
Lee	0.710	0.710	0.750	0.750	0.780	0.780	0.670	0.670	0.790	0.790
Municipalities:										
Town of Broadway	0.590	0.590	0.530	0.530	0.530	0.530	0.490	0.490	0.490	0.470
City of Sanford	0.550	0.550	0.550	0.570	0.570	0.570	0.560	0.590	0.590	0.610
Fire Districts										
Cameron	0.093	0.078	0.095	0.086	0.070	0.066	0.071	0.068	0.068	0.067
Cape Fear	0.055	0.040	0.055	0.055	0.079	0.082	0.068	0.066	0.066	0.058
Carolina Trace	0.038	0.028	0.035	0.035	0.034	0.038	0.037	0.037	0.040	0.052
Deep River	0.075	0.053	0.073	0.081	0.081	0.085	0.076	0.076	0.082	0.068
Lemon Springs	0.060	0.042	0.047	0.056	0.056	0.053	0.070	0.072	0.072	0.065
Northview	0.050	0.044	0.039	0.065	0.064	0.061	0.070	0.077	0.060	0.064
Northwest Pocket	0.076	0.061	0.081	0.078	0.086	0.084	0.084	0.079	0.085	0.086
Tramway	0.032	0.031	0.036	0.037	0.041	0.041	0.038	0.042	0.049	0.069
West Sanford	0.034	0.099	0.051	0.083	0.087	0.103	0.088	0.082	0.082	0.091
Other Districts: (3)										
Central Business District	0.100	0.100	0.100	0.100	0.130	0.130	0.130	0.130	0.150	0.150
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 and will be the basis for fiscal 2008 taxes.
 (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, 2007.

Source : Lee County Tax Department.

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

Taxpayer	Type of Business	Fiscal Year 2007			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	\$ 266,458,615	1	6.6%	\$ 46,466,449	3	1.9%
GKN Automotive Components, Inc	Automotive Parts	79,313,804	2	2.0%	59,178,951	2	2.4%
Coty, Inc.	Cosmetics	51,981,803	3	1.3%	28,135,050	6	1.2%
Donald R. Simpson	Real Estate	51,964,692	4	1.3%	-	-	0.0%
Altel Carolina Inc.	Utility	41,598,633	5	1.0%	30,544,981	4	1.3%
Progress Energy	Utility	40,055,434	6	1.0%	24,195,050	7	1.0%
Moen, Inc.	Plumbing Fixtures	34,772,463	7	0.9%	29,282,535	5	1.2%
Commercial Grading, Inc.	Construction	34,637,971	8	0.9%	-	-	0.0%
Frontier Spinning Mills LLC	Textiles	29,010,023	9	0.7%	-	-	0.0%
Martin Marietta	Rock Quarry	27,551,479	10	0.7%	-	-	0.0%
Unifi Spun Yarns, Inc.	Textiles	-	-	0.0%	65,070,362	1	2.7%
Sara Lee Knits	Textiles	-	-	0.0%	19,770,433	8	0.8%
Avondale Mills	Textiles	-	-	0.0%	15,494,333	9	0.6%
Amisub of NC, Inc.	Hospital	-	-	0.0%	15,262,386	10	0.6%
Totals		\$ 657,344,917		16.8%	\$ 333,400,530		14.3%

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
1998	\$ 18,099,187	\$ 17,452,269	96.4%	\$	637,531	\$ 18,089,800	99.9%
1999	19,183,266	18,569,496	96.8%		505,002	19,074,498	99.4%
2000	20,852,055	20,080,240	96.3%		725,763	20,806,003	99.8%
2001	21,266,214	20,301,075	95.5%		849,177	21,150,252	99.5%
2002	22,784,612	21,820,606	95.8%		828,205	22,648,811	99.4%
2003	23,574,692	22,393,187	95.0%		1,007,018	23,400,205	99.3%
2004	24,499,755	23,471,377	95.8%		856,676	24,328,053	99.3%
2005	24,701,551	23,797,835	96.3%		676,831	24,474,666	99.1%
2006	30,865,687	29,860,345	96.7%		674,900	30,535,245	98.9%
2007	31,896,203	30,887,929	96.8%		-	30,887,929	96.8%

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			
1998	\$ 37,035,000	\$ -	\$ -	\$ -	\$ 2,831,085	\$ 1,025,997	\$ 40,892,082	3.69%	859
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	*	1,210

* 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 2006 personal income not available to calculate fiscal year 2007.

