

LEE COUNTY

NORTH CAROLINA

Committed Today for a Better Tomorrow

Comprehensive Annual Financial Report

**Lee County
North Carolina**

**For the Fiscal Year Ended
June 30, 2013**

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

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

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INTRODUCTORY SECTION

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October 31, 2013

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, 2013

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, 2013, 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, 2013, 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 59,715. 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 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 located within the government's boundaries or in close proximity include manufacturers of pharmaceuticals, automobile components, cosmetics, plumbing fixtures, electronics and brick. These industries along with other businesses located in Lee County continue to feel the impact of the downturn in the nation's economy. Lee County's unemployment rate has decreased slightly from 12.3 percent in June 2012 to 11.2 percent in June 2013. The State's non-seasonally adjusted unemployment rate for June 2013 was 9.3 percent.

The County continues to work with community leadership and organizations such as the City of Sanford, Town of Broadway, Lee County Economic Development Corporation (EDC), and the Sanford Area Chamber of Commerce, to maintain and expand the County's economic base. The County is involved in an effort to combine the EDC and Chamber into one entity that is responsible for retail, commercial, industrial recruitment and retention, as well as visitor center operations. This new entity and philosophy came about as part of a yearlong effort by the County to develop an economic strategic plan. The strategic plan highlights Lee County's many strengths to market to businesses and industries including a strong network of highways, rail lines, and airports giving easy access to Fayetteville, Raleigh, Research Triangle Park (RTP) and the Piedmont Triad region. Other economic strengths include a skilled manufacturing based workforce, training opportunities through nationally recognized Central Carolina Community College (CCCC), and researchers being educated at Duke University, University of North Carolina at Chapel Hill and North Carolina State University, all world-renowned institutions less than an hour's drive from Sanford. The EDC, business community and the County continue to work diligently to recruit new industry into the County and to encourage existing industry to stay and hopefully expand in the County. Recent plant expansions at Caterpillar and Frontier Spinning Mills and the new location of Cloverleaf, Inc. in Lee County show that the economic picture is improving greatly here and in the region.

Long-term financial planning. The County typically prepares a five year capital improvements program and updates it each year. The County did not prepare a capital improvements program this year. The County does plan to resume the process for the five year period ending June 30, 2020. At June 30, 2012, general fund projects estimated at \$15.9 million were planned over the next five years. The program also includes \$50.8 million in projects for Lee County Schools and Central Carolina Community College. However, future projects may be impacted by future economic conditions. To assist in the funding of the County's capital improvements program, the

Board of Commissioners placed a referendum on the ballot in November 2009 for the levy of an additional ¼ percent sales tax. The referendum was approved, and the levy began on July 1, 2010.

During the year, the County engaged in several initiatives to ensure its ability to continue to meet long-term expectations. From a budgetary standpoint, several actions were taken to counter the effects of the economic downturn. Those actions resulted in the Board adopting a budget totaling \$63,756,420 which was approximately 1.07 percent above the budget for FY 2012-13. The County decreased its property tax \$0.75 per \$100 of assessed value to \$0.72 per \$100 of assessed value.

The County's available fund balance in the general fund at June 30, 2013, (15.4 percent of total general fund expenditures) is within the policy guidelines set by the Board of Commissioners for budgetary and planning purposes (i.e., between 14 and 18 percent of total general fund expenditures).

Awards

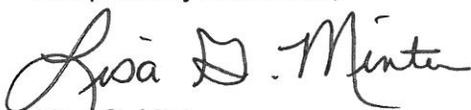
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Lee, North Carolina, for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012. This was the seventeenth 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.

Acknowledgments

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. The cooperation of each County department is also appreciated as we work together to serve Lee County. 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,



Lisa G. Minter
Assistant County Manager/Finance Director



Government Finance Officers Association

**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, 2012

Executive Director/CEO

COUNTY OF LEE, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

June 30, 2013

BOARD OF COUNTY COMMISSIONERS

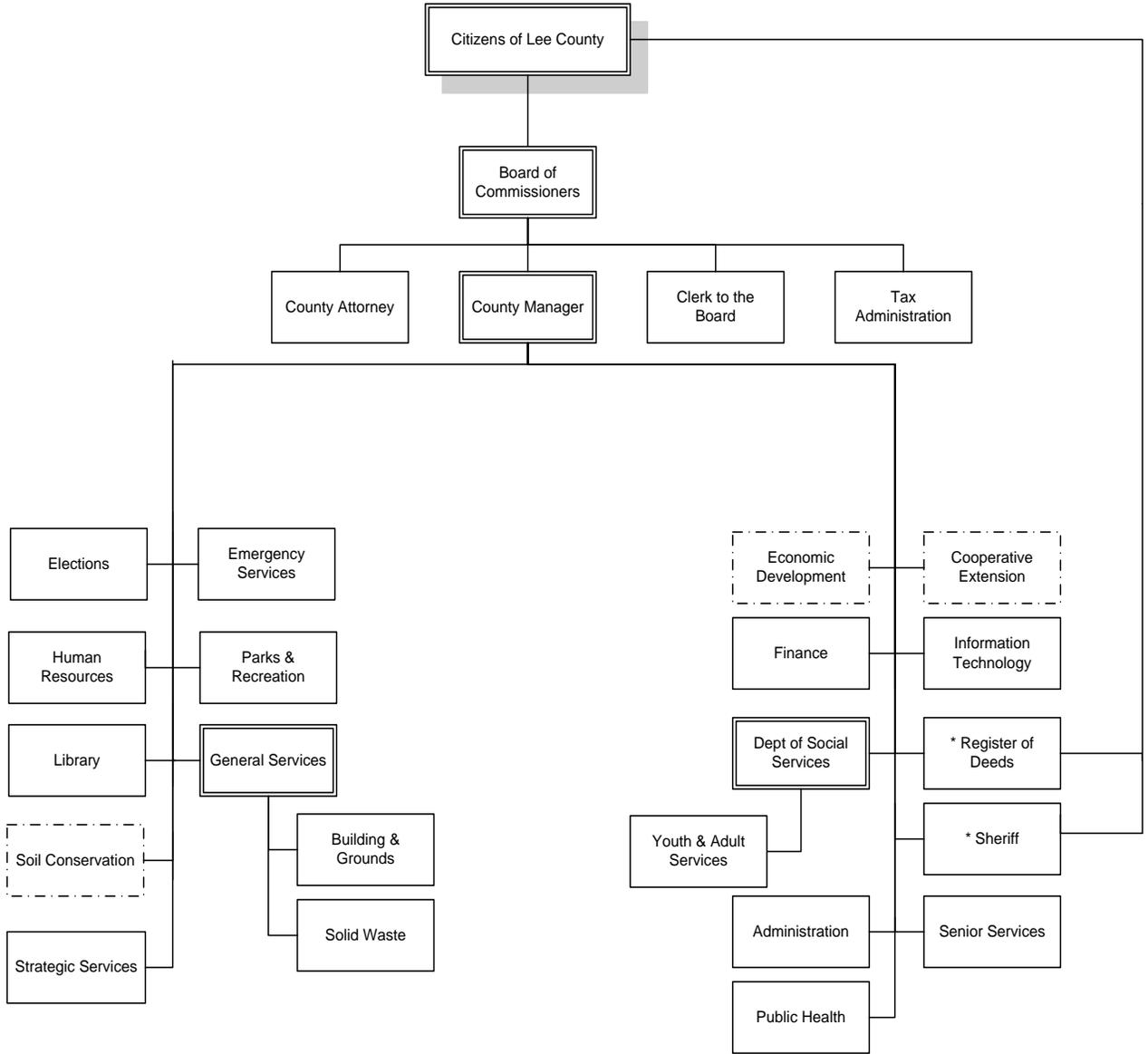
Charlie T. Parks	Chairman
Kirk D. Smith	Vice Chairman
Amy M. Dalrymple	Commissioner
Dr. Ricky D. Frazier	Commissioner
Dr. Andre Knecht	Commissioner
Robert T. Reives	Commissioner
James A. Womack	Commissioner

COUNTY OFFICIALS

John A. Crumpton	County Manager
Gaynell Lee	Clerk to the Board
Kerry Schmid	Assistant to the County Attorney
Lisa G. Minter	Assistant County Manager/Finance Director
Tracy Carter	Sheriff
Mollie McInnis	Register of Deeds
Mary Yow	Tax Administrator
Susan Condlin	County Extension Director
Nancy Kimble	Elections Director
Shane Seagroves	Emergency Services Director
Russell Spivey	General Services Director
Terrell Jones	Health Director
Joyce McGehee	Human Resources Director
Kyle Edwards	Information Technology Director
Michael Matochik	Library Director
John Payne	Parks & Recreation Director
Debbie Davidson	Senior Services Director
Brenda Potts	Social Services Director
Don Kovasckitz	Strategic Services Director

COUNTY OF LEE, NORTH CAROLINA

ORGANIZATIONAL CHART



* Elected Officials
 - - - - - Liaison Relationship

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FINANCIAL SECTION

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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, North Carolina, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2013 the County adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lee County's basic financial statements. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013 on our consideration of Lee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lee County's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 31, 2013

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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, 2013. 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.

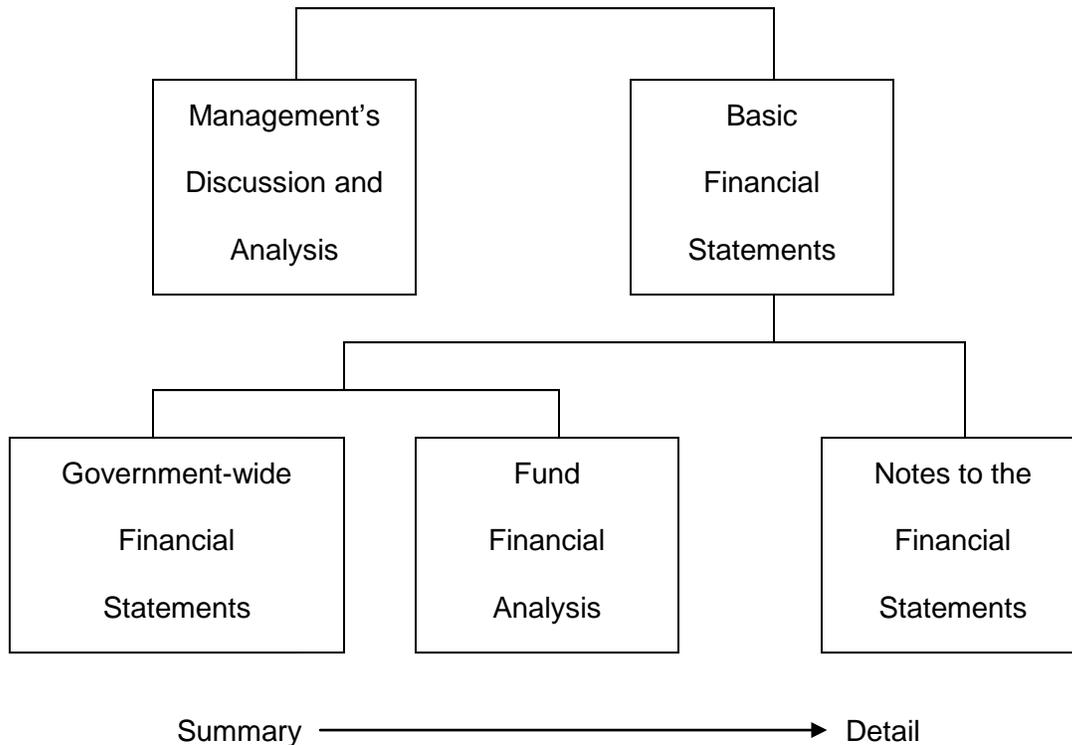
Financial Highlights

- The liabilities and deferred inflows of resources of Lee County exceeded its assets at the close of the fiscal year by (\$37,121,452) (*net position*).
- The total net position of governmental activities was a deficit \$38,641,896, a increase of \$2,172,429 from the prior year's deficit amount of \$40,814,325 (restated). 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 \$16,868,619, a decrease of \$2,823,095 from the prior year. Approximately 40.7 percent of this total amount or \$6,865,388 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,367,601 or 10.3 percent of total General Fund expenditures for the fiscal year.
- Lee County's total debt decreased by \$3,724,300 or 4.7 percent during the current fiscal year.
- The County maintained its A1 bond rating from Moody's Investor Services and its AA- 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 plans.

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the County's basic services such as public safety, parks and recreation, human services, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include water and sewer and landfill services offered by Lee County.

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

Fund Financial Statements

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

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 26 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 health insurance benefits to retirees and law enforcement pension benefits to its employees. Required supplemental information can be found on page 55 of this report.

Government-Wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial condition. The figure below depicts the County's net position for fiscal year 2013 and provides comparative data from fiscal year 2012.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 20,413,180	\$ 23,675,254	\$ 1,107,484	\$ 993,456	\$ 21,520,664	\$ 24,668,710
Capital assets	19,073,212	18,050,123	614,282	632,259	19,687,494	18,682,382
Total assets	<u>39,486,392</u>	<u>41,725,377</u>	<u>1,721,766</u>	<u>1,625,715</u>	<u>41,208,158</u>	<u>43,351,092</u>
Long-term liabilities outstanding	75,856,299	79,597,637	141,953	124,914	75,998,252	79,722,551
Other liabilities	2,043,180	2,746,048	59,369	45,414	2,102,549	2,791,462
Total liabilities	<u>77,899,479</u>	<u>82,343,685</u>	<u>201,322</u>	<u>170,328</u>	<u>78,100,801</u>	<u>82,514,013</u>
Deferred Inflow s of Resources	228,809	196,017	-	-	228,809	196,017
Net position:						
Net investment in capital assets	17,390,002	16,682,007	614,282	632,259	18,004,284	17,314,266
Restricted	6,865,388	8,545,563	-	-	6,865,388	8,545,563
Unrestricted	<u>(62,897,286)</u>	<u>(66,041,895)</u>	<u>906,162</u>	<u>823,128</u>	<u>(61,991,124)</u>	<u>(65,218,767)</u>
Total net position	<u>\$ (38,641,896)</u>	<u>\$ (40,814,325)</u>	<u>\$ 1,520,444</u>	<u>\$ 1,455,387</u>	<u>\$ (37,121,452)</u>	<u>\$ (39,358,938)</u>

The liabilities and deferred inflows of resources of Lee County exceed assets by (\$37,121,452) at the close of the most recent fiscal year. The County's net position increased by \$2,237,486 for the fiscal year ended June 30, 2013. One of the largest portions of net position reflects the County's net investment in capital assets (e.g. land, buildings, machinery and equipment). 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 position, \$6,865,388, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$61,991,124 is unrestricted.

As with many counties in the State of North Carolina, the County's Governmental Activities deficit in unrestricted net position 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, 2013, approximately \$66.6 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 of the inclusion of the school system and community college 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 percent for real and personal property and 87 percent for motor vehicles, higher than the statewide averages of 97.20 percent and 85.61 percent for the County's population group.
- Continued low cost of debt due to the County's high bond rating.
- The General Fund had budgeted fund balance appropriated of \$2,716,830 that was not used during the fiscal year.
- County departments were conservative in their spending and General Fund expenditures at June 30, 2013 were \$3,479,202 under budget.

Lee County's Changes in Net Position Figure 3

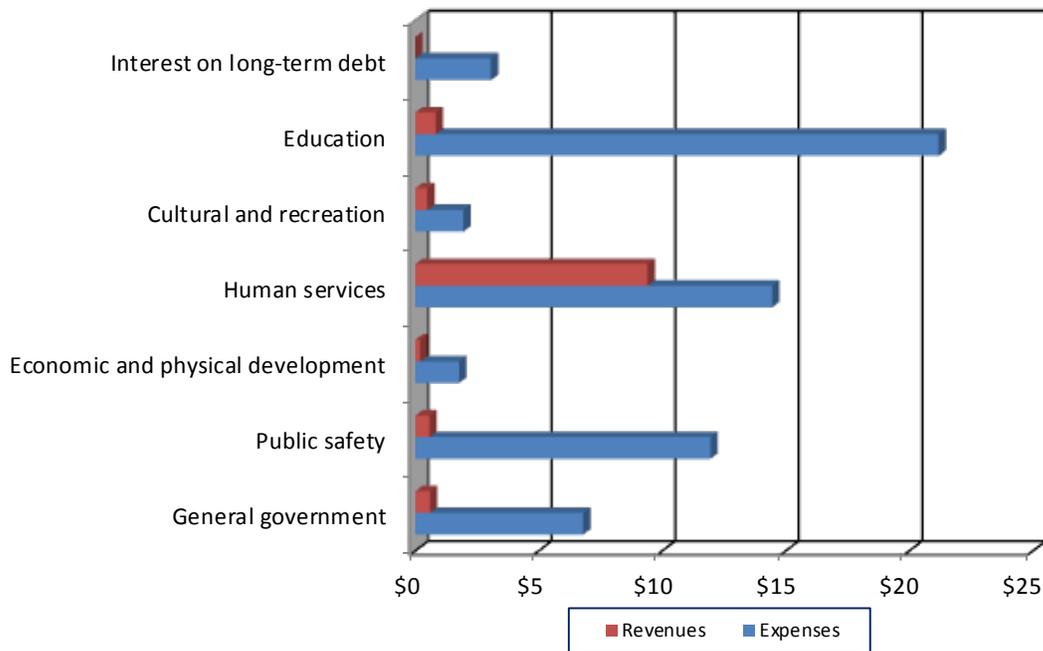
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 3,191,511	\$ 3,878,953	\$ 1,282,794	\$ 1,378,793	\$ 4,474,305	\$ 5,257,746
Operating grants and contributions	7,954,501	8,656,432	6,271	(163,590)	7,960,772	8,492,842
Capital grants and contributions	961,177	845,602	9,408	-	970,585	845,602
General revenues:						
Property taxes	38,746,149	38,262,524	-	-	38,746,149	38,262,524
Other taxes	10,574,610	10,211,913	-	-	10,574,610	10,211,913
Grants and contributions not restricted to specific programs	923,478	986,463	-	-	923,478	986,463
Investment earnings	79,463	99,881	4,328	2,164	83,791	102,045
Other	891,799	721,314	-	-	891,799	721,314
Total revenues	63,322,688	63,663,082	1,302,801	1,217,367	64,625,489	64,880,449
Expenses:						
General government	6,790,426	6,932,677	-	-	6,790,426	6,932,677
Public safety	11,947,065	11,803,023	-	-	11,947,065	11,803,023
Economic and physical development	1,772,585	2,059,885	-	-	1,772,585	2,059,885
Human services	14,442,568	14,269,531	-	-	14,442,568	14,269,531
Cultural and recreation	1,949,369	1,902,627	-	-	1,949,369	1,902,627
Education	21,186,425	26,376,671	-	-	21,186,425	26,376,671
Interest on long-term debt	3,061,821	5,558,400	-	-	3,061,821	5,558,400
Water and sewer	-	-	-	-	-	-
Landfill	-	-	1,237,744	1,504,714	1,237,744	1,504,714
Total expenses	61,150,259	68,902,814	1,237,744	1,504,714	62,388,003	70,407,528
Increase (decrease) in net position	2,172,429	(5,239,732)	65,057	(287,347)	2,237,486	(5,527,079)
Net position, beginning, previously reported	(40,274,136)	(35,574,593)	1,455,387	1,742,734	(38,818,749)	(33,831,859)
Restatement	(540,189)	-	-	-	(540,189)	-
Net position, beginning, restated	(40,814,325)	(35,574,593)	1,455,387	1,742,734	(39,358,938)	(33,831,859)
Net position, ending	\$(38,641,896)	\$(40,814,325)	\$ 1,520,444	\$ 1,455,387	\$(37,121,452)	\$(39,358,938)

Governmental Activities. Governmental activities increased the County’s net position by \$2,172,429. The key factors of this increase are as follows:

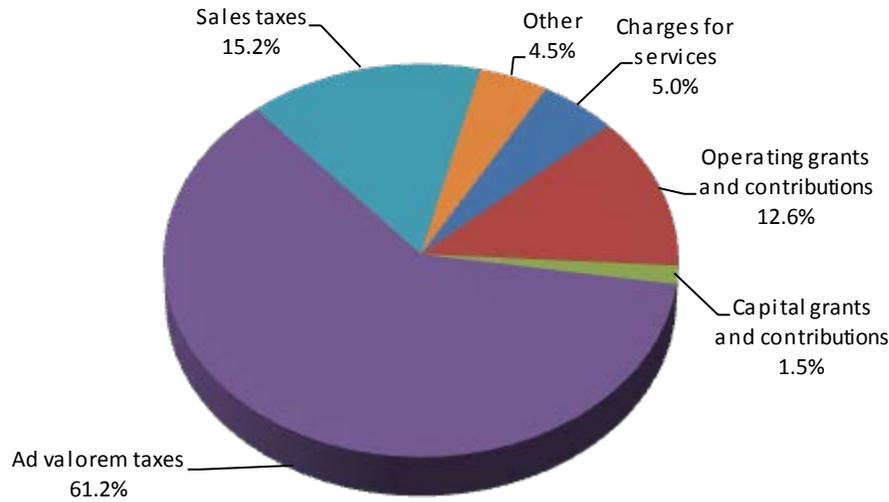
- Maintenance of the County’s high tax collection rate of 97%
- Increased property tax revenues
- Increased sales tax revenues
- Completion of several school and community college projects that the County incurred debt for but did not contribute assets to the County.

As can be seen in Figure 4, the net expense is mostly attributable to education, human services, and public safety services provided by the County. Figure 5 illustrates the major sources of revenue for the County, including both program and general revenues. Ad valorem taxes and sales taxes collected account for 76.4 percent of the County’s revenues.

Lee County’s Expenses and Program Revenues – Governmental Activities (in millions)
Figure 4



**Revenues by Source – Governmental Activities
Figure 5**



Business-type Activities. Business-type activities increased the County’s net position by \$65,057. The key factor in the increase was the rate adjustment in FY 2012-2013.

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, fund balance available for appropriation can be a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the County’s fund balance available for appropriation in the General Fund was \$9,523,053, while total fund balance reached \$14,457,812. The Board of Commissioners of Lee County has adopted a set of financial policies that states the County will maintain as a floor an available fund balance equal to 14 percent of the General Fund expenditures at the end of each fiscal year; however, the County will strive to reach a target of 18 percent. The County currently has an available fund balance of 15.4 percent of general fund expenditures, while total fund balance represents 23.4 percent of that same amount.

The fund balance of the County’s General Fund decreased by \$992,885 during the current fiscal year. The key factors in the decrease are the County’s use of \$212,000 of fund balance to fund security measures at the schools in Lee County, the use of \$235,000 for the replacement of a chiller and boiler at the Lee County Government Center and the use of \$135,020 for the completion of courthouse renovations. Fund balance was also used to purchase other capital items.

At June 30, 2013, the non-major governmental funds of the County reported a combined fund balance of \$2,410,807, a \$1,830,210 decrease from the prior year. The primary reason for this decrease was the use of \$695,568 of construction loan proceeds in the Lee County High School Renovations Project Fund from the financing of the debt issued in May 2010. The Courthouse Renovations Project Fund also accounted for \$702,164 of the reduction in fund balance.

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 amounted to an increase of \$2,929,151.

Major budget increases during the year include:

- Installment Financing – the County entered into an installment purchase agreement to purchase office space - \$675,000.
- NC Lottery Funds – funding for various maintenance and repair projects at schools in the County were funded through lottery funds - \$623,657
- Department of Social Services – due to economic conditions, there was an increase in revenue and expenses for funds received to support citizen's emergency and economic needs. - \$220,699

At year end, *actual* general fund revenues and transfers in fell below *final amended budget* numbers by \$762,372. *Actual* general fund expenditures and transfers out were less than *final budgetary* figures by \$3,3479,202 limiting the use of fund balance to \$992,885.

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 position for the Water and Sewer District # 1 Fund at the end of the fiscal year amounted to \$2,423. The unrestricted net position of the Solid Waste Management Fund equaled \$903,739. The increase in net position in this fund was \$65,057. 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, 2013, totals \$19,687,494 (net of accumulated depreciation). These assets include land, buildings, machinery and equipment, improvements, and construction in progress.

**Lee County's Capital Assets
(net of depreciation)
Figure 6**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2011
Land	\$ 3,365,033	\$ 3,394,033	\$ 260,425	\$ 260,425	\$ 3,625,458	\$ 3,654,458
Land improvements	2,449,555	2,449,555	135,796	135,796	2,585,351	2,585,351
Buildings	6,499,301	6,341,862	79,697	94,639	6,578,998	6,436,501
Roads	772,433	795,840	-	-	772,433	795,840
Equipment	4,396,680	4,412,746	138,364	141,399	4,535,044	4,554,145
Construction in progress	1,590,210	656,087	-	-	1,590,210	656,087
Totals	\$ 19,073,212	\$ 18,050,123	\$ 614,282	\$ 632,259	\$ 19,687,494	\$ 18,682,382

Additional information on the County's capital assets can be found in Note II. D. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2013, Lee County had total bonded debt outstanding of \$485,000, all of which is backed by the full faith and credit of the County. In addition, the County had installment purchase debt of \$23,335,253 and certificates of participation debt of \$44,440,000, for total debt burden outstanding of \$68,260,253.

**Lee County's Outstanding Debt
Figure 7**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 485,000	\$ 735,000	\$ -	\$ -	\$ 485,000	\$ 735,000
Certificates of Participation	44,440,000	47,957,000	-	-	44,440,000	47,957,000
Installment Notes	23,335,253	24,314,110	-	-	23,335,253	24,314,110
Totals	\$ 68,260,253	\$ 73,006,110	\$ -	\$ -	\$ 68,260,253	\$ 73,006,110

As mentioned in the financial highlights section of this document, Lee County maintained its A1 bond rating from Moody's Investor Service and its AA- 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 \$318,081,537.

Additional information regarding Lee County's long-term debt can be found in note II. M.

Economic Factors and Next Year's Budgets and Rates

The County has approved a \$63,756,420 budget for fiscal year 2014, which represents a 1.07 percent increase from the FY 2013 adopted budget. The County revalued property as of January 1, 2013. The tax rate decreased to 72 cents per \$100 of assessed value.

The following factors were considered when developing the 2014 budget:

- A slow economy resulting in minimal growth in the property tax base.
- The County Board of Commissioners voted in April 2013 to change the method of sales tax distribution from the per capita method to the ad valorem method resulting in a proposed increase of \$1,399,890. Due to the sluggish economy, no growth was projected.
- A continued slowdown in home sales and residential construction.
- Unemployment is expected to continue to be an issue for the County's citizens and may drive demands for some services, particularly health and social services, higher.
- The State of North Carolina's fiscal crisis continued to impact the County's budget for fiscal year 2014. The County continues to see a reduction in the lottery proceeds being distributed to the County which impacts the funding of current capital needs at the schools.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities. Ad valorem tax is the largest single revenue item. It is based on a tax rate of \$0.72 per \$100 of assessed valuation. The total budget amount of \$34,605,000 represents a decrease of 3.21 percent from the adopted FY 2013 budget. The decrease is due to the lowering of the rate from 75 cents per \$100 of assessed value to 72 cents per \$100 of assessed value. The assessed value for FY 2014 is \$4,839,223,175, \$84,223,175 greater than the budgeted base for FY 2013. Budgeted sales tax revenues are \$10,932,940, a 14.68 percent increase from FY 2013. As mentioned previously, there is no growth budgeted and the increase is due to a change in the distribution method.

As a result of the continued economic slowdown, difficult decisions were made to continue meeting the essential needs of our community. The County's contribution to employees' 401(k) remained at a reduced rate of 3 percent. The County also had to increase its health insurance plan premium cost to the employees. The County also made the decision due to decreasing grant funds to close the Hillcrest Youth Home.

Education and related debt service make up the largest expenditures in the FY 2014 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 \$26,499,990 in the FY 2014 budget.

Business-type Activities. The FY 2014 Solid Waste Fund budget totals \$1,267,724 which represents a decrease of 6.21 percent from the adopted FY 2013 budget. The primary reason for the decrease is the reduction in capital outlay. Solid Waste fees will increase by \$5.00 per household in FY 2014.

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. You can also visit our website at www.leecountync.gov.

BASIC FINANCIAL STATEMENTS

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LEE COUNTY, NORTH CAROLINA
Statement of Net Position
June 30, 2013

Exhibit 1

	Primary Government		
	Governmental Activities	Business- type Activities	Total
Assets			
Cash and investments	\$ 13,511,430	\$ 1,010,828	\$ 14,522,258
Taxes receivable - net	1,868,891	-	1,868,891
Accounts receivable - net	5,011,799	95,164	5,106,963
Accrued interest receivable	21,060	1,492	22,552
Capital assets:			
Land, improvements, and construction in progress	7,404,798	396,221	7,801,019
Other capital assets, net of depreciation	<u>11,668,414</u>	<u>218,061</u>	<u>11,886,475</u>
Total capital assets	<u>19,073,212</u>	<u>614,282</u>	<u>19,687,494</u>
 Total assets	 <u>39,486,392</u>	 <u>1,721,766</u>	 <u>41,208,158</u>
Liabilities			
Accounts payable and accrued liabilities	1,590,585	59,369	1,649,954
Accrued interest payable	452,595	-	452,595
Long-term liabilities			
Due within one year	6,905,279	12,000	6,917,279
Due in more than one year	<u>68,951,020</u>	<u>129,953</u>	<u>69,080,973</u>
Total long-term liabilities	<u>75,856,299</u>	<u>141,953</u>	<u>75,998,252</u>
 Total liabilities	 <u>77,899,479</u>	 <u>201,322</u>	 <u>78,100,801</u>
 Deferred Inflows of Resources	 228,809	 -	 228,809
Net Position			
Net investment in capital assets	17,390,002	614,282	18,004,284
Restricted for:			
Public Safety	849,876	-	849,876
Economic and Physical Development	360,176	-	360,176
Education	203,807	-	203,807
Register of Deeds	163,442	-	163,442
Stabilization by State Statute	5,288,087	-	5,288,087
Unrestricted	<u>(62,897,286)</u>	<u>906,162</u>	<u>(61,991,124)</u>
 Total net position	 <u>\$ (38,641,896)</u>	 <u>\$ 1,520,444</u>	 <u>\$ (37,121,452)</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, 2013

Functions/Programs Primary government:	Program Revenues			Net (Expenses) Revenue and Change in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Government activities:							
General government	\$ 6,790,426	\$ 565,921	\$ 27,162	\$ -	\$ (6,197,343)	\$ -	\$ (6,197,343)
Public safety	11,947,065	407,380	172,022	-	(11,367,663)	-	(11,367,663)
Economic and physical development	1,772,585	37,102	38,887	128,823	(1,567,773)	-	(1,567,773)
Human services	14,442,568	1,803,849	7,598,300	-	(5,040,419)	-	(5,040,419)
Cultural and recreation	1,949,369	377,259	118,130	-	(1,453,980)	-	(1,453,980)
Education	21,186,425	-	-	832,354	(20,354,071)	-	(20,354,071)
Interest on long-term debt	3,061,821	-	-	-	(3,061,821)	-	(3,061,821)
Total governmental activities	61,150,259	3,191,511	7,954,501	961,177	(49,043,070)	-	(49,043,070)
Business-type activities:							
Water & Sewer	-	-	-	-	-	-	-
Solid Waste Management Fund	1,237,744	1,282,794	6,271	9,408	-	60,729	60,729
Total business-type activities	1,237,744	1,282,794	6,271	9,408	-	60,729	60,729
Total primary government	\$ 62,388,003	\$ 4,474,305	\$ 7,960,772	\$ 970,585	(49,043,070)	60,729	(48,982,341)
General revenues:							
Ad valorem taxes					38,746,149	-	38,746,149
Sales taxes					9,616,974	-	9,616,974
Other taxes					957,636	-	957,636
Grants and contributions not restricted to specific programs					923,478	-	923,478
Investment earnings					79,463	4,328	83,791
Miscellaneous					891,799	-	891,799
Total general revenues					51,215,499	4,328	51,219,827
Change in net position					2,172,429	65,057	2,237,486
Net position, beginning, previously reported					(40,274,136)	1,455,387	(38,818,749)
Restatement					(540,189)	-	(540,189)
Net position, beginning, restated					(40,814,325)	1,455,387	(39,358,938)
Net position, ending					\$ (38,641,896)	\$ 1,520,444	\$ (37,121,452)

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

LEE COUNTY, NORTH CAROLINA
Balance Sheet - Governmental Funds
June 30, 2013

Exhibit 3

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Assets:			
Cash and investments	\$ 11,185,116	\$ 2,326,314	\$ 13,511,430
Taxes receivable - net	1,711,217	157,674	1,868,891
Accounts receivable - net	4,845,396	314,766	5,160,162
Accrued interest receivable	<u>17,657</u>	<u>3,403</u>	<u>21,060</u>
Total assets	<u>\$ 17,759,386</u>	<u>\$ 2,802,157</u>	<u>\$ 20,561,543</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,364,884	\$ 225,701	\$ 1,590,585
Total liabilities	<u>1,364,884</u>	<u>225,701</u>	<u>1,590,585</u>
Deferred Inflows of Resources	<u>1,936,690</u>	<u>165,649</u>	<u>2,102,339</u>
Fund Balances:			
Restricted:			
Stabilization by State Statute	4,934,759	353,328	5,288,087
Public Safety	-	849,876	849,876
Economic and Physical Development	-	360,176	360,176
Education	-	203,807	203,807
Register of Deeds	163,442	-	163,442
Committed:			
Economic and Physical Development	-	145,530	145,530
Public Safety	82,524	-	82,524
Human Services	8,980	-	8,980
Assigned:			
Subsequent year's expenditures	2,900,506	-	2,900,506
Capital	-	636,557	636,557
Unassigned:	<u>6,367,601</u>	<u>(138,467)</u>	<u>6,229,134</u>
Total fund balances	<u>14,457,812</u>	<u>2,410,807</u>	<u>16,868,619</u>
Total liabilities , deferred inflows of resources, and fund balances	<u>\$ 17,759,386</u>	<u>\$ 2,802,157</u>	<u>\$ 20,561,543</u>
Reconciliation of fund balance as reported in the balance sheet - governmental funds with net position - governmental activities			
Fund balance as reported in the balance sheet - governmental funds			\$ 16,868,619
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.			19,073,212
Deferred inflows of resources for taxes			1,725,167
Compensated absences not expected to be materially liquidated with expendable available resources.			(1,582,624)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			<u>(74,726,270)</u>
Net position of governmental activities			<u>\$(38,641,896)</u>