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)
1998	\$ 37,035,000	\$ -	\$ 37,035,000	3.35%	1.52%	778
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	*	0.33%	236

* 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 2006 personal income not available to calculate fiscal year 2007.

(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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Assesses Value of Property	\$ 2,430,304	\$ 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
Debt Limit, 8% of Assessed Value Statutory Limitation	194,424	207,905	218,605	225,751	233,195	241,410	289,768	293,745	313,462	321,416
Amount of Debt Applicable to Limit										
Gross debt	50,523	46,189	43,839	40,602	43,538	38,083	60,901	47,990	44,252	68,872
Less: Debt outstanding for water and sewer purposes	12,462	9,581	9,500	9,418	13,501	9,251	9,164	-	-	-
Total net debt applicable to limit	38,061	36,608	34,339	31,184	30,037	28,833	51,737	47,990	44,252	68,872
Legal debt margin	\$ 156,363	\$ 171,297	\$ 184,266	\$ 194,567	\$ 203,158	\$ 212,577	\$ 238,031	\$ 245,755	\$ 269,210	\$ 252,544
Total net debt applicable to the limit as a percentage of debt limit	19.58%	17.61%	15.71%	13.81%	12.88%	11.94%	17.85%	16.34%	14.12%	21.43%

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, 2007

<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	\$ 13,410,000	100%	\$ 13,410,000
Underlying Debt:			
Town of Broadway	731,000	100%	731,000
Lee County Water & Sewer District #1	975,000	100%	975,000
City of Sanford	<u>4,615,000</u>	100%	<u>4,615,000</u>
Total direct and overlapping debt	19,731,000		<u>\$ 19,731,000</u>

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

Fiscal Year	Population (1)	Personal Income (1) (amounts expressed in thousands)	Per Capita Personal Income (1)	Public School Enrollment (2)	Unemployment Rate (3)
1998	47,611	\$ 1,107,045	\$ 23,502	8,441	3.80%
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	*	*	9,330	6.00%

* 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 2007 (2)			Fiscal Year 2000 (1)		
	Approximate Number of Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Wyeth Vaccines	1000-1500	1	4.68%	-	-	0.00%
Lee County Schools	1000-1500	2	4.68%	-	-	0.00%
Gold Kist, Inc	1000-1500	3	4.68%	1000-1500	1	5.01%
Static Control Components, Inc.	1000-1500	4	4.68%	500-999	2	3.01%
Coty, Inc.	500-999	5	2.81%	500-999	3	3.01%
Central Carolina Hospital	500-999	6	2.81%	500-999	5	3.01%
Tyson Foods	500-999	7	2.81%	-	-	0.00%
Moen, Inc.	500-999	8	2.81%	500-999	6	3.01%
Pentair Pool Products	500-999	9	2.81%	-	-	0.00%
The Pantry, Inc.	500-999	10	2.81%	-	-	0.00%
Magneti Marelli USA, Inc.	-	-	0.00%	500-999	4	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%
Total			<u>35.55%</u>			<u>29.07%</u>

Source: NC Employment Security Commission; total county employment

Notes:

- (1) Information is actually provided for current year and seven years ago because data from nine years ago is not available.
- (2) Based on September 2006 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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government	70	71	75	75	75	72	72	72	79	80
Public safety	71	72	73	75	73	74	73	73	84	85
Economic and physical development	4	4	4	4	4	4	4	4	4	4
Human Services	158	164	168	171	168	165	173	173	195	195
Cultural and recreational	24	24	24	24	24	23	23	23	38	38
Total	327	335	344	349	344	338	345	345	400	402

Source: Lee County Finance Department

Note: The schedule represents the number of approved permanent FTE's as of June 30, 2007.