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

LEE COUNTY, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Fiscal Year Ended June 30, 2013

Exhibit 4

	Major Fund		
	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 36,189,390	\$ 2,353,706	\$ 38,543,096
Local option sales taxes	9,616,974	-	9,616,974
Other taxes and licenses	408,599	549,037	957,636
Unrestricted intergovernmental	926,594	-	926,594
Restricted intergovernmental	9,280,080	236,326	9,516,406
Permits and fees	274,388	-	274,388
Sales and services	2,538,973	159,488	2,698,461
Investment earnings	69,621	9,842	79,463
Miscellaneous	449,198	32,010	481,208
Total revenues	59,753,817	3,340,409	63,094,226
Expenditures:			
Current:			
General government	7,963,598	-	7,963,598
Public safety	8,161,655	3,182,878	11,344,533
Economic and physical development	1,243,390	646,809	1,890,199
Human services	13,854,907	-	13,854,907
Education	20,293,707	892,718	21,186,425
Cultural and recreational	1,752,726	-	1,752,726
Debt service:			
Principal retirement	5,420,857	-	5,420,857
Interest and fees	3,179,076	-	3,179,076
Total expenditures	61,869,916	4,722,405	66,592,321
Revenues over (under) expenditures	(2,116,099)	(1,381,996)	(3,498,095)
Other Financing Sources (Uses):			
Transfers from other funds	1,110,511	707,620	1,818,131
Transfers to other funds	(662,297)	(1,155,834)	(1,818,131)
Installment purchase obligations issued	675,000	-	675,000
Total other financing sources (uses)	1,123,214	(448,214)	675,000
Net change in fund balances	(992,885)	(1,830,210)	(2,823,095)
Fund balances, beginning of year	15,450,697	4,241,017	19,691,714
Fund balances, end of year	\$ 14,457,812	\$ 2,410,807	\$ 16,868,619
Reconciliation of net change in fund balance in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to change in net position - governmental activities			
Net changes in fund balances - total governmental funds			\$ (2,823,095)
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			2,233,422
Depreciation			(1,301,792)
Basis of assets disposed			(108,541)
Fair value of assets donated			200,000
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			
			196,728
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 position. Also, governmental funds report the effect premiums and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
			3,775,707
Change in net position of governmental activities			\$ 2,172,429

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 Balance -
Budget and Actual - General Fund
For the Year Ended June 30, 2013

Exhibit 5

	Budget		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 35,753,250	\$ 35,753,250	\$ 36,189,390	\$ 436,140
Local option sales taxes	9,533,050	9,533,050	9,616,974	83,924
Other taxes and licenses	372,500	372,500	408,599	36,099
Unrestricted intergovernmental	971,030	971,030	926,594	(44,436)
Restricted intergovernmental	9,697,739	10,571,023	9,280,080	(1,290,943)
Permits and fees	251,000	251,000	274,388	23,388
Sales and services	2,326,814	2,492,735	2,538,973	46,238
Investment earnings	75,000	75,000	69,621	(5,379)
Miscellaneous	247,182	499,499	449,198	(50,301)
Total revenues	<u>59,227,565</u>	<u>60,519,087</u>	<u>59,753,817</u>	<u>(765,270)</u>
Expenditures:				
Current:				
General government	7,347,829	8,498,503	7,963,598	534,905
Public safety	8,360,229	8,501,433	8,161,655	339,778
Economic and physical development	1,267,872	1,335,261	1,243,390	91,871
Human services	15,008,937	15,642,992	13,854,907	1,788,085
Education	20,029,353	20,865,010	20,293,707	571,303
Cultural and recreational	1,870,259	1,894,810	1,752,726	142,084
Debt service:				
Principal retirement	5,035,526	5,420,857	5,420,857	-
Interest and fees	3,590,759	3,190,252	3,179,076	11,176
Total expenditures	<u>62,510,764</u>	<u>65,349,118</u>	<u>61,869,916</u>	<u>3,479,202</u>
Revenues over (under) expenditures	<u>(3,283,199)</u>	<u>(4,830,031)</u>	<u>(2,116,099)</u>	<u>2,713,932</u>
Other Financing Sources (Uses):				
Transfers from other funds	1,073,784	1,107,613	1,110,511	2,898
Transfers to other funds	(571,500)	(662,297)	(662,297)	-
Installment purchase obligations issued	-	675,000	675,000	-
Total other financing sources (uses)	<u>502,284</u>	<u>1,120,316</u>	<u>1,123,214</u>	<u>2,898</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(2,780,915)</u>	<u>(3,709,715)</u>	<u>(992,885)</u>	<u>2,716,830</u>
Appropriated fund balance	<u>2,780,915</u>	<u>3,709,715</u>	<u>-</u>	<u>(3,709,715)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(992,885)</u>	<u>\$ (992,885)</u>
Fund balance, beginning of year			<u>15,450,697</u>	
Fund balance, end of year			<u>\$ 14,457,812</u>	

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

LEE COUNTY, NORTH CAROLINA
Statement of Fund Net Position - Proprietary Funds
June 30, 2013

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	\$ 1,008,405	\$ 2,423	\$ 1,010,828
Accounts receivable - net	95,164	-	95,164
Accrued interest receivable	1,492	-	1,492
Total current assets	<u>1,105,061</u>	<u>2,423</u>	<u>1,107,484</u>
Non-current assets:			
Land and improvements	396,221	-	396,221
Other capital assets, net of accumulated depreciation	<u>218,061</u>	<u>-</u>	<u>218,061</u>
Total non-current assets	<u>614,282</u>	<u>-</u>	<u>614,282</u>
Total assets	<u>1,719,343</u>	<u>2,423</u>	<u>1,721,766</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	35,652	-	35,652
Compensated absences payable	12,000	-	12,000
Accrued landfill closure costs	23,717	-	23,717
Total current liabilities	<u>71,369</u>	<u>-</u>	<u>71,369</u>
Non-current liabilities:			
Compensated absences payable	12,230	-	12,230
OPEB liability payable	<u>117,723</u>	<u>-</u>	<u>117,723</u>
Total non-current liabilities	<u>129,953</u>	<u>-</u>	<u>129,953</u>
Total liabilities	<u>201,322</u>	<u>-</u>	<u>201,322</u>
Net Position			
Net Investment in capital assets	614,282	-	614,282
Unrestricted	<u>903,739</u>	<u>2,423</u>	<u>906,162</u>
Total net position	<u>\$ 1,518,021</u>	<u>\$ 2,423</u>	<u>\$ 1,520,444</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 Position - Proprietary Funds
For The Year Ended June 30, 2013

Exhibit 7

	Major Fund Solid Waste Management Fund	Water and Sewer District #1 Fund	Total Business-type Activities Enterprise
Operating revenues:			
Charges for services	\$ 1,126,130	\$ -	\$ 1,126,130
Other miscellaneous revenues	156,664	-	156,664
Total operating revenues	<u>1,282,794</u>	<u>-</u>	<u>1,282,794</u>
Operating expenses:			
Cost of service and administration	1,210,359	-	1,210,359
Depreciation	27,385	-	27,385
Total operating expenses	<u>1,237,744</u>	<u>-</u>	<u>1,237,744</u>
Operating income (loss)	<u>45,050</u>	<u>-</u>	<u>45,050</u>
Non-operating revenues (expenses):			
Grant funds	6,271	-	6,271
Investment earnings	4,328	-	4,328
Non-operating revenues (expenses)	<u>10,599</u>	<u>-</u>	<u>10,599</u>
Income (loss) before contributions	55,649	-	55,649
Capital contributions	<u>9,408</u>	<u>-</u>	<u>9,408</u>
Change in net position	65,057	-	65,057
Net position, beginning of year	<u>1,452,964</u>	<u>2,423</u>	<u>1,455,387</u>
Net position, end of year	<u>\$ 1,518,021</u>	<u>\$ 2,423</u>	<u>\$ 1,520,444</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, 2013

Exhibit 8

	Major Fund		Water and Sewer District #1 Fund		Total Business-type Activities Enterprise
Cash flows from operating activities:					
Receipts from customers	\$ 1,098,583	\$ -	-	-	\$ 1,098,583
Payments to suppliers for goods and services	(636,291)	-	-	-	(636,291)
Payments to or on behalf of employees	(539,160)	-	-	-	(539,160)
Other operating revenues	157,864	-	-	-	157,864
Net cash provided (used) by operating activities	80,996	-	-	-	80,996
Cash flows from noncapital and related financing activities:					
Grant funds	236,985	-	-	-	236,985
Net cash provided (used) by noncapital and related financing activities	236,985	-	-	-	236,985
Cash flows from investing activities -					
Interest on investments	3,545	-	-	-	3,545
Net increase (decrease) in cash and cash equivalents	321,526	-	-	-	321,526
Cash and cash equivalents, beginning of year	686,879	2,423	2,423	2,423	689,302
Cash and cash equivalents, end of year	\$ 1,008,405	\$ 2,423	\$ 2,423	\$ 2,423	\$ 1,010,828
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 45,050	\$ -	-	-	\$ 45,050
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:					
Depreciation	27,385	-	-	-	27,385
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(22,433)	-	-	-	(22,433)
Increase (decrease) in accounts payable and accrued expenses	30,994	-	-	-	30,994
Net cash provided (used) by operating activities	\$ 80,996	\$ -	-	-	\$ 80,996
Non-Cash Transactions:					
Transfer of capital assets between funds	\$ 53,594	-	-	-	\$ 53,594

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

LEE COUNTY, NORTH CAROLINA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

Exhibit 9

	Pension Trust Law Enforcement Employees	Kenneth Brown Bequest Fund	Agency Funds
Assets			
Cash and investments	\$ 4,130	\$ 18,292	\$ 340,114
Taxes receivable - net	-	-	726,616
Accounts receivable	-	-	10,905
Accrued interest receivable	<u>6</u>	<u>27</u>	<u>391</u>
Total assets	<u>4,136</u>	<u>18,319</u>	<u>1,078,026</u>
Liabilities			
Other liabilities	-	-	333,165
Due to other governmental units	<u>-</u>	<u>-</u>	<u>744,861</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>1,078,026</u>
Net Position			
Held in trust for employee's pension benefits	4,136	-	-
Held in trust for the Library	<u>-</u>	<u>18,319</u>	<u>-</u>
Total net position	<u>\$ 4,136</u>	<u>\$ 18,319</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 Position
Fiduciary Funds
For the Year Ended June 30, 2013

Exhibit 10

	<u>Pension Trust Law Enforcement Employees</u>	<u>Kenneth Brown Bequest Fund</u>
Additions:		
Investment earnings	\$ <u>16</u>	\$ <u>73</u>
Change in net position	16	73
Net position, beginning of year	<u>4,120</u>	<u>18,246</u>
Net position, end of year	<u>\$ 4,136</u>	<u>\$ 18,319</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lee County and its component units conform to generally accepted accounting principles (GAPP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a seven-member board of commissioners, is one of the 100 counties established in North Carolina under General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. The Lee County Water and Sewer District #1 exists to provide and maintain a water and sewer system for the County residents within the District. The District is reported as an Enterprise Fund in the County's financial statements. Lee County Industrial Facility and Pollution Control Financing Authority (the *Authority*) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. Lee County Development Corporation (the *Corporation*) exists for the purpose 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 no financial transactions or account balances; therefore, it is not presented in the combined financial statements.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Water and Sewer District #1	Blended	Under State law (G.S. 162A-89), the County's Board of Commissioners also serves as the governing board for the District.	None issued.
Lee County Industrial Facility and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board that is appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued.
Lee County Development Corporation	Discrete	The Corporation has a three-member board of directors who are established through the by-laws of the Articles of Incorporation.	None issued.

B. Basis of Presentation – Government-wide and Fund Financial Statements

Government-wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government net position (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. Non-operating 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.

The County reports the following major enterprise funds:

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

Additionally the County reports the following fund types:

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

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

The *pension trust fund* is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The Law Enforcement Officers' Special Separation Allowance Fund accounts for the Law Enforcement Officers' Separation Allowance, a single-employer, public employee retirement system.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. 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; and 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.

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Lee County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

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 position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. 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, the Capital Projects Outlay Fund and the Proprietary Funds. All annual appropriations lapse at June 30. Project ordinances are adopted for the Capital Project Funds excluding the Capital Projects Outlay Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

F. 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.

G. 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.

H. 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, 2012.

I. 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.

J. Other Resources

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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 include 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 be included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education and the Community College, respectively, give the Board of Education and the Community College full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education or Central Carolina Community College, once all restrictions of the financing agreements and all sales tax reimbursements have been met. The properties are reflected as capital assets in the financial statements of the Lee County Board of Education and Central Carolina Community College.

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

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

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditures until then. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has only three items that meet the criterion for this category – prepaid taxes, property taxes receivable and other receivables.

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 Position. Bond premiums and discounts 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Management Estimates

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

P. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either 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, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balance as follows:

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

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

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

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for public safety purposes.

Restricted for Economic and Physical Development – portion of fund balance that is restricted by revenue source for economic and physical development purposes.

Restricted for Education – portion of fund balance that is restricted by revenue sources for education purposes.

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Net Position/Fund Balances (Continued)

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

Committed for Economic and Physical Development – portion of fund balance that can only be used for economic and physical development projects.

Committed for Public Safety – portion of fund balance that can only be used for public safety purposes.

Committed for Human Services – portion of fund balance that can only be used for human services purposes, specifically transportation and Senior Games.

Assigned Fund Balance – portion of fund balance that the Lee County Board of Commissioners intends to use for specific purposes. The County’s governing body has the authority to assign fund balance. The Manager, as granted in the officially adopted budget ordinance, has been granted limited authority to assign fund balance.

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

Assigned for Capital – portion of fund balance that can only be used for capital purchases or for debt service incurred to finance capital expenditures.

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

The County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: debt proceeds, federal funds, State funds, local non-county funds, and county funds. For purposes of fund balance classifications expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

The County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 14% of budgeted expenditures. The County’s financial policy also directs management to strive to reach an available fund balance level 18% of budgeted expenditures. Amounts in excess of that will be transferred to a capital reserve fund to provide equity resources to fund the County’s capital improvement plan.

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

Total fund balance – General Fund	\$ 14,457,812
Less:	
Stabilization by State Statute	<u>4,934,759</u>
Available Fund Balance	<u>\$ 9,523,053</u>

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Net Position/Fund Balances (Continued)

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Outstanding encumbrances in the governmental funds at June 30, 2013 were as follows:

General Fund	\$	76,345
Nonmajor Governmental Funds		35,159

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 Position.

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(55,510,515) 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)		\$ 45,677,018
Less accumulated depreciation		<u>(26,603,806)</u>
Net capital assets		<u>19,073,212</u>
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds		
Allowance for uncollectible notes receivable		(221,000)
Accrued interest rebate		<u>72,637</u>
		<u>(148,363)</u>
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide		1,873,530
Compensated absences not expected to be materially liquidated with expendable resources		(1,582,624)
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		(68,943,413)
Accrued interest		(452,595)
OPEB liability		(5,156,930)
LEO pension obligation		<u>(173,332)</u>
		<u>(74,726,270)</u>
Total adjustment		<u>\$ (55,510,515)</u>

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 (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 reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. The net adjustment of \$4,995,524 consists of several elements as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities	\$ 2,233,422
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.	(1,301,792)
Cost of disposed capital assets not recorded in fund statements	(108,541)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Increase in deferred inflows of resources – taxes receivable	203,053
Change in health department receivable at end of year	(3,209)
Fair value of asset donated that is not recorded in the fund statements but is recorded in the government-wide statements	200,000
Accrued interest rebate not recorded on fund statements	(3,116)
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 Position.	(675,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the Statement of Net Position in the government-wide statements.	5,420,856
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)	34,369
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(29,837)
Amortization of premium on certificates of participation not recorded on fund statements	82,887
Net (increase) in other post-employment benefits	(1,036,278)
Difference in retirement expense between fund statements (modified accrual) and government-wide statements (full accrual)	<u>(21,290)</u>
Total adjustment	<u>\$ 4,995,524</u>

II. 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, 2013, the carrying amount of the County's bank deposits (including fiduciary funds) was \$8,551,674, and the bank balance was \$9,039,682. Sufficient collateral was maintained at June 30, 2013 to secure the County's deposits. Of the bank balance, \$500,000 was covered by federal depository insurance, \$4,439 was covered by collateral held under the Dedicated Method and \$8,535,243 was collateralized under the Pooling Method.

At June 30, 2013, the County had \$2,005 cash on hand.

Of the bank balances above, the County has 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)

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments

At June 30, 2013, the County had the following investments and maturities:

Investment Type	Fair Value	Less Than 6 Months	6 -12 Months	1-3 Years
Commercial Paper	\$ 3,984,782	\$ 3,984,782	N/A	N/A
NC Capital Management Trust – Cash Portfolio	2,346,333	N/A	N/A	N/A
	\$ 6,331,115	\$ 3,984,782	\$ -	\$ -

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. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2013, the County’s investments in commercial paper were rated P1 by Standard & Poor’s, F1 by Fitch Ratings, and A1 by Moody’s Investors Service. 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, 2013.

Concentration of Credit Risk. With the exception of U.S. Treasury securities and agencies and authorized pools, Lee County’s investment policy does not allow for an investment in one issuer in excess of 40% of the County’s total investments.

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>
2012	\$ 1,277,021	\$ 73,429	\$ 1,350,450
2011	1,216,813	179,480	1,396,293
2010	1,197,098	284,311	1,481,409
2009	<u>1,192,698</u>	<u>390,609</u>	<u>1,583,307</u>
Total	<u>\$ 4,883,630</u>	<u>\$ 927,829</u>	<u>\$ 5,811,459</u>

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

C. Receivables

Receivables at the government-wide level at June 30, 2013 were as follows:

	Taxes Receivable- Net	Accounts Receivable-Net		
		Accounts	Due from Other Government	Total
Governmental activities:				
General	\$ 2,290,326	\$ 2,351,084	\$ 2,785,606	\$ 5,136,690
Other governmental	<u>176,092</u>	<u>-</u>	<u>314,767</u>	<u>314,767</u>
Total receivables	2,466,418	2,351,084	3,100,373	5,451,457
Allowance for doubtful accounts	<u>(597,527)</u>	<u>(439,658)</u>	<u>-</u>	<u>(439,658)</u>
Total governmental activities	<u>\$ 1,868,891</u>	<u>\$ 1,911,426</u>	<u>\$ 3,100,373</u>	<u>\$ 5,011,799</u>
Business-type activities:				
Solid waste management	<u>-</u>	<u>92,959</u>	<u>2,205</u>	<u>95,164</u>
Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ -</u>	<u>\$ 92,952</u>	<u>\$ 2,205</u>	<u>\$ 95,164</u>

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

Local option sales tax	\$ 2,549,898
Sales tax	212,497
Various federal and state grants	<u>340,183</u>
	<u>\$ 3,102,578</u>

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Governmental activities by type:

	June 30, 2012	Transfers In/ Additions	Transfers Out/ Disposals	June 30, 2013
Non-depreciable assets:				
Land	\$ 3,394,033	\$ -	\$ (29,000)	\$ 3,365,033
Land Improvements	2,449,555	-	-	2,449,555
Construction in progress	656,087	955,267	(21,144)	1,590,210
	6,499,675	955,267	(50,144)	7,404,798
Depreciable assets:				
Buildings	27,024,204	876,258	-	27,900,462
Roads	920,160	-	-	920,160
Equipment	9,104,584	601,897	(254,883)	9,451,598
	37,048,948	1,478,155	(254,883)	38,272,220
Less accumulated depreciation and amortization for:				
Buildings	20,682,345	718,816	-	21,401,161
Roads	124,320	23,407	-	147,727
Equipment	4,691,835	559,569	(196,486)	5,054,918
	25,498,500	\$ 1,301,792	\$ (196,486)	26,603,806
Depreciable assets - net	11,550,448			11,668,414
Total Governmental Activities Capital Assets - net	\$ 18,050,123			\$19,073,212

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

General government	\$ 247,900
Public safety	683,506
Human services	134,270
Economic & physical development	101,238
Cultural & recreational	134,878
	\$ 1,301,792

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Business-type activities by type:

	June 30, 2012	Transfers In/ Additions	Transfers Out/ Disposals	June 30, 2013
Non-depreciable assets:				
Land	\$ 260,425	\$ -	\$ -	\$ 260,425
Land Improvements	<u>135,796</u>	<u>-</u>	<u>-</u>	<u>135,796</u>
	<u>396,221</u>	<u>-</u>	<u>-</u>	<u>396,221</u>
Depreciable assets:				
Buildings	565,482	-	-	565,482
Equipment	<u>1,124,588</u>	<u>53,594</u>	<u>(15,228)</u>	<u>1,162,954</u>
	<u>1,690,070</u>	<u>53,594</u>	<u>(15,228)</u>	<u>1,728,436</u>
Less accumulated depreciation and amortization for:				
Buildings	470,843	14,942	-	485,785
Equipment	<u>983,189</u>	<u>55,152</u>	<u>(13,751)</u>	<u>1,024,590</u>
	<u>1,454,032</u>	<u>\$ 70,094</u>	<u>\$ (13,751)</u>	<u>1,510,375</u>
Depreciable assets - net	<u>236,038</u>			<u>218,061</u>
Total Business Activities				
Capital Assets - net	<u>\$ 632,259</u>			<u>\$ 614,282</u>

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

Solid waste	<u>\$ 27,385</u>
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Construction commitments

The government has active construction projects as of June 30, 2013. The projects include the renovations and construction at Lee County High School, renovations and construction at the Lee County Courthouse and improvements to the Lee County Industrial Park.

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

E. Liabilities

Payables

Payables at the government-wide level at June 30, 2013 were as follows:

	<u>Vendors</u>
Governmental activities:	
General	\$ 1,364,884
Other governmental	<u>225,701</u>
Total governmental activities	<u>\$ 1,590,585</u>
Business-type activities:	
Solid waste management	<u>\$ 59,369</u>
Total business-type activities	<u>\$ 59,369</u>

F. Pension Plan and Other Post-Employment 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 6.74% and 6.77%, 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, 2013, 2012, and 2011 were \$893,864, \$918,892, and \$725,015, respectively. The contributions made by the County equaled the required contributions for each year.

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations (Continued)

2. Law Enforcement Officers' Special Separation Allowance

Plan Description

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>52</u>
Total	<u>56</u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

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

Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$47,308, or 2.13% 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.

The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) include an inflation component of 3.00%. 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, 2011 was 19 years.

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations (Continued)

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

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	\$ 70,458
Interest on net pension obligation	7,602
Adjustment to annual required contribution	<u>(9,462)</u>
Annual pension cost	68,598
Contributions made	<u>47,308</u>
Increase (decrease) in net pension obligation	21,290
Net pension obligation beginning of fiscal year	<u>152,042</u>
 Net pension obligation end of fiscal year	 <u>\$173,332</u>

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	62,164	64.13%	127,107
6/30/12	63,333	60.63%	152,042
6/30/13	68,598	68.96%	173,332

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was .74 percent funded. The actuarial accrued liability for benefits was \$554,489, and the actuarial value of assets was \$4,112 resulting in an unfunded actuarial accrued liability (UAAL) of \$550,377. The covered payroll (annual payroll of active employees covered by the plan) was \$2,223,665, and the ratio of the UAAL to the covered payroll was 24.75 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

3. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations (Continued)

3. Supplemental Retirement Income Plan for Law Enforcement Officers (Continued)

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, 2013 were \$125,619 which consisted of \$109,528 from the County and \$16,091 from the law enforcement officers.

4. Registers of Deeds' Supplemental Pension Fund

Plan Description

The County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a non-contributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Register of Deeds' Supplemental Pension Funds. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy

On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2013, the County's required and actual contributions were \$4,571.

5. Other Post-Employment Benefits (OPEB) – Healthcare Benefits

Plan Description

According to County resolution, the County administers a single-employer defined benefit plan which provides healthcare benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and have at least 15 years of continuous years of employment with Lee County immediately preceding retirement. Non-Medicare eligible retirees can choose between an HSA plan where the County covers the full cost of the premium and a PPO plan where the retiree pays a small portion of the premium. Medicare eligible retirees are provided a Medicare supplement program that is fully funded by the County. The Board of Commissioners modified the plan in 2010 so that any employees hired after March 1, 2010 and who earn the retiree health insurance benefit, coverage will only be provided from retirement to reaching the age sixty-five (65); or becoming covered under another comparable group medical plan; or becoming entitled to Medicare. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations (Continued)

5. Other Post-Employment Benefits (OPEB) – Healthcare Benefits (Continued)

Membership of the plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

Retirees receiving benefits	86
Active Plan Members:	
General Employees	283
Law Enforcement	<u>51</u>
Total	<u>420</u>

Funding Policy

The County pays the full cost of coverage for the healthcare benefits paid to non-Medicare eligible qualified retirees who participate in the County's HAS plan and the full cost of the supplement for Medicare eligible retirees under the County resolution that can be amended by the Board of Commissioners. Non-Medicare eligible retirees who choose the PPO plan must pay part of their premium. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis. In the future, employees and retirees may be required to participate in premiums for basic group health plans.

The current ARC rate is 10.48% of annual covered payroll (5.32% normal cost and 3.45% accrued liability). For the current year, the County contributed \$346,294 or 2.59% of annual covered payroll. The County obtains healthcare coverage through private insurers.

Summary of Significant Accounting Policies

Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 1,399,876
Interest on net OPEB obligation	168,542
Adjustment to annual required contribution	<u>(161,009)</u>
Annual OPEB cost (expense)	1,407,409
Contributions made	<u>(346,294)</u>
Increase (decrease) in net OPEB obligation	1,061,115
Net OPEB obligation, beginning of fiscal year	<u>4,213,538</u>
Net OPEB obligation, end of year	<u>\$ 5,274,653</u>

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations (Continued)

5. Other Post-Employment Benefits (OPEB) – Healthcare Benefits (Continued)

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 1,078,767	26.6%	\$ 3,431,829
6/30/2012	1,078,767	27.5%	4,213,538
6/30/2013	1,407,409	24.6%	5,274,653

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$18,043,489. The covered payroll (annual payroll of active employees covered by the plan) was \$13,358,354, and the ratio of the UAAL to covered payroll was 135.1%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 8.50 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, was 30 years.

II. DETAIL NOTES ON ALL FUNDS (Continued)

G. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all non-law enforcement County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Contributions for the year ended June 30, 2013 were \$496,627, which consisted of \$333,557 from the County and \$163,070 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. 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, 2013, the County made contributions to the State for death benefits of \$17,442. 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. The County considers these contributions to be immaterial.

I. Closure Costs - Lee County Landfill Facility

Due to State and federal laws and regulations, the County chose to stop accepting substantially all waste at its landfill and placed a final cover on the site; however, the County continued to accept a limited amount of waste, primarily construction and demolition materials until June 30, 2008. The County is placing a final cover on the construction and demolition site. The County is required to perform certain maintenance and monitoring functions at the site as part of the closure, but it is not subject to the financial assurance rule. Although closure costs are paid after the date the landfill stopped accepting waste, the County reports a portion of these closure costs as an operating expense in each period based on the life of the landfill. The total cost of closure is estimated to be \$617,769; \$594,052 has been incurred as of June 30, 2013 and the remaining \$23,717 is reported as liability within the Solid Waste Management Fund at June 30, 2013. 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.

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

J. Deferred Inflows of Resources

	Unavailable Revenues	Unearned Revenues
Prepaid taxes not earned (General)	\$ -	\$ 220,834
Prepaid taxes not earned (Special Revenue)	-	7,975
Taxes receivable, net (General)	1,711,217	-
Taxes receivable, net (Special Revenue)	157,674	-
Accounts receivable, net (General)	4,639	-
	\$ 1,873,530	\$ 228,809

K. 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. The amount, if any, of such refunds cannot be determined at this time although management believes that such amounts would be immaterial. No provision has been made in the accompanying financial statements for the refund of grant funds.

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.

L. 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 \$55.3 million per occurrence, general liability coverage of \$2 million, and workers' compensation coverage up to 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 carries limited flood insurance.

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

M. Long-Term Obligations

The County records long-term debt of the governmental funds at face value in the government-wide Statement of Net Position. 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)

M. 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, 2013:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013	Current portion of balance
Governmental activities:					
General obligation bonds	\$ 735,000	\$ -	\$ 250,000	\$ 485,000	\$ 250,000
Certificates of participation	47,957,000	-	3,517,000	44,440,000	3,347,000
Installment notes payable	24,314,110	675,000	1,653,857	23,335,253	1,808,279
Unamortized bond premium	766,047	-	82,887	683,160	-
Unfunded pension liability	152,042	68,598	47,308	173,332	-
Net OPEB obligation	4,120,652	1,382,572	346,294	5,156,930	-
Compensated absences	1,552,787	1,652,461	1,622,624	1,582,624	1,500,000
Total governmental activities	<u>\$ 79,597,638</u>	<u>\$ 3,778,631</u>	<u>\$ 7,519,970</u>	<u>\$ 75,856,299</u>	<u>\$ 6,905,279</u>
Business-type activities:					
Net OPEB obligation	\$ 92,886	\$ 24,837	\$ -	\$ 117,723	\$ -
Compensated absences	32,028	23,427	31,225	24,230	12,000
Total business-type activities	<u>\$ 124,914</u>	<u>\$ 48,264</u>	<u>\$ 31,225</u>	<u>\$ 141,953</u>	<u>\$ 12,000</u>

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

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

M. Long-Term Obligations (Continued)

2. Certificates of Participation

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

Original Issue		Payment Information			Outstanding	Purpose and Collateral
Amount	Date	Rate	Period	Amount	Balance	
\$26,220,000	January 2004	2.00% - 5.25%	Annual	\$ 500,000 - 1,720,000	\$ 3,430,000	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	24,300,000	Construct middle school, addition at alternative school, renovations and repairs for community college; and park construction; secured by real estate
17,022,000	May-12	2.80%	Annual	\$312,000 - 1,969,000	<u>16,710,000</u>	Advanced Refunding Certificates of Participation
Total certificates of participation					<u>\$ 44,440,000</u>	

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 3,347,000	\$ 1,606,583
2015	3,273,000	1,476,865
2016	3,279,000	1,353,641
2017	3,238,000	1,256,348
2018	3,213,000	1,146,889
2019-2023	16,175,000	4,093,667
2024-2028	<u>11,915,000</u>	<u>1,504,025</u>
Total	<u>\$ 44,440,000</u>	<u>\$ 12,438,018</u>

3. General Obligation Bonds

Serviced by the General Fund:

\$1,885,000 Public improvement, issued November 2001; interest at 4.09% to 4.30%; due serially to 2015	<u>\$ 485,000</u>
	<u>\$ 485,000</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>
2014	\$ 250,000	\$ 20,730
2015	<u>235,000</u>	<u>10,105</u>
Total	<u>\$ 485,000</u>	<u>\$ 30,835</u>

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

M. Long-Term Obligations (Continued)

4. Installment Notes Payable

Original Issue		Payment Information		Outstanding	Purpose and Collateral	
Amount	Date	Rate	Period	Balance		
				\$13,889 +		
\$ 2,500,000	January 2003	3.96%	Monthly	interest	\$ 763,934	Telecommunications School
1,622,021	August 2008	0.00%	Annual	115,859	1,158,586	School QZAB
12,000,000	May 2010	6.40%	Annual	Principal	10,133,000	RZEDB - Lee County High School
6,678,064	May 2010	6.40%	Annual	Principal	6,678,064	QSCB - Lee County High School
4,000,000	May 2010	6.40%	Annual	Principal	4,000,000	QZAB - Lee County High School
675,000	Nov 2012	4.00%	Monthly	Principal	<u>601,669</u>	Summit Building
Total installment notes payable					<u>\$ 23,335,253</u>	

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,808,279	\$ 1,381,458
2015	1,906,565	1,280,210
2016	2,144,067	1,172,795
2017	2,149,792	1,050,306
2018	2,038,194	929,045
2019-2023	9,185,293	2,955,989
2024-2028	<u>4,103,063</u>	<u>408,328</u>
Total	<u>\$ 23,335,253</u>	<u>\$ 9,178,131</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, 2013, the balance of this debt was \$500,000, and debt service payments made by the City of Sanford totaled \$130,200.

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, 2013, Lee County has a legal debt margin of \$318,081,537.

Debt Related to Capital Activities – Of the total Governmental Activities debt listed only \$1,683,210 relates to assets the County holds title.

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

N. Joint Ventures

The County, in conjunction with eight other county governments (Anson, Guilford, 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 \$240,000 to the Center during the fiscal year ended June 30, 2013. 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, 2013. Complete financial statements for the Center can be obtained from the Center's office in West End, North Carolina 27376.

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, 2013. In addition, the County loaned the Airport Authority \$531,058 in fiscal year ending June 30, 2009 which will be paid in semi-annual installments over a period of 10 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, 2013. 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 \$2,321,000 to the community college for operating purposes and \$186,462 for capital outlay purposes during the fiscal year ended June 30, 2013. In addition, the County contributed \$53,510 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, 2013. Complete financial statements for the community college may be obtained from the community college's business office at 1105 Kelly Drive, Sanford, NC 27330.