Lee County, North Carolina
Operating Indicators by Function/Program
Current and Prior Year

	Fiscal Year	
	2006	2007
Sheriff	.	
Civil papers issued	8,804	10,940
Criminal papers issued	5,251	4,399
COLTS (County of Lee Transit System)		
Passenger Trips	56,612	58,535
Senior Services		
Diners club meals served	19,501	17,585
Home delivered meals served	8,589	8,697
Unduplicated persons served using Senior Center Outreach Grant	1,915	2,205
Unduplicated persons served using Senior Center General Purpose Grant	3,517	2,900
Library		
Patron visits	159,979	167,771
Children participating in library programs	14,509	10,554
Seniors in outreach program	2,474	2,256
Books in collection	142,295	144,931
Book circulation	128,198	128,745
Parks and Recreation		
Youth recreation:		
Sports teams	115	123
Participants	1,459	1,522
Adult recreation:		
Sports teams	41	42
Participants	595	600
Gymnastics:		
Participants	1,229	1,240
San-Lee Park Summer Camps:		
Participants	110	127
Solid Waste:		
Waste collected (tons)	17,266	16,125
Ratio of recyclable to total waste received	18%	20%

Sources: Various County departments

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

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Sheriff Protection:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	16	16	16	16	16	16	16	16	16	18
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	11	12	12	12
Park acreage	283	283	283	283	283	300	300	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	12	13	13
Teachers	519	523	539	543	570	581	561	582	600	598
Students	8,441	8,618	8,593	8,725	8,778	8,834	8,924	9,056	9,219	930

Sources: Various County departments. Lee County Board of Education



Martin Starnes & Associates, CPAs, P.A.

A Professional Association of Certified Public Accountants and Management Consultants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
Lee County
Sanford, North Carolina

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lee County, North Carolina, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 31, 2007. 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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lee County's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lee County's financial statements are free of material misstatement, we performed tests of its compliance and other matters with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance and other matters with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, members of management, others within the organization, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 31, 2007



Martin Starnes & Associates, CPAs, P.A.

A Professional Association of Certified Public Accountants and Management Consultants

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

Board of Commissioners
Lee County
Sanford, North Carolina

Compliance

We have audited the compliance of Lee County, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2007. Lee County, North Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, responses and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lee County's management. Our responsibility is to express an opinion on Lee County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lee County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lee County's compliance with those requirements.

In our opinion, Lee County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and the State Single Audit Implementation Act and which is described in the accompanying schedule of findings, responses and questioned costs as item 2007-01.

Internal Control Over Compliance

The management of Lee County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lee County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a County's internal control over compliance exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings, responses and questioned cost as item 2007-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings, responses and questioned costs to be a material weakness.

Lee County's response to the findings identified in our audit is described in the accompanying schedule of findings responses and questioned costs. We did not audit Lee County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, members of the Board of Commissioners, federal and State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 31, 2007



Martin Starnes & Associates, CPAs, P.A.

A Professional Association of Certified Public Accountants and Management Consultants

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH APPLICABLE SECTIONS OF OMB CIRCULAR A-133 AND
THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

Board of Commissioners
Lee County
Sanford, North Carolina

Compliance

We have audited the compliance of Lee County, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2007. Lee County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings, responses and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Lee County's management. Our responsibility is to express an opinion on Lee County, North Carolina's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Lee County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lee County's compliance with those requirements.

In our opinion, Lee County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings, responses and questioned costs as item 2007-01.

Internal Control Over Compliance

The management of Lee County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lee County's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in a County's internal control over compliance exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings, responses and questioned cost as item 2007-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings, responses and questioned costs to be a material weakness.

Lee County's response to the findings identified in our audit is described in the accompanying schedule of findings, responses and questioned costs. We did not audit Lee County's response and, accordingly, we express no opinion on it.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 31, 2007

LEE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

1. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness identified No
- Significant deficiency identified that is not considered to be a material weakness No

Noncompliance material to financial statements noted No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified No
- Significant deficiency identified that is not considered to be material weakness Yes

Type of auditors' report issued on compliance for major federal programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 Yes

LEE COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
<u>CFDA Number</u>	<u>Federal Program/Cluster Name</u>
10.557	Special Supplemental Nutrition Program For Women, Infants, and Children
93.575, 93.596, 93.667, 93.558	Subsidized Child Care Program (cluster)
93.778	Medicaid
10.561	Food Stamp Program

Dollar threshold used to distinguish between
Type A and Type B Programs \$1,394,030

Auditee qualified as low-risk auditee? No

State Awards

Internal control over major State programs:

- Material weakness identified No
- Significant deficiency identified that is not
considered to be material weakness Yes

Type of auditors' report issued on compliance
for major State programs Unqualified

Any audit findings disclosed that are required to be
reported in accordance with the State Single Audit
Implementation Act Yes

LEE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

Identification of major State programs:

Program Name

Federal Program/Cluster Name

State/County Special Assistance for Adults

Subsidized Child Care Program (cluster)

Medicaid

Public School Building Fund

Section II - Financial Statements Findings

None reported

Section III - Federal and State Award Findings and Questioned Costs

2007-01

Criteria: In accordance with the Division of Social Services Fiscal Manual, DSS employees should control physical access to the State network terminals or personal computers that are connected to the State mainframe.

Condition: Upon surprise inspection, numerous unattended work stations of DSS employees were logged onto the State network without anyone attending to the work stations.

Effect: Unauthorized access to the State system could be obtained due to the unattended logon to the system throughout the DSS building.

Cause: Lack of proper internal controls over data security.

Questioned Costs: The finding represents an internal control issue; therefore no question cost is applicable.

Recommendation: Require County data processing department to implement procedures to require logout of work stations where access to the State DSS system is granted. The control procedures should include random verification of logout in instances where offices are unattended.

LEE COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Views of responsible officials and planned corrective actions:

Name of contact person: Brenda B. Potts, Social Services Director

Corrective Action: Training sessions on computer security were held for all Social Services staff between July 19, 2007 and August 2, 2007. In addition, idle personal computers will be set to lock down after ten minutes, requiring the workers user name and password to sign in.

Proposed Completion Date: December 31, 2007

LEE COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

No prior year findings.

LEE COUNTY, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2007

Grantor/Pass-through Grantor/Program title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures	Local Expenditures
FEDERAL GRANTS					
U.S. Department of Agriculture					
Food and Nutrition Service					
Passed through N. C. Department of Health and Human Services					
Division of Public Health					
Administration:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		\$ 208,091	\$ -	\$ -
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		1,748,729	-	-
Passed through N.C. Department of Health and Human Services					
Division of Social Services					
Administration:					
State Administrative Matching Grants for Food Stamp Program	10.561		301,902	-	300,706
Direct Benefit Payments:					
State Administrative Matching Grants for Food Stamp Program	10.561		<u>5,365,062</u>	<u>-</u>	<u>-</u>
Total Food Stamp Cluster			<u>5,666,964</u>	<u>-</u>	<u>300,706</u>
Passed through Triangle J Council of Governments:					
Nutrition Services Incentive	10.570		15,529	-	-
Passed through N. C. Department of Public Instruction					
Child Nutrition Cluster:					
School Breakfast Program	10.553		1,483	-	-
National School Lunch Program	10.555		<u>933</u>	<u>-</u>	<u>-</u>
Total Child Nutrition Cluster			<u>2,416</u>	<u>-</u>	<u>-</u>
Total US Department of Agriculture			<u>7,641,729</u>	<u>-</u>	<u>300,706</u>
U.S. Election Assistance Commission					
Passed through N.C. State Board of Elections					
Help America Vote Act Requirements Payments	90.401		<u>25,418</u>	<u>-</u>	<u>-</u>
Total US Elections Assistance Commission			<u>25,418</u>	<u>-</u>	<u>-</u>

(Continued)

LEE COUNTY, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards (Continued)

Grantor/Pass-through Grantor/Program title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures	Local Expenditures
FEDERAL GRANTS (Continued)					
U.S. Department of Health and Human Services					
Office of the Secretary					
Passed through N. C. Department of Health and Human Services					
Division of Public Health					
Family Planning Services	93.217		\$ 41,503	\$ -	\$ -
Immunization Program/Aid to County Funding	93.268		17,314	-	-
Bioterrorism Grant	93.283		68,277	-	-
Prevention Investigations and Technical Assistance	93.283		9,853	-	-
Temporary Assistance for Needy Families	93.558		4,668	-	-
Healthy Carolinians-Micro Grant	93.990		14,724	-	-
Statewide Health Promotion Program	93.991		16,695	-	-
Maternal and Child Health Services Block Grant	93.994		127,279	-	-
Administration for Children and Families					
Passed through N.C. Department of Human Resources					
Division of Social Services					
Foster Care and Adoption:					
Title IV-E Foster Care	93.658		177,927	34,724	107,037
Title IV-E Optional Adoption Training	93.659		1,722	-	1,722
Foster Care - Direct Benefit Payments	93.658		28,055	7,510	7,999
Adoption Assistance - Direct Benefit Payments	93.659		149,513	41,654	41,654
Total Foster Care and Adoption			<u>357,217</u>	<u>83,888</u>	<u>158,412</u>
Temporary Assistance for Needy Families	93.558		477,631	-	599,022
N. C. Child Support Enforcement Section	93.563		625,509	-	279,397
Low-Income Home Energy Assistance	93.568		176,534	-	29,932
Childcare Development Fund - Administration	93.596		126,803	-	1
Child Welfare Services	93.645		19,071	5,176	1,181
SSBG	93.667		276,486	19,942	179,714
Independent Living Grant	93.674		2,460	615	-
Temporary Assistance for Needy Families	93.558		335,121	(29)	(66)
Low-Income Home Energy Assistance	93.568		141,985	-	-
Permanency Planning: Child Welfare Services	93.645		-	118,785	29,435