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

N. Joint Ventures (Continued)

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 \$548,691 to the Corporation during the fiscal year ended June 30, 2013. 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, 2013. Financial reports for the Corporation can be obtained from the Corporation's administrative office at 408 Summit Drive, Sanford, NC 27330.

O. Jointly Governed Organization

The County, in conjunction with four other counties and twenty municipalities established the Triangle J Council of Governments (Council). The participating governments established the Council to coordinate certain funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$11,182 to the Council during the fiscal year ended June 30, 2013.

P. 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, 2013, the County reported these local option sales taxes within its General Fund. The County expended the restricted portion of these taxes for funding of debt service of school capital outlay.

Q. 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.

	Federal	State
Medicaid	\$ 44,641,359	\$ 24,862,323
TANF	337,442	-
WIC	2,252,862	-
Other	219,246	220,631
State/County Special Assistance	-	424,133
	\$ 47,450,909	\$ 25,507,087

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

R. 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, 2013. The original issue amount of such bonds totaled \$15,650,000. The amount of conduit debt outstanding at June 30, 2013 was not determinable and could not be reasonably estimated.

S. Interfund Balances and Activity

Transfers From / To Other Funds

Transfers to/from other funds at June 30, 2013 consist of the following:

From the General Fund to the Capital Projects Outlay Fund to accumulate resources for future capital projects	\$ (571,500)
From the General Fund to the Industrial Park Improvements Project Fund to provide local resources for the capital project	(4,677)
From the General Fund to the Courthouse Renovations Project Fund to provide local resources for the capital project	(86,120)
From the Capital Projects Outlay fund to the General Fund for debt service	777,000
From the Fire Districts Fund to the General Fund to cover Fire Marshal operating expenses	299,681
From the San Lee Dam Project Fund to the General Fund for debt service	<u>33,830</u>
General Fund transfers, net	<u>\$ 448,214</u>

A transfer from the San-Lee Dam Project Fund in the amount of \$45,323 was made to the Industrial Park Improvements Fund to provided local resources for the capital project.

T. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standard Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replace with Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that bond issuance costs, which were previously deferred and amortized must be included in current expenditures. Previously deferred bond issuance costs totaling \$ 540,189 were recognized as an expenditure in the current year. As a result, beginning net position decreased from \$(40,274,136) to \$(40,814,325).

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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
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for the Health Care Benefit – Pay As You Go
- Schedule of Employer Contributions for the Health Care Benefit – Pay As You Go
- Notes to the Required Schedules for the Health Care Benefit – Pay As You Go

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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)
12-31-03	\$122,970	\$ 272,577	\$ 149,607	45.11%	\$ 1,228,996	12.17%
12-31-04	118,944	424,500	301,556	28.29%	1,101,201	27.38%
12-31-05	93,070	397,759	304,689	23.40%	1,287,341	23.67%
12-31-06	54,176	443,657	389,481	12.21%	1,560,025	24.97%
12-31-07	8,739	417,290	408,551	2.09%	1,604,079	25.47%
12-31-08	4,001	372,979	368,928	1.07%	1,710,683	21.57%
12-31-09	4,064	510,666	506,602	.80%	1,847,248	27.42%
12-31-10	4,086	485,914	481,828	.84%	1,998,364	24.11%
12-31-11	4,112	513,463	509,351	.80%	2,126,707	23.95%
12-31-12	4,112	554,489	550,377	.74%	2,223,665	24.75%

LEE COUNTY, NORTH CAROLINA
Law Enforcement Officer's Special Separation Allowance
Required Supplemental Information and Notes
Schedule of Employer Contributions

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contributions</u>	<u>Actual</u> <u>Contributions</u>	<u>Percentage</u> <u>Contributed</u>
2003	\$ 24,113	\$ 9,187	38.1%
2004	26,364	14,428	54.7%
2005	25,917	38,506	148.6%
2006	33,655	42,165	125.3%
2007	31,418	11,297	36.0%
2008	42,412	36,430	85.9%
2009	45,005	29,206	64.9%
2010	44,789	43,794	97.8%
2011	62,535	39,863	63.7%
2012	64,561	38,398	59.5%
2013	70,458	47,308	67.1%

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, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
*Includes inflation at	3.00%
Cost of living adjustments	N/A

LEE COUNTY, NORTH CAROLINA
Healthcare Benefit – Pay-As-You-Go
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)
12-31-07	\$ -	\$19,108,733	\$19,108,733	0.0%	\$12,673,476	150.8%
12-31-09	\$ -	13,078,298	13,078,298	0.0%	13,075,974	100.0%
12-31-12	\$ -	18,043,489	18,043,489	0.0%	13,358,354	135.1%

LEE COUNTY, NORTH CAROLINA
Healthcare Benefit – Pay- As-You-Go
Required Supplemental Information and Notes
Schedule of Employer Contributions

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contributions</u>	<u>Actual</u> <u>Contributions</u>	<u>Percentage</u> <u>Contributed</u>
2009	\$ 1,610,185	\$ 332,418	20.6%
2010	1,610,185	248,105	15.41%
2011	1,064,273	286,785	26.95%
2012	1,064,273	297,060	27.91%
2013	1,399,876	346,294	24.74%

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, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate increases (decreases)	
Pre-Medicare trend rate	8.50% - 5.0%
Post-Medicare trend rate	6.25% - 5.0%
*Includes inflation at	3.00%
Year of Ultimate trend rate	2018

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 Balance -
Budget and Actual
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ 35,578,250	\$ 36,004,380	\$ 426,130
Penalties and interest	175,000	185,010	10,010
	<u>35,753,250</u>	<u>36,189,390</u>	<u>436,140</u>
Local option sales taxes:			
Article 39 one percent	3,690,338	3,732,206	41,868
Article 40 one-half of one percent	2,121,306	2,248,816	127,510
Article 42 one-half of one percent	2,221,329	2,211,001	(10,328)
Article 44 one-half of one percent	-	9,192	9,192
Article 46 one-quarter of one percent	1,500,077	1,415,759	(84,318)
	<u>9,533,050</u>	<u>9,616,974</u>	<u>83,924</u>
Other taxes and licenses:			
Deed stamp excise tax	125,000	139,634	14,634
Privilege licenses	2,500	4,527	2,027
Rental vehicle tax	50,000	62,712	12,712
Cable TV franchise tax	195,000	201,726	6,726
	<u>372,500</u>	<u>408,599</u>	<u>36,099</u>
Unrestricted intergovernmental:			
Beer and wine tax	62,000	57,090	(4,910)
Federal bond interest subsidy	909,030	869,504	(39,526)
	<u>971,030</u>	<u>926,594</u>	<u>(44,436)</u>
Restricted intergovernmental:			
Federal and state grants	9,055,393	8,349,972	(705,421)
Court facility fees	96,373	81,888	(14,485)
ABC bottles taxes	15,600	15,866	266
Public School Building Capital Fund-Lottery	1,403,657	832,354	(571,303)
	<u>10,571,023</u>	<u>9,280,080</u>	<u>(1,290,943)</u>
Permits and fees:			
Register of Deeds	251,000	274,388	23,388
Sales and services:			
Rents, concessions, and fees	505,098	579,985	74,887
Jail fees	199,829	201,326	1,497
Vehicle tax collection fees	13,000	17,229	4,229
Health department fees	727,957	746,557	18,600
Other sales and services	1,046,851	993,876	(52,975)
	<u>2,492,735</u>	<u>2,538,973</u>	<u>46,238</u>

(Continued)

LEE COUNTY, NORTH CAROLINA
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Continued)
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Revenues: (Continued)			
Investment earnings	\$ 75,000	\$ 69,621	\$ (5,379)
Miscellaneous	499,499	449,198	(50,301)
Total revenues	<u>60,519,087</u>	<u>59,753,817</u>	<u>(765,270)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	94,518	91,135	3,383
Operating expenditures	76,039	69,242	6,797
	<u>170,557</u>	<u>160,377</u>	<u>10,180</u>
Administration:			
Salaries and employee benefits	389,464	386,454	3,010
Operating expenditures	163,110	129,145	33,965
	<u>552,574</u>	<u>515,599</u>	<u>36,975</u>
Human resources:			
Salaries and employee benefits	203,851	198,178	5,673
Operating expenditures	59,430	49,073	10,357
	<u>263,281</u>	<u>247,251</u>	<u>16,030</u>
Finance:			
Salaries and employee benefits	329,894	327,908	1,986
Operating expenditures	19,398	14,439	4,959
Professional services	56,385	56,316	69
Capital outlay	23,815	18,166	5,649
	<u>429,492</u>	<u>416,829</u>	<u>12,663</u>
Internal Services:			
Operating expenditures	428,708	411,947	16,761
	<u>428,708</u>	<u>411,947</u>	<u>16,761</u>
Tax administration:			
Salaries and employee benefits	909,851	843,966	65,885
Operating expenditures	137,762	119,431	18,331
Contracted services	85,620	87,414	(1,794)
Professional services	32,000	29,888	2,112
	<u>1,165,233</u>	<u>1,080,699</u>	<u>84,534</u>

(Continued)

LEE COUNTY, NORTH CAROLINA
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Continued)
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Expenditures: (Continued)			
General government: (Continued)			
Strategic Services			
Salaries and employee benefits	\$ 333,060	\$ 331,783	\$ 1,277
Operating expenditures	33,751	29,476	4,275
Capital Outlay	700	627	73
	<u>367,511</u>	<u>361,886</u>	<u>5,625</u>
Court facilities:			
Operating expenditures	17,100	15,159	1,941
	<u>17,100</u>	<u>15,159</u>	<u>1,941</u>
Elections:			
Salaries and employee benefits	130,795	128,953	1,842
Operating expenditures	130,656	107,853	22,803
Capital outlay	5,400	-	5,400
	<u>266,851</u>	<u>236,806</u>	<u>30,045</u>
Register of deeds:			
Salaries and employee benefits	222,530	222,471	59
Operating expenditures	62,737	60,588	2,149
	<u>285,267</u>	<u>283,059</u>	<u>2,208</u>
Information technology:			
Salaries and employee benefits	343,680	327,160	16,520
Operating expenditures	276,328	246,805	29,523
Contracted services	319,148	311,201	7,947
Capital outlay	144,158	125,772	18,386
	<u>1,083,314</u>	<u>1,010,938</u>	<u>72,376</u>
Information technology - PEG channel:			
Operating expenditures	32,250	19,626	12,624
	<u>32,250</u>	<u>19,626</u>	<u>12,624</u>
Buildings and grounds:			
Salaries and employee benefits	1,338,910	1,277,000	61,910
Operating expenditures	1,069,924	964,471	105,453
Capital outlay	1,027,531	961,951	65,580
	<u>3,436,365</u>	<u>3,203,422</u>	<u>232,943</u>
Total general government	<u>8,498,503</u>	<u>7,963,598</u>	<u>534,905</u>

(Continued)

LEE COUNTY, NORTH CAROLINA
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Continued)
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Expenditures: (Continued)			
Public safety:			
Sheriff :			
Salaries and employee benefits	\$ 3,597,510	\$ 3,567,237	\$ 30,273
Operating expenditures	699,234	679,861	19,373
Capital outlay	265,860	263,841	2,019
	<u>4,562,604</u>	<u>4,510,939</u>	<u>51,665</u>
Animal Control Enforcement			
Salaries and employee benefits	182,707	177,832	4,875
Operating expenditures	49,282	44,182	5,100
Capital outlay	9,740	9,683	57
	<u>241,729</u>	<u>231,697</u>	<u>10,032</u>
Jail:			
Salaries and employee benefits	1,309,832	1,236,200	73,632
Operating expenditures	814,794	739,337	75,457
Capital outlay	28,934	28,642	292
	<u>2,153,560</u>	<u>2,004,179</u>	<u>149,381</u>
E911 Service	<u>202,678</u>	<u>202,678</u>	<u>-</u>
State fire control contribution	<u>93,919</u>	<u>82,296</u>	<u>11,623</u>
Inspections:			
Contracted services	<u>52,187</u>	<u>41,616</u>	<u>10,571</u>
Medical examiner:			
Professional services	<u>32,000</u>	<u>24,800</u>	<u>7,200</u>
Juvenile detention	<u>60,000</u>	<u>22,880</u>	<u>37,120</u>
Juvenile probation	<u>13,840</u>	<u>13,740</u>	<u>100</u>
Emergency medical services:			
Contracted services	<u>525,000</u>	<u>525,000</u>	<u>-</u>
Emergency services:			
Salaries and employee benefits	98,104	93,406	4,698
Operating expenditures	117,439	83,789	33,650
Capital outlay	33,670	30,920	2,750
	<u>249,213</u>	<u>208,115</u>	<u>41,098</u>
Fire Marshall:			
Salaries and employee benefits	206,842	206,690	152
Operating expenditures	104,911	87,025	17,886
Capital outlay	2,950	-	2,950
	<u>314,703</u>	<u>293,715</u>	<u>20,988</u>
Total public safety	<u>8,501,433</u>	<u>8,161,655</u>	<u>339,778</u>

(Continued)

LEE COUNTY, NORTH CAROLINA
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Continued)
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Expenditures: (Continued)			
Economic and physical development:			
Economic development:			
Salaries and employee benefits	\$ 108,761	\$ 93,642	\$ 15,119
Operating expenditures	458,570	465,514	(6,944)
	<u>567,331</u>	<u>559,156</u>	<u>8,175</u>
Airport:			
Salaries and employee benefits	60,489	44,007	16,482
Operating expenditures	416	415	1
	<u>60,905</u>	<u>44,422</u>	<u>16,483</u>
Planning and zoning:			
Contracted services	<u>397,206</u>	<u>397,206</u>	<u>-</u>
Agricultural extension:			
Salaries and employee benefits	181,386	133,117	48,269
Operating expenditures	19,759	13,664	6,095
Capital outlay	-	-	-
	<u>201,145</u>	<u>146,781</u>	<u>54,364</u>
Conservation:			
Salaries and employee benefits	97,300	87,559	9,741
Operating expenditures	10,458	7,436	3,022
Capital outlay	<u>916</u>	<u>830</u>	<u>86</u>
	<u>108,674</u>	<u>95,825</u>	<u>12,849</u>
Total economic and physical development	<u>1,335,261</u>	<u>1,243,390</u>	<u>91,871</u>
Human services:			
Health:			
Administration:			
Salaries and employee benefits	556,149	548,646	7,503
Operating expenditures	36,940	50,779	(13,839)
Contracted services	<u>56,988</u>	<u>-</u>	<u>56,988</u>
	<u>650,077</u>	<u>599,425</u>	<u>50,652</u>
Maternal health:			
Salaries and employee benefits	94,030	91,268	2,762
Operating expenditures	46,645	39,570	7,075
Capital outlay	<u>525</u>	<u>-</u>	<u>525</u>
	<u>141,200</u>	<u>130,838</u>	<u>10,362</u>
Child health:			
Salaries and employee benefits	46,327	44,808	1,519
Operating expenditures	<u>157,905</u>	<u>155,528</u>	<u>2,377</u>
	<u>204,232</u>	<u>200,336</u>	<u>3,896</u>

(Continued)

LEE COUNTY, NORTH CAROLINA
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Continued)
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Expenditures: (Continued)			
Human services: (Continued)			
Health: (Continued)			
Primary care:			
Salaries and employee benefits	\$ 63,881	\$ 62,211	\$ 1,670
Operating expenditures	20,296	18,339	1,957
Capital outlay	525	509	16
	<u>84,702</u>	<u>81,059</u>	<u>3,643</u>
Health promotion:			
Salaries and employee benefits	96,042	94,242	1,800
Operating expenditures	19,279	4,543	14,736
	<u>115,321</u>	<u>98,785</u>	<u>16,536</u>
WIC - Client services:			
Salaries and employee benefits	231,575	212,166	19,409
Operating expenditures	44,708	11,102	33,606
Capital outlay	6,143	1,143	5,000
	<u>282,426</u>	<u>224,411</u>	<u>58,015</u>
Family planning:			
Salaries and employee benefits	177,028	164,561	12,467
Operating expenditures	59,523	52,478	7,045
	<u>236,551</u>	<u>217,039</u>	<u>19,512</u>
Animal control:			
Salaries and employee benefits	142,170	141,726	444
Operating expenditures	58,682	43,206	15,476
	<u>200,852</u>	<u>184,932</u>	<u>15,920</u>
Environmental health:			
Salaries and employee benefits	381,847	364,353	17,494
Operating expenditures	39,447	26,737	12,710
Capital outlay	2,800	2,066	734
	<u>424,094</u>	<u>393,156</u>	<u>30,938</u>
Aids control:			
Salaries and employee benefits	42,465	42,799	(334)
Operating expenditures	1,076	102	974
	<u>43,541</u>	<u>42,901</u>	<u>640</u>
Bioterrorism:			
Salaries and employee benefits	28,783	25,846	2,937
Operating expenditures	22,818	12,072	10,746
Capital outlay	1,000	530	470
	<u>52,601</u>	<u>38,448</u>	<u>14,153</u>

(Continued)

LEE COUNTY, NORTH CAROLINA
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Continued)
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Expenditures: (Continued)			
Human services: (Continued)			
WIC - Breastfeeding:			
Salaries and employee benefits	\$ 51,013	\$ 47,018	\$ 3,995
Operating expenditures	6,267	2,847	3,420
	<u>57,280</u>	<u>49,865</u>	<u>7,415</u>
Child service coordinator:			
Salaries and employee benefits	60,013	34,132	25,881
Operating expenditures	138,692	126,944	11,748
Capital outlay	3,800	-	3,800
	<u>202,505</u>	<u>161,076</u>	<u>41,429</u>
Communicable diseases:			
Salaries and employee benefits	165,838	158,324	7,514
Operating expenditures	16,621	14,208	2,413
	<u>182,459</u>	<u>172,532</u>	<u>9,927</u>
Breast/cervical cancer control:			
Salaries and employee benefits	7,018	6,982	36
Operating expenditures	10,315	5,512	4,803
	<u>17,333</u>	<u>12,494</u>	<u>4,839</u>
Immunizations:			
Salaries and employee benefits	62,433	47,548	14,885
Operating expenditures	18,367	14,436	3,931
	<u>80,800</u>	<u>61,984</u>	<u>18,816</u>
Community Transformation			
Operating expenditures	145,000	47,532	97,468
Capital outlay	5,000	-	5,000
	<u>150,000</u>	<u>47,532</u>	<u>102,468</u>
Partners in Pink:	<u>41,553</u>	<u>33,965</u>	<u>7,588</u>
Pregnancy Care Management:			
Salaries and employee benefits	64,834	32,991	31,843
Operating expenditures	105,343	65,739	39,604
	<u>170,177</u>	<u>98,730</u>	<u>71,447</u>
WIC - General administration:			
Salaries and employee benefits	7,934	7,881	53
Operating expenditures	8,651	429	8,222
	<u>16,585</u>	<u>8,310</u>	<u>8,275</u>
WIC - Nutrition education:			
Salaries and employee benefits	23,403	23,181	222
Operating expenditures	11,086	2,199	8,887
	<u>34,489</u>	<u>25,380</u>	<u>9,109</u>
Total health	<u>3,388,778</u>	<u>2,883,198</u>	<u>505,580</u>
(Continued)			

LEE COUNTY, NORTH CAROLINA
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Continued)
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Expenditures: (Continued)			
Social services:			
Social services - administration:			
Salaries and employee benefits	\$ 5,003,549	\$ 4,842,353	\$ 161,196
Operating expenditures	682,061	617,597	64,464
Contracted services	82,671	64,076	18,595
Professional services	80,000	64,642	15,358
Capital outlay	84,519	52,379	32,140
	<u>5,932,800</u>	<u>5,641,047</u>	<u>291,753</u>
Social services - programs	<u>3,761,600</u>	<u>2,975,279</u>	<u>786,321</u>
Total social services	<u>9,694,400</u>	<u>8,616,326</u>	<u>1,078,074</u>
Mental health	<u>240,000</u>	<u>240,000</u>	<u>-</u>
Lee County Industries	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Senior services - transportation:			
Salaries and employee benefits	483,374	479,110	4,264
Operating expenditures	242,877	228,366	14,511
Capital outlay	88,580	58,892	29,688
	<u>814,831</u>	<u>766,368</u>	<u>48,463</u>
Senior services - general:			
Salaries and employee benefits	577,664	544,936	32,728
Operating expenditures	164,707	129,893	34,814
Contracted services	149,384	145,583	3,801
Capital outlay	7,950	7,890	60
	<u>899,705</u>	<u>828,302</u>	<u>71,403</u>
Johnston-Lee Community Action	<u>6,720</u>	<u>6,720</u>	<u>-</u>
HAVEN	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Boys and Girls Club of Sanford/Lee County	<u>16,500</u>	<u>16,500</u>	<u>-</u>
Youth services:			
Salaries and employee benefits	113,230	110,611	2,619
Operating expenditures	19,623	13,632	5,991
	<u>132,853</u>	<u>124,243</u>	<u>8,610</u>

(Continued)

LEE COUNTY, NORTH CAROLINA
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Continued)
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Expenditures: (Continued)			
Human services: (Continued)			
Hillcrest:			
Salaries and employee benefits	\$ 198,389	\$ 181,550	\$ 16,839
Operating expenditures	40,848	13,108	27,740
	<u>239,237</u>	<u>194,658</u>	<u>44,579</u>
Pretrial release			
Salaries and employee benefits	62,420	62,372	48
Operating expenditures	9,458	3,643	5,815
Capital outlay	3,000	-	3,000
	<u>74,878</u>	<u>66,015</u>	<u>8,863</u>
WIA - Youth Employment			
Salaries and employee benefits	46,158	46,265	(107)
Operating expenditures	54,726	50,312	4,414
	<u>100,884</u>	<u>96,577</u>	<u>4,307</u>
Emergency and contingency	18,206	-	18,206
Total human services	<u>15,642,992</u>	<u>13,854,907</u>	<u>1,788,085</u>
Education:			
Lee County Board of Education:			
Current appropriation	15,838,050	15,838,050	-
Capital outlay	2,465,988	1,894,685	571,303
Central Carolina Community College:			
Current appropriation	2,374,510	2,374,510	-
Capital outlay	186,462	186,462	-
Total education	<u>20,865,010</u>	<u>20,293,707</u>	<u>571,303</u>
Cultural and recreational:			
Parks and recreation:			
Salaries and employee benefits	807,148	800,994	6,154
Operating expenditures	339,626	284,857	54,769
Professional services	63,684	44,237	19,447
Capital outlay	53,573	32,029	21,544
	<u>1,264,031</u>	<u>1,162,117</u>	<u>101,914</u>
Libraries:			
Salaries and employee benefits	433,731	417,097	16,634
Operating expenditures	187,848	164,326	23,522
Capital outlay	1,000	986	14
	<u>622,579</u>	<u>582,409</u>	<u>40,170</u>

(Continued)

LEE COUNTY, NORTH CAROLINA
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Continued)
For the Year Ended June 30, 2013

	Budget	Actual	Variance With Final Budget Over/(Under)
Expenditures: (Continued)			
Cultural and recreational: (Continued)			
Temple Theater	\$ 6,000	\$ 6,000	\$ -
Arts Council	1,200	1,200	-
Deep River Park Association	1,000	1,000	-
Total cultural and recreational	1,894,810	1,752,726	142,084
Debt service:			
Principal retirement	5,065,000	5,065,000	-
Interest and fees	3,128,147	3,130,224	(2,077)
Capital lease payments - principal	355,857	355,857	-
Capital lease payments - interest	62,105	48,852	13,253
Total debt service	8,611,109	8,599,933	11,176
Total expenditures	65,349,118	61,869,916	3,479,202
Revenues over (under) expenditures	(4,830,031)	(2,116,099)	2,713,932
Other financing sources (uses):			
Transfers from other funds:			
Special Revenue Funds	296,784	299,681	2,897
Capital Projects Fund	810,829	810,830	1
Transfers to other funds:			
Capital Projects Fund	(662,297)	(662,297)	-
Total net transfers	445,316	448,214	2,898
Installment purchase obligations issued	675,000	675,000	-
Total other financing sources (uses)	1,120,316	1,123,214	2,898
Revenues and other financing sources over (under) expenditures and other financing uses	(3,709,715)	(992,885)	2,716,830
Appropriated fund balance	3,709,715	-	(3,709,715)
Net change in fund balance	\$ -	(992,885)	\$ (992,885)
Fund balance, beginning of year		15,450,697	
Fund balance, end of year		\$ 14,457,812	

NONMAJOR GOVERNMENTAL FUNDS

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LEE COUNTY, NORTH CAROLINA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2013

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and investments	\$ 1,444,933	\$ 881,381	\$ 2,326,314
Taxes receivable - net	157,674	-	157,674
Accounts receivable - net	66,645	248,121	314,766
Accrued interest receivable	<u>2,175</u>	<u>1,228</u>	<u>3,403</u>
 Total assets	 <u>\$ 1,671,427</u>	 <u>\$ 1,130,730</u>	 <u>\$ 2,802,157</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ 15,577</u>	<u>\$ 210,124</u>	<u>\$ 225,701</u>
Total liabilities	<u>15,577</u>	<u>210,124</u>	<u>225,701</u>
Deferred Inflows of Resources			
Taxes receivable	157,674	-	157,674
Prepaid taxes	<u>7,975</u>	<u>-</u>	<u>7,975</u>
Total deferred inflows of resources	<u>165,649</u>	<u>-</u>	<u>165,649</u>
Fund balances:			
Restricted:			
Stabilization by State Statute	103,979	249,349	353,328
Public Safety	849,876	-	849,876
Economic and Physical Development	360,176	-	360,176
Education	30,640	173,167	203,807
Committed:			
Economic and Physical Development	145,530	-	145,530
Assigned:			
Capital	-	636,557	636,557
Unassigned:	<u>-</u>	<u>(138,467)</u>	<u>(138,467)</u>
 Total fund balances	 <u>1,490,201</u>	 <u>920,606</u>	 <u>2,410,807</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 1,671,427</u>	 <u>\$ 1,130,730</u>	 <u>\$ 2,802,157</u>

LEE COUNTY, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Ad valorem taxes	\$ 2,353,706	\$ -	\$ 2,353,706
Other taxes and licenses	549,037	-	549,037
Restricted intergovernmental	61,341	174,985	236,326
Sales and services	159,488	-	159,488
Investment earnings	5,729	4,113	9,842
Other revenues	-	32,010	32,010
Total revenues	<u>3,129,301</u>	<u>211,108</u>	<u>3,340,409</u>
Expenditures:			
Current:			
Public safety	2,394,594	788,284	3,182,878
Economic and physical development	440,700	206,109	646,809
Education	<u>195,987</u>	<u>696,731</u>	<u>892,718</u>
Total expenditures	<u>3,031,281</u>	<u>1,691,124</u>	<u>4,722,405</u>
Revenues over (under) expenditures	<u>98,020</u>	<u>(1,480,016)</u>	<u>(1,381,996)</u>
Other financing sources (Uses):			
Transfers from other funds	-	707,620	707,620
Transfers to other funds	<u>(299,681)</u>	<u>(856,153)</u>	<u>(1,155,834)</u>
Total other financing sources (uses)	<u>(299,681)</u>	<u>(148,533)</u>	<u>(448,214)</u>
Net change in fund balances	(201,661)	(1,628,549)	(1,830,210)
Fund balance, beginning of year	<u>1,691,862</u>	<u>2,549,155</u>	<u>4,241,017</u>
Fund balance, end of year	<u>\$ 1,490,201</u>	<u>\$ 920,606</u>	<u>\$ 2,410,807</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.
- *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.
- *Revolving Loan Fund* – Accounts for rental payments received through lease of equipment that was purchased through a Golden Leaf Foundation grant.

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LEE COUNTY, NORTH CAROLINA
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2013

	Fire Protection Fund	Room Occupancy Tax Fund	Emergency Telephone System Fund	Airport Tax Revenue Fund	Drug Seizure Funds	Revolving Loan Fund	Totals
Assets							
Cash and investments	\$ 104,825	\$ 30,640	\$ 651,638	\$ 145,530	\$ 152,124	\$ 360,176	\$ 1,444,933
Taxes receivable - net	142,852	-	-	14,822	-	-	157,674
Accounts receivable	-	-	65,333	-	1,312	-	66,645
Accrued interest receivable	156	46	1,000	215	225	533	2,175
Total assets	\$ 247,833	\$ 30,686	\$ 717,971	\$ 160,567	\$ 153,661	\$ 360,709	\$ 1,671,427
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	-	-	\$ 15,577	-	-	-	\$ 15,577
Total liabilities	-	-	15,577	-	-	-	15,577
Deferred Inflows of Resources							
Taxes receivable	142,852	-	-	14,822	-	-	157,674
Prepaid taxes	7,975	-	-	-	-	-	7,975
Total deferred inflows of resources	150,827	-	-	14,822	-	-	165,649
Fund balances:							
Restricted							
Stabilization by State Statute	156	46	66,333	215	36,696	533	103,979
Public Safety	96,850	-	636,061	-	116,965	-	849,876
Economic and Physical Development	-	-	-	-	-	360,176	360,176
Education	-	30,640	-	-	-	-	30,640
Committed:							
Economic and Physical Development	-	-	-	145,530	-	-	145,530
Total fund balances	97,006	30,686	702,394	145,745	153,661	360,709	1,490,201
Total liabilities, deferred inflows of resources, and fund balances	\$ 247,833	\$ 30,686	\$ 717,971	\$ 160,567	\$ 153,661	\$ 360,709	\$ 1,671,427

LEE COUNTY, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2013

	Fire Protection Fund	Room Occupancy Tax Fund	Emergency Telephone System Fund	Airport Tax Revenue Fund	Drug Seizure Fund	Revolving Loan Fund	Totals
Revenues:							
Ad valorem taxes	\$ 2,267,780	-	\$ -	\$ 85,926	-	\$ -	\$ 2,353,706
Other taxes and licenses	-	181,829	367,208	-	-	-	549,037
Restricted intergovernmental	-	-	-	-	61,341	-	61,341
Sales and services	-	-	-	-	-	159,488	159,488
Investment earnings	78	136	2,728	904	626	1,257	5,729
Total revenues	<u>2,267,858</u>	<u>181,965</u>	<u>369,936</u>	<u>86,830</u>	<u>61,967</u>	<u>160,745</u>	<u>3,129,301</u>
Expenditures:							
Current:							
General government:							
Public safety	2,030,846	-	316,410	-	47,338	-	2,394,594
Economic and physical development	-	-	-	440,700	-	-	440,700
Education	-	195,987	-	-	-	-	195,987
Total expenditures	<u>2,030,846</u>	<u>195,987</u>	<u>316,410</u>	<u>440,700</u>	<u>47,338</u>	<u>-</u>	<u>3,031,281</u>
Revenues over (under) expenditures	<u>237,012</u>	<u>(14,022)</u>	<u>53,526</u>	<u>(353,870)</u>	<u>14,629</u>	<u>160,745</u>	<u>98,020</u>
Other financing sources (uses):							
Transfers in (out):							
General Fund	(299,681)	-	-	-	-	-	(299,681)
Total other financing sources (uses)	<u>(299,681)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(299,681)</u>
Net changes in fund balances	<u>(62,669)</u>	<u>(14,022)</u>	<u>53,526</u>	<u>(353,870)</u>	<u>14,629</u>	<u>160,745</u>	<u>(201,661)</u>
Fund balances, beginning of year	<u>159,675</u>	<u>44,708</u>	<u>648,868</u>	<u>499,615</u>	<u>139,032</u>	<u>199,964</u>	<u>1,691,862</u>
Fund balances, end of year	<u>\$ 97,006</u>	<u>\$ 30,686</u>	<u>\$ 702,394</u>	<u>\$ 145,745</u>	<u>\$ 153,661</u>	<u>\$ 360,709</u>	<u>\$ 1,490,201</u>

LEE COUNTY, NORTH CAROLINA
Fire Protection Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 2,192,659	\$ 2,205,127	\$ 12,468
Prior years	<u>-</u>	<u>62,653</u>	<u>62,653</u>
Total ad valorem taxes	<u>2,192,659</u>	<u>2,267,780</u>	<u>75,121</u>
Investment earnings	<u>-</u>	<u>78</u>	<u>78</u>
Total revenues	<u>2,192,659</u>	<u>2,267,858</u>	<u>75,199</u>
Expenditures:			
Public safety	<u>2,030,978</u>	<u>2,030,846</u>	<u>132</u>
Revenues over (under) expenditures	161,681	237,012	75,331
Other financing sources (uses):			
Transfers in (out):			
General Fund	<u>(299,681)</u>	<u>(299,681)</u>	<u>-</u>
Total other financing sources (uses)	<u>(299,681)</u>	<u>(299,681)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(138,000)	(62,669)	75,331
Appropriated fund balance	<u>138,000</u>	<u>-</u>	<u>(138,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(62,669)</u>	<u>\$ (62,669)</u>
Fund balance, beginning of year		<u>159,675</u>	
Fund balance, end of year		<u>\$ 97,006</u>	

LEE COUNTY, NORTH CAROLINA
Room Occupancy Tax Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	Budget	Actual	Variance With Final Budget Over/(Under)
Revenues:			
Other taxes and licenses:			
Room occupancy tax	\$ 180,000	\$ 181,829	\$ 1,829
Investment earnings	<u> -</u>	<u> 136</u>	<u> 136</u>
Total revenues	<u>180,000</u>	<u>181,965</u>	<u>1,965</u>
Expenditures:			
Education - CCCC appropriation	<u>195,987</u>	<u>195,987</u>	<u> -</u>
Revenues over (under) expenditures	(15,987)	(14,022)	1,965
Appropriated fund balance	<u>15,987</u>	<u> -</u>	<u>(15,987)</u>
Net change in fund balance	<u>\$ -</u>	(14,022)	<u>\$ (14,022)</u>
Fund balance, beginning of year		<u>44,708</u>	
Fund balance, end of year		<u>\$ 30,686</u>	