(Continued)

LEE COUNTY, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards (Continued)

Grantor/Pass-through Grantor/Program title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures	Local Expenditures
FEDERAL GRANTS (Continued)					
U.S. Department of Health and Human Services (Continued)					
Administration on Aging					
Division of Social Services					
Passed through Triangle J Council of Governments					
Special Programs for the Aging - Title III-F					
Disease Prevention & Health Promotion					
Services					
	93.043		2,821	180	249
National Family Caregiver Support					
	93.052		30,013	1,916	-
Aging Cluster:					
Special Programs for the Aging -					
Title III B, Grants for Supportive Services					
and Senior Centers					
	93.044		53,298	3,079	6,265
Special Programs for the Aging -					
Title III C - Nutrition Service					
	93.045		53,398	3,176	6,286
Total aging cluster					
			106,696	6,255	12,551
Social Services Block Grant (SSBG) -					
In Home Services					
	93.667		4,123	101	470
Health Care Financing Administration					
Passed through N. C. Department of Health and Human Services					
Division of Medical Assistance					
Direct Benefit Payments:					
Medical Assistance Program					
	93.778		32,391,935	16,022,848	2,903,928
Division of Social Services					
Administration and Services:					
Medical Assistance Program					
	93.778		1,048,695	40,696	632,850
Total Medicaid Cluster					
			33,440,630	16,063,544	3,536,778
State Children's Insurance Program					
	93.767		30,748	2,828	7,384

(Continued)

LEE COUNTY, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards (Continued)

Grantor/Pass-through Grantor/Program title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures	Local Expenditures
FEDERAL GRANTS (Continued)					
U.S. Department of Health and Human Services (Continued)					
Health Care Financing Administration (Continued)					
Division of Child Development					
Subsidized Child Care Cluster:					
Child Care Development Fund Cluster					
Division of Child Development					
Child Care and Development Fund -					
Discretionary	93.575		\$ 842,938	\$ -	\$ -
Child Care and Development Fund -					
Mandatory	93.596		338,006	-	-
Child Care and Development Fund -					
Match	93.596		336,503	186,127	-
			1,517,447	186,127	-
Social Services Block Grant	93.667		15,969	-	-
Temporary Assistance for Needy Families	93.558		309,637	-	-
State Funds:					
Smart Start			-	22,515	-
State Appropriations			-	106,869	-
Maintenance of Effort			-	347,485	-
Total Child Care Cluster			1,843,053	662,996	-
Total U.S. Department of Health and Human Services			38,297,214	16,966,197	4,834,460
U.S. Department of Homeland Security					
Passed through N.C. Department of Crime Control and Public Safety					
Division of Emergency Management:					
State Domestic Preparedness Equipment					
Support Program	97.004		333,899	-	-
Emergency Management - Performance					
Grants	97.042		24,922	-	-
Total U.S. Department of Homeland Security			358,821	-	-
U.S. Department of Justice					
Direct Program					
Local Law Enforcement Block Grant	16.592		7,632		
Bullet Proof Vest Grant	16.607		2,735		
Passed through N.C. Department of Crime Control and Public Safety					
Governors Crime Commission					
Juvenile Justice and Delinquency					
Prevention Allocation to States	16.540		1,587	-	-
Total U.S. Department of Justice (Continued)			11,954	-	-

LEE COUNTY, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards (Continued)