LEE COUNTY, NORTH CAROLINA
Emergency Telephone System Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	Budget	Actual	Variance With Final Budget Over/(Under)
Revenues:			
Other taxes and licenses	\$ 300,741	\$ 367,208	\$ 66,467
Investment earnings	<u>-</u>	<u>2,728</u>	<u>2,728</u>
Total revenues	<u>300,741</u>	<u>369,936</u>	<u>69,195</u>
Expenditures:			
Public safety	<u>752,865</u>	<u>316,410</u>	<u>436,455</u>
Revenues over (under) expenditures	(452,124)	53,526	505,650
Appropriated fund balance	<u>452,124</u>	<u>-</u>	<u>(452,124)</u>
Net change in fund balance	<u>\$ -</u>	53,526	<u>\$ 53,526</u>
Fund balance, beginning of year		<u>648,868</u>	
Fund balance, end of year		<u>\$ 702,394</u>	

LEE COUNTY, NORTH CAROLINA
Airport Tax Revenue Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	Budget	Actual	Variance With Final Budget Over/(Under)
Revenues:			
Ad valorem taxes:			
Current year	\$ 78,000	\$ 84,414	\$ 6,414
Prior years	<u> -</u>	<u> 1,512</u>	<u> 1,512</u>
Total ad valorem taxes	<u> 78,000</u>	<u> 85,926</u>	<u> 7,926</u>
Investment earnings	<u> -</u>	<u> 904</u>	<u> 904</u>
Total revenues	<u> 78,000</u>	<u> 86,830</u>	<u> 8,830</u>
Expenditures:			
Economic and physical development	<u> 440,700</u>	<u> 440,700</u>	<u> -</u>
Revenues over (under) expenditures	(362,700)	(353,870)	<u> 8,830</u>
Appropriated fund balance	<u> 362,700</u>	<u> -</u>	<u> (362,700)</u>
Net change in fund balance	<u> -</u>	(353,870)	<u> (353,870)</u>
Fund balance, beginning of year		<u> 499,615</u>	
Fund balance, end of year		<u> \$ 145,745</u>	

LEE COUNTY, NORTH CAROLINA
Drug Seizure Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	Budget	Actual	Variance With Final Budget Over/(Under)
Revenues:			
Intergovernmental revenues	\$ 12,198	\$ 61,341	\$ 49,143
Investment earnings	-	626	626
Total revenues	12,198	61,967	49,769
Expenditures:			
Public safety	94,380	47,338	47,042
Revenues over (under) expenditures	(82,182)	14,629	96,811
Appropriated fund balance	82,182	-	(82,182)
Net change in fund balance	\$ -	14,629	\$ 14,629
Fund balance, beginning of year		139,032	
Fund balance, end of year		\$ 153,661	

LEE COUNTY, NORTH CAROLINA
Revolving Loan Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	Budget	Actual	Variance With Final Budget Over/(Under)
Revenues:			
Sales and services	\$ -	\$ 159,488	\$ 159,488
Investment earnings	-	1,257	1,257
Total revenues	-	160,745	160,745
Net change in fund balance	\$ -	160,745	\$ 160,745
Fund balance, beginning of year		199,964	
Fund balance, end of year		\$ 360,709	

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:

- *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
- *Fiscal Year 2008 Community Development Block Grant Fund* – Accounts for State funds used to renovate housing.
- *San-Lee Dam Project Fund* – Accounts for costs of repairing the dam located at San-Lee Park.
- *Lee County High School Renovations Project Fund* – Accounts for the debt issuance and constructions costs for renovations and additions at Lee County High School.
- *Industrial Park Improvements Fund* – Accounts for the costs associated with improving the Industrial Park site.
- *Courthouse Renovations Fund* – Accounts for the costs associated with renovations to the courthouse.
- *Fiscal Year 2011 Community Development Block Grant Fund* – Accounts for State funds used to renovate housing.
- *Southern Lee High School Booster Athletic Building Fund* – Accounts for funds from the Southern Lee Athletic Boosters to construct a building at Tramway Road Park.

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LEE COUNTY, NORTH CAROLINA
Combining Balance Sheet - Nonmajor Capital Project Funds
June 30, 2013

	Capital Projects Outlay Fund	Fiscal Year 2008 Community Development Block Grant Fund	Lee County High School Renovations Project Fund	Industrial Park Improvements Fund	Courthouse Renovations Fund	Fiscal Year 2011 Community Development Block Grant Fund	Southern Lee High School Booster Athletic Building Fund	Totals
Assets								
Cash and investments	\$ 636,557	\$ 974	\$ 193,167	\$ -	\$ 50,683	\$ -	\$ -	\$ 881,381
Accounts receivable - net	-	-	14,407	201,535	26,483	4,810	886	248,121
Accrued interest receivable	942	-	286	-	-	-	-	1,228
Total assets	<u>\$ 637,499</u>	<u>\$ 974</u>	<u>\$ 207,860</u>	<u>\$ 201,535</u>	<u>\$ 77,166</u>	<u>\$ 4,810</u>	<u>\$ 886</u>	<u>\$ 1,130,730</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ -	\$ 974	\$ 20,000	\$ 122,535	\$ 61,805	\$ 4,810	\$ -	\$ 210,124
Total liabilities	-	<u>974</u>	<u>20,000</u>	<u>122,535</u>	<u>61,805</u>	<u>4,810</u>	-	<u>210,124</u>
Fund balances:								
Restricted:								
Stabilization by State Statute Education	942	-	14,693	201,535	26,483	4,810	886	249,349
Assigned:	-	-	173,167	-	-	-	-	173,167
Capital	636,557	-	-	-	-	-	-	636,557
Unassigned:	-	-	-	(122,535)	(11,122)	(4,810)	-	(138,467)
Total fund balance (deficit)	<u>637,499</u>	-	<u>187,860</u>	<u>79,000</u>	<u>15,361</u>	-	<u>886</u>	<u>920,606</u>
Total liabilities and fund balances	<u>\$ 637,499</u>	<u>\$ 974</u>	<u>\$ 207,860</u>	<u>\$ 201,535</u>	<u>\$ 77,166</u>	<u>\$ 4,810</u>	<u>\$ 886</u>	<u>\$ 1,130,730</u>

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, 2013

	Capital Projects Outlay Fund	San-Lee Dam Project Fund	Lee County High School Renovations Project Fund	Industrial Park Improvements Fund	Courthouse Renovations Fund	Fiscal Year 2011 Community Development Block Grant Fund	Southern Lee High School Booster Athletic Building Fund	Totals
Revenues:								
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ 155,373	\$ -	\$ 19,612	\$ -	\$ 174,985
Investment earnings	2,950	-	1,163	-	-	-	-	4,113
Other revenues	-	-	-	-	-	-	32,010	32,010
Total revenues	<u>2,950</u>	<u>-</u>	<u>1,163</u>	<u>155,373</u>	<u>-</u>	<u>19,612</u>	<u>32,010</u>	<u>211,108</u>
Expenditures:								
Capital outlay:								
Public Safety	-	-	-	-	788,284	-	-	788,284
Economic and physical development	-	-	-	155,373	-	19,612	31,124	206,109
Education	-	-	696,731	-	-	-	-	696,731
Total expenditures	<u>-</u>	<u>-</u>	<u>696,731</u>	<u>155,373</u>	<u>788,284</u>	<u>19,612</u>	<u>31,124</u>	<u>1,691,124</u>
Revenues over (under) expenditures	<u>2,950</u>	<u>-</u>	<u>(695,568)</u>	<u>-</u>	<u>(788,284)</u>	<u>-</u>	<u>886</u>	<u>(1,480,016)</u>
Other financing sources (uses)								
Transfers in (out):								
General Fund	(205,500)	(33,830)	-	4,677	86,120	-	-	(148,533)
Capital Project Fund	-	(45,323)	-	45,323	-	-	-	-
Total other financing sources (uses)	<u>(205,500)</u>	<u>(79,153)</u>	<u>-</u>	<u>50,000</u>	<u>86,120</u>	<u>-</u>	<u>-</u>	<u>(148,533)</u>
Net change in fund balances	<u>(202,550)</u>	<u>(79,153)</u>	<u>(695,568)</u>	<u>50,000</u>	<u>(702,164)</u>	<u>-</u>	<u>886</u>	<u>(1,628,549)</u>
Fund balances (deficit), beginning of year	<u>840,049</u>	<u>79,153</u>	<u>883,428</u>	<u>29,000</u>	<u>717,525</u>	<u>-</u>	<u>-</u>	<u>2,549,155</u>
Fund balances(deficit), end of year	<u>\$ 637,499</u>	<u>\$ -</u>	<u>\$ 187,860</u>	<u>\$ 79,000</u>	<u>\$ 15,361</u>	<u>\$ -</u>	<u>\$ 886</u>	<u>\$ 920,606</u>

LEE COUNTY, NORTH CAROLINA
Capital Projects Outlay Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	Budget	Actual	Variance With Final Budget Over/(Under)
Revenues:			
Investment earnings	\$ -	\$ 2,950	\$ 2,950
Revenues over (under) expenditures	-	2,950	2,950
Other financing sources (uses):			
Transfers in (out):			
General Fund	571,500	571,500	-
General Fund	(777,000)	(777,000)	-
Total other financing sources (uses)	(205,500)	(205,500)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(205,500)	(202,550)	2,950
Appropriated fund balance	205,500	-	(205,500)
Net change in fund balance	\$ -	(202,550)	\$ (202,550)
Fund balance, beginning of year		840,049	
Fund balance, end of year		\$ 637,499	

LEE COUNTY, NORTH CAROLINA
San-Lee Dam Project Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2013

	Project Budget	Current Year	Actual Prior Years	Total to Date
Expenditures:				
Capital outlay:				
Economic and physical development	\$ 1,463,059	\$ -	\$ 1,463,058	\$ 1,463,058
Revenues over (under) expenditures	(1,463,059)	-	(1,463,058)	(1,463,058)
Other financing sources (uses):				
Transfers in (out):				
General Fund	1,508,382	(33,830)	1,542,211	1,508,381
Capital Projects Fund	(45,323)	(45,323)	-	(45,323)
Total other financing sources (uses)	1,463,059	(79,153)	1,542,211	1,463,058
Net change in fund balance	<u>\$ -</u>	(79,153)	<u>\$ 79,153</u>	<u>\$ -</u>
Fund balance, beginning of year		<u>79,153</u>		
Fund balance, end of year		<u>\$ -</u>		

LEE COUNTY, NORTH CAROLINA
Lee County High School Renovations Project Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2013

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ -	\$ 1,163	\$ 29,727	\$ 30,890
Expenditures:				
Capital outlay:				
Education	<u>22,677,688</u>	<u>696,731</u>	<u>21,824,363</u>	<u>22,521,094</u>
Revenues over (under) expenditures	<u>(22,677,688)</u>	<u>(695,568)</u>	<u>(21,794,636)</u>	<u>(22,490,204)</u>
Other financing sources (uses):				
Qualified Zone Academy Bonds issued	4,000,000	-	4,000,000	4,000,000
Qualified School Construction Bonds issued	6,677,688	-	6,678,064	6,678,064
Recovery Zone Economic Development Bonds issued	<u>12,000,000</u>	<u>-</u>	<u>12,000,000</u>	<u>12,000,000</u>
Total other financing sources (uses)	<u>22,677,688</u>	<u>-</u>	<u>22,678,064</u>	<u>22,678,064</u>
Net change in fund balance	<u>\$ -</u>	<u>(695,568)</u>	<u>\$ 883,428</u>	<u>\$ 187,860</u>
Fund balance, beginning of year		<u>883,428</u>		
Fund balance, end of year		<u>\$ 187,860</u>		

LEE COUNTY, NORTH CAROLINA
Industrial Park Improvements Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2013

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues				
Restricted intergovernmental	\$ 1,800,000	\$ 155,373	\$ 46,162	\$ 201,535
Expenditures:				
Capital outlay:				
Economic and physical development	1,879,000	155,373	46,162	201,535
Revenues over (under) expenditures	(79,000)	-	-	-
Other financing sources (uses):				
Transfers in (out):				
General Fund	24,356	4,677	19,679	24,356
Capital Project Fund	54,644	45,323	9,321	54,644
Total other financing sources (uses)	79,000	50,000	29,000	79,000
Net change in fund balance	<u>\$ -</u>	50,000	<u>\$ 29,000</u>	<u>\$ 79,000</u>
Fund balance, beginning of year		29,000		
Fund balance, end of year		<u>\$ 79,000</u>		

LEE COUNTY, NORTH CAROLINA
Courthouse Renovations Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2013

	Project Budget	Current Year	Actual Prior Years	Total to Date
Expenditures:				
Capital outlay:				
Public Safety	\$ 833,928	\$ 788,284	\$ 30,283	\$ 818,567
Revenues over (under) expenditures	(833,928)	(788,284)	(30,283)	(818,567)
Other financing sources (uses):				
Transfers in (out):				
General Fund	544,862	86,120	458,742	544,862
Capital Project Fund	289,066	-	289,066	289,066
Total other financing sources (uses)	833,928	86,120	747,808	833,928
Net change in fund balance	\$ -	(702,164)	\$ 717,525	\$ 15,361
Fund balance, beginning of year		717,525		
Fund balance, end of year		\$ 15,361		

LEE COUNTY, NORTH CAROLINA
FY 2011 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, 2013

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues				
Restricted intergovernmental	\$ 400,000	\$ 19,612	\$ -	\$ 19,612
Expenditures:				
Capital outlay:				
Economic and physical development	400,000	19,612	-	19,612
Net change in fund balance	\$ -	-	\$ -	\$ -
Fund balance, beginning of year		-		
Fund balance, end of year		\$ -		

LEE COUNTY, NORTH CAROLINA
Southern Lee High School Booster Athletic Building - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2013

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues				
Other revenues	\$ 32,010	\$ 32,010	\$ -	\$ 32,010
Expenditures:				
Capital outlay:				
Economic and physical development	32,010	31,124	-	31,124
Net change in fund balance	\$ -	886	\$ -	\$ 886
Fund balance, beginning of year		-		
Fund balance, end of year		\$ 886		

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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, 2013

	Budget	Actual	Variance With Final Budget Over/(Under)
Revenues:			
Operating revenues:			
Solid waste charges	\$ 1,123,078	\$ 1,126,130	\$ 3,052
Other operating revenues	192,910	156,664	(36,246)
Total operating revenues	1,315,988	1,282,794	(33,194)
Non-operating revenues:			
Grant funds	-	6,271	6,271
Investment earnings	900	4,328	3,428
Total revenues	1,316,888	1,293,393	(23,495)
Expenditures:			
Salaries and employee benefits	578,930	557,039	21,891
Other operating expenditures	697,658	651,888	45,770
Capital outlay	225,032	1,432	223,600
Total expenditures	1,501,620	1,210,359	291,261
Revenues and other financing sources over (under) expenditures and other financing uses	(184,732)	83,034	267,766
Appropriated fund balance	184,732	-	(184,732)
Revenues, other financing sources, and appropriated fund balance over (under) expenditures and other financing uses	\$ -	\$ 83,034	\$ 83,034
Reconciliation of modified accrual basis to full accrual basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 83,034	
Capital contributions		9,408	
Depreciation		(27,385)	
Change in net position		\$ 65,057	

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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, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
TOWN OF BROADWAY				
Assets:				
Cash, cash equivalents and investments	\$ 7,855	\$ 365,350	\$ 368,481	\$ 4,724
Taxes receivable	<u>21,901</u>	<u>370,971</u>	<u>369,825</u>	<u>23,047</u>
Total assets	<u>\$ 29,756</u>	<u>\$ 736,321</u>	<u>\$ 738,306</u>	<u>\$ 27,771</u>
Liabilities:				
Due to tax district	<u>\$ 29,756</u>	<u>\$ 736,321</u>	<u>\$ 738,306</u>	<u>\$ 27,771</u>
CITY OF SANFORD				
Assets:				
Cash, cash equivalents and investments	\$ 4,239	\$ 13,414,086	\$ 13,416,131	\$ 2,194
Taxes receivable	<u>668,469</u>	<u>13,526,331</u>	<u>13,498,962</u>	<u>695,838</u>
Total assets	<u>\$ 672,708</u>	<u>\$ 26,940,417</u>	<u>\$ 26,915,093</u>	<u>\$ 698,032</u>
Liabilities:				
Due to tax district	<u>\$ 672,708</u>	<u>\$ 26,940,417</u>	<u>\$ 26,915,093</u>	<u>\$ 698,032</u>
CENTRAL BUSINESS DISTRICT				
Assets:				
Cash, cash equivalents and investments	\$ 883	\$ 57,900	\$ 58,361	\$ 422
Taxes receivable	<u>6,916</u>	<u>57,743</u>	<u>56,928</u>	<u>7,731</u>
Total assets	<u>\$ 7,799</u>	<u>\$ 115,643</u>	<u>\$ 115,289</u>	<u>\$ 8,153</u>
Liabilities:				
Due to tax district	<u>\$ 7,799</u>	<u>\$ 115,643</u>	<u>\$ 115,289</u>	<u>\$ 8,153</u>
FINES AND FORFEITURES				
Assets:				
Intergovernmental receivable	<u>\$ 22,340</u>	<u>\$ 179,765</u>	<u>\$ 191,200</u>	<u>\$ 10,905</u>
Liabilities:				
Intergovernmental payable	<u>\$ 22,340</u>	<u>\$ 179,765</u>	<u>\$ 191,200</u>	<u>\$ 10,905</u>
SOCIAL SERVICES PAYEE ACCOUNTS				
Assets:				
Cash, cash equivalents and investments	<u>\$ 43,414</u>	<u>\$ 478,063</u>	<u>\$ 501,969</u>	<u>\$ 19,508</u>
Liabilities:				
Due to participants	<u>\$ 43,414</u>	<u>\$ 478,063</u>	<u>\$ 501,969</u>	<u>\$ 19,508</u>