Grantor/Pass-through Grantor/Program title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures	Local Expenditures
FEDERAL GRANTS (Continued)					
U.S. Department of Transportation					
Passed through N.C. Department of Transportation:					
Nonurbanized Area Formula Program	20.509	06-CT-061 WBS. #36233.65.7.1	\$ 14,284	\$ 893	\$ 2,679
Nonurbanized Area Formula Program	20.509	07-CT-061 WBS #36233.65.8.1	84,046	5,254	15,759
Job Access & Reversal Commute	20.516	06-JA-006 WBS #36222.12.1.1	31,004	-	31,004
Total U.S. Department of Transportation			129,334	6,147	49,442
U.S. Department of Housing and Urban Development					
Urban Development					
Passed through N.C. Department of Commerce					
Division of Community Assistance					
Community Development Block Grant	14.228		3,197	-	-
Total U.S. Department of Housing and Urban Development			3,197	-	-
STATE GRANTS					
N.C. Department of Health and Human Services					
Division of Aging					
Passed through Triangle J Council of Governments:					
Senior Out Reach			-	5,880	1,963
Senior Center Grant			-	15,365	5,124
Access and In Home Services - 90% State Funds			-	153,068	220,839
Nutrition Services - 90% State Funds			-	35,423	105,162
Fans Program			-	361	-
N.C. Department of Transportation					
Elderly and Handicapped Transportation Assistance Program					
			-	67,187	-
Rural Public Transportation Assistance					
			-	77,079	8,565
N.C. Department of Cultural Resources					
Division of State Library					
State Aid to Libraries					
			-	121,151	-
LSTA Planning Grant					
			-	15,000	-

(Continued)

LEE COUNTY, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards (Continued)

Grantor/Pass-through Grantor/Program title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures	Local Expenditures
STATE GRANTS (Continued)					
N.C. Department of Environment and Natural Resources					
Division of Waste Management					
Waste Reduction and Recycling			\$ -	\$ 9,440	\$ 1,049
Division of Environmental Health					
Environmental Health Services			-	5,500	-
Food/Lodging Fee Collection			-	2,548	-
Lead Prevention			-	2,000	-
N.C. Department of Justice					
Safe Roads Act			-	5,068	-
N.C. Division of Veterans' Affairs					
Veterans' Services			-	2,000	-
N.C. Department of Health and Human Services					
Division of Public Health					
General Administration			-	25,960	-
Minority Health			-	11,743	-
Public Health Nurse Training			-	400	-
Communicable Disease			-	3,464	-
Tuberculosis			-	8,509	-
AIDS-State			-	500	-
Women's Preventative Health			-	2,542	-
Risk Reduction/Health Promotion			-	11,760	-
TB Medical Services			-	1,529	-
N.C. Department of Health and Human Services					
Administration and Services:					
CP&L Energy Program			-	4,922	-
State Aid to Counties			-	42,730	-
DCD Smart Start Administration			-	40,000	-
Adult Protective Services			-	11,113	4,009
CPS Expansion			-	42,517	-
Direct Benefit Payments:					
State/County Special Assistance for Adults			-	467,997	467,997
State Foster Care Benefits Program			-	14,214	14,214
N. C. Division for Blind			-	68	-
At-Risk Foster Care			-	7,941	3,016

(Continued)

LEE COUNTY, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards (Continued)

Grantor/Pass-through Grantor/Program title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures	Local Expenditures
STATE GRANTS (Continued)					
N.C. Department of Juvenile Justice and and Delinquency Prevention					
Governor's One-on-One			\$ -	\$ 33,000	\$ -
JCPC Funding			-	165,791	-
N.C. Parks and Recreation Trust Fund					
Tramway Road Project		2004-340	-	131,174	-
Office of the Governor					
Public School Building Capital Fund					
Corporate Income Tax Collections			-	732,142	-
Total Assistance			\$ 46,467,667	\$ 19,249,430	\$ 6,016,546

Notes to the Preceding Schedule:

Note 1 - Major Program

Cluster programs are considered as one program for determining major programs in accordance with OMB Circular A-133. Also, the federal portion of cluster programs is included when identifying major programs for calculating the percentage of coverage of federal awards expanded. The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Subsidized Child Care, and Foster Care and Adoption.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Lee County and is presented, as much as practicable, on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the county's basic financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

Note 3 - Cluster Programs

The following are clustered by the NC Department of Health and Human Services and are treated separately for the state audit requirement purposes: Subsidized Child Care, and Foster Care and Adoption.