LEE COUNTY, NORTH CAROLINA
Agency Funds - Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
JAIL INMATE TRUST ACCOUNTS				
Assets:				
Cash, cash equivalents and investments	\$ 42,633	\$ 78,977	\$ 74,895	\$ 46,715
Liabilities:				
Due to participants	\$ 42,633	\$ 78,977	\$ 74,895	\$ 46,715
MOTOR VEHICLE TAX				
Assets:				
Cash, cash equivalents and investments	\$ 2,975	\$ 38,464	\$ 38,879	\$ 2,560
Liabilities:				
Miscellaneous liabilities	\$ 2,975	\$ 38,464	\$ 38,879	\$ 2,560
MENTAL HEALTH INSURANCE				
Assets:				
Cash, cash equivalents and investments	\$ 312,250	\$ 1,033	\$ 49,292	\$ 263,991
Accrued interest receivable	322	391	322	391
Total assets	<u>\$ 312,572</u>	<u>\$ 1,424</u>	<u>\$ 49,614</u>	<u>\$ 264,382</u>
Liabilities:				
Due to participants	\$ 312,572	\$ 1,424	\$ 49,614	\$ 264,382
Total liabilities	<u>\$ 312,572</u>	<u>\$ 1,424</u>	<u>\$ 49,614</u>	<u>\$ 264,382</u>
COMBINING TOTALS				
Assets:				
Cash and investments	\$ 414,249	\$ 14,433,873	\$ 14,508,008	\$ 340,114
Accounts receivable	22,340	179,765	191,200	10,905
Taxes receivable	697,286	13,955,045	13,925,715	726,616
Accrued interest receivable	322	391	322	391
Total assets	<u>\$ 1,134,197</u>	<u>\$ 28,569,074</u>	<u>\$ 28,625,245</u>	<u>\$ 1,078,026</u>
Liabilities:				
Due to participants	\$ 398,619	\$ 558,464	\$ 626,478	\$ 330,605
Miscellaneous liabilities	2,975	38,464	38,879	2,560
Intergovernmental payable	22,340	179,765	191,200	10,905
Due to tax district	710,263	27,792,381	27,768,688	733,956
Total liabilities	<u>\$ 1,134,197</u>	<u>\$ 28,569,074</u>	<u>\$ 28,625,245</u>	<u>\$ 1,078,026</u>

LEE COUNTY, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable - General Fund
June 30, 2013

Fiscal Year	Uncollected Balance June 30, 2012	Additions	Collections and Credits	Uncollected Balance June 30, 2013
2012-13	\$ -	\$ 36,257,156	\$ 35,175,722	\$ 1,081,434
2011-12	817,202	-	601,155	216,047
2010-11	224,667	-	65,794	158,873
2009-10	327,160	-	37,675	289,485
2008-09	124,906	-	17,924	106,982
2007-08	113,430	-	12,963	100,467
2006-07	102,541	-	8,568	93,973
2005-06	97,759	-	6,246	91,513
2004-05	75,156	-	4,087	71,069
2003-04	83,651	-	3,168	80,483
2002-03	84,047	-	84,047	-
Total	\$ 2,050,519	\$ 36,257,156	\$ 36,017,349	2,290,326
Less allowance for uncollected taxes receivable				<u>(579,109)</u>
Ad valorem taxes receivable (net)				<u>\$ 1,711,217</u>
Reconciliation with revenues:				
Ad valorem collections and credits				\$ 36,017,349
Penalties and interest				185,010
Advertisement and collection fees				94,759
Taxes written off				(82,283)
Releases				(25,739)
Adjustments				<u>294</u>
Total ad valorem collections and credits				<u>\$ 36,189,390</u>

LEE COUNTY, NORTH CAROLINA
Analysis of Current Tax Levy - County-Wide Levy
For the Fiscal Year Ended June 30, 2013

	County-Wide			Total Levy	
	Property	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Valuation				
Original levy:					
Property taxed at current year's rate	\$ 4,669,200,885	\$ 0.75	\$ 35,019,096	\$ 33,118,227	\$ 1,900,869
Motor vehicles taxed at prior year's rate	149,263,009		1,119,519	-	1,119,519
Penalties	-		22,378	22,378	-
Total	<u>4,818,463,894</u>		<u>36,160,993</u>	<u>33,140,605</u>	<u>3,020,388</u>
Discoveries:					
Current year taxes	23,383,295		175,376	175,376	-
Penalties	-		17,481	17,481	-
Total	<u>23,383,295</u>		<u>192,857</u>	<u>192,857</u>	<u>-</u>
Abatements	<u>(12,574,807)</u>		<u>(96,694)</u>	<u>(44,030)</u>	<u>(52,664)</u>
Total property valuation	<u>\$ 4,829,272,382</u>				
Net levy			36,257,156	33,289,432	2,967,724
Less uncollected taxes at June 30, 2013			<u>1,081,434</u>	<u>688,216</u>	<u>393,218</u>
Current year's taxes collected			<u>\$ 35,175,722</u>	<u>\$ 32,601,216</u>	<u>\$ 2,574,506</u>
Current levy collection percentage			<u>97%</u>	<u>98%</u>	<u>87%</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 Position by Component
- Changes in Net Position
- 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 Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 15,923,982	\$ 12,958,415	\$ 12,873,381	\$ 12,814,728	\$ 14,782,003	\$ 15,942,735	\$ 16,934,589	\$ 16,604,704	\$ 16,682,007	\$ 17,390,002
Restricted	20,795,822	7,201,990	5,188,730	24,159,356	9,520,433	5,861,444	24,602,272	16,287,232	8,545,563	6,865,388
Unrestricted	(21,727,925)	(27,917,052)	(24,340,269)	(47,851,898)	(43,979,888)	(45,568,414)	(65,372,458)	(68,466,530)	(65,501,706)	(62,897,286)
Total Governmental activities net position	\$ 14,991,879	\$ (7,756,647)	\$ (6,278,158)	\$ (10,877,814)	\$ (19,677,452)	\$ (23,764,235)	\$ (23,835,597)	\$ (35,574,594)	\$ (40,274,136)	\$ (38,641,896)
Business-type activities										
Net investment in capital assets	\$ 4,815,025	\$ 859,456	\$ 782,962	\$ 723,230	\$ 687,644	\$ 603,465	\$ 555,393	\$ 528,993	\$ 632,259	\$ 614,282
Unrestricted	1,960,265	873,528	929,153	896,854	742,773	717,262	780,287	1,213,741	823,128	906,162
Total business-type activities net position	\$ 6,775,290	\$ 1,732,984	\$ 1,712,115	\$ 1,620,084	\$ 1,430,417	\$ 1,320,727	\$ 1,335,680	\$ 1,742,734	\$ 1,455,387	\$ 1,520,444
Primary government										
Net investment in capital assets	\$ 20,739,007	\$ 13,817,871	\$ 13,656,343	\$ 13,537,958	\$ 15,469,647	\$ 16,546,200	\$ 17,489,982	\$ 17,133,697	\$ 17,314,266	\$ 18,004,284
Restricted	20,795,822	7,201,990	5,188,730	24,159,356	9,520,433	5,861,444	24,602,272	16,287,232	8,545,563	6,865,388
Unrestricted	(19,767,660)	(27,043,524)	(23,411,116)	(46,955,044)	(43,237,115)	(44,851,152)	(64,592,171)	(67,252,789)	(64,678,578)	(61,991,124)
Total primary government net position	\$ 21,767,169	\$ (6,023,663)	\$ (4,566,043)	\$ (9,257,730)	\$ (18,247,035)	\$ (22,443,508)	\$ (22,499,917)	\$ (33,831,860)	\$ (38,818,749)	\$ (37,121,452)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government:										
Public safety	\$ 5,120,577	\$ 5,829,053	\$ 7,468,078	\$ 6,831,197	\$ 7,266,396	\$ 7,841,687	\$ 7,118,954	\$ 6,641,567	\$ 6,932,677	\$ 6,790,426
Economic and physical development	7,698,199	7,483,289	7,690,828	8,247,248	9,837,560	10,404,645	10,362,318	11,531,800	11,803,023	11,947,065
Human services	1,362,255	15,955,571	2,254,367	2,338,709	2,486,334	3,223,747	2,514,333	5,132,274	2,059,885	1,772,585
Cultural and recreation	13,705,752	14,541,954	15,611,730	16,751,156	16,711,241	16,220,585	14,919,267	14,537,884	14,269,531	14,442,568
Education	1,734,880	1,595,953	1,593,900	1,618,181	1,724,553	1,477,550	1,373,943	1,196,701	1,902,627	1,949,369
Interest on long-term debt	11,738,642	12,385,372	17,237,457	25,806,322	32,346,713	25,315,120	21,757,882	33,185,635	26,376,671	21,186,425
Total governmental activities expenses	1,737,550	2,405,894	2,079,230	2,750,737	3,148,880	2,392,606	2,895,420	3,963,967	5,018,211	3,061,821
Total governmental activities expenses	43,097,855	60,197,086	53,935,590	64,343,550	73,521,677	66,875,940	60,942,117	76,189,828	68,362,625	61,150,259
Business-type activities:										
Water & Sewer	1,608,198	1,030,102	-	-	-	-	-	87,333	-	-
Solid Waste Management Fund	1,208,279	1,275,318	1,278,856	1,338,577	1,483,935	1,285,805	1,203,132	1,912,516	1,504,714	1,237,744
Total business-type activities	2,816,477	2,305,420	1,278,856	1,338,577	1,483,935	1,285,805	1,203,132	1,999,849	1,504,714	1,237,744
Total primary government expenses	\$ 45,914,332	\$ 62,502,506	\$ 55,214,446	\$ 65,682,127	\$ 75,005,612	\$ 68,161,745	\$ 62,145,249	\$ 78,189,677	\$ 69,867,339	\$ 62,388,003
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 533,896	\$ 472,894	\$ 582,616	\$ 568,023	\$ 580,535	\$ 520,029	\$ 633,416	\$ 576,595	\$ 602,571	\$ 565,921
Public safety	507,992	371,883	394,025	371,425	470,031	440,824	357,693	421,370	601,510	407,380
Economic and physical development	-	3,060	-	-	-	-	-	-	531,299	37,102
Human services	1,035,565	1,173,939	1,100,019	1,709,299	1,850,002	1,765,932	1,444,210	1,376,086	1,816,357	1,803,849
Culture and recreation	238,197	238,794	242,311	239,098	265,482	282,423	292,032	302,387	327,216	377,259
Operating grants and contributions:										
General government	2,000	9,584	34,262	-	48,630	1,167	27,020	-	133,542	27,162
Public safety	223,960	323,638	272,347	607,251	212,644	192,922	470,652	1,181,312	265,945	172,022
Economic and physical development	13,042	72,970	54,745	3,620	2,025	5,232	15,756	539,489	46,162	38,887
Human services	7,000,256	7,310,648	7,729,970	7,607,904	7,563,866	8,166,703	8,328,997	8,168,364	8,074,593	7,598,300
Culture and recreation	109,607	115,792	137,155	277,361	742,415	410,360	108,007	107,862	136,190	118,130

(Continued)

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

	Fiscal Year (1)									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues (continued)										
Governmental activities (continued)										
Capital grants and contributions:										
Economic and physical development	240,627	-	-	3,197	442,330	15,721	236,587	147,692	-	128,823
Education	392,758	413,400	428,283	732,142	908,204	1,610,205	1,308,937	1,076,802	845,602	832,354
Total governmental activities program revenues	10,297,900	10,506,602	10,975,733	12,119,320	13,086,164	13,411,518	13,223,307	13,897,959	13,380,987	12,107,189
Business-type activities (continued)										
Charges for services:										
Water & Sewer	1,587,754	977,923	-	-	-	-	-	-	-	-
Solid Waste Management Fund	1,014,040	1,069,301	1,103,943	1,151,100	1,213,702	1,189,675	1,211,244	1,231,441	1,378,793	1,282,794
Operating grants and contributions:										
Solid Waste Management Fund	149,445	67,765	21,275	9,440	-	-	-	1,086,446	(163,590)	6,271
Capital grants and contributions:										
Water & Sewer	465,302	-	-	-	-	-	-	84,481	-	-
Solid Waste Management Fund	-	48,691	-	-	-	23,090	-	-	-	9,408
Total business-type activities program revenues	3,216,541	2,163,680	1,125,218	1,160,540	1,213,702	1,212,765	1,211,244	2,402,368	1,215,203	1,298,473
Total primary governmental program revenues	\$ 13,514,441	\$ 12,670,282	\$ 12,100,951	\$ 13,279,860	\$ 14,299,866	\$ 14,624,283	\$ 14,434,551	\$ 16,300,327	\$ 14,596,190	\$ 13,405,662
Net (expense)/revenue										
Governmental activities	\$ (32,799,955)	\$ (49,690,484)	\$ (42,959,857)	\$ (52,224,230)	\$ (60,435,513)	\$ (53,464,422)	\$ (47,718,810)	\$ (62,291,869)	\$ (54,981,638)	#####
Business-type activities	400,064	(141,740)	(153,638)	(178,037)	(270,233)	(73,040)	8,112	402,519	(289,511)	60,729
Total primary governmental net (expense)/revenue	\$ (32,399,891)	\$ (49,832,224)	\$ (43,113,495)	\$ (52,402,267)	\$ (60,705,746)	\$ (53,537,462)	\$ (47,710,698)	\$ (61,889,350)	\$ (55,271,149)	#####

(Continued)

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

	Fiscal Year (1)									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Ad valorem taxes	\$ 25,869,230	\$ 26,271,487	\$ 32,669,298	\$ 33,789,800	\$ 36,950,111	\$ 38,085,136	\$ 38,461,492	\$ 39,041,333	\$ 38,262,524	\$ 38,746,149
Sales taxes	9,073,883	9,065,325	9,481,892	10,616,103	11,547,687	8,998,757	7,428,181	8,835,342	9,349,289	9,616,974
Other taxes	854,137	931,185	923,238	991,200	1,017,318	1,038,496	995,663	1,011,763	862,624	957,636
Unrestricted grants and contributions	272,749	141,921	52,632	58,482	61,341	61,237	19,829	1,039,083	986,463	923,478
Investment earnings	201,772	601,147	846,030	1,787,096	1,567,655	551,572	194,719	140,549	99,881	79,463
Miscellaneous	616,590	938,772	426,945	381,893	491,763	642,441	547,564	484,803	721,314	891,799
Transfers	705,242	342,914	42,165	-	-	-	-	-	-	-
Total governmental activities	37,593,603	38,292,751	44,442,200	47,624,574	51,635,875	49,377,639	47,647,448	50,552,873	50,282,095	51,215,499
Business-type activities:										
Investment earnings	23,163	58,204	36,291	51,337	49,102	22,087	6,841	4,535	2,164	4,328
Miscellaneous	33,199	31,262	96,478	34,669	31,464	-	-	-	-	-
Loss on disposal of capital assets	-	(4,648,118)	-	-	-	(58,737)	-	-	-	-
Transfers	(700,000)	(342,914)	-	-	-	-	-	-	-	-
Total business-type activities	(643,638)	(4,901,566)	132,769	86,006	80,566	(36,650)	6,841	4,535	2,164	4,328
Total primary government	\$ 36,949,965	\$ 33,391,185	\$ 44,574,969	\$ 47,710,580	\$ 51,716,441	\$ 49,340,989	\$ 47,654,289	\$ 50,557,408	\$ 50,284,259	\$ 51,219,827
Change in Net Position										
Governmental activities	\$ 4,793,648	\$ (11,397,733)	\$ 1,482,343	\$ (4,599,656)	\$ (8,799,638)	\$ (4,086,783)	\$ (71,362)	\$ (11,738,996)	\$ (4,699,543)	\$ 2,172,429
Business-type activities	(243,574)	(5,043,306)	(20,869)	(92,031)	(189,667)	(109,690)	14,953	407,054	(287,347)	65,057
Total primary government	\$ 4,550,074	\$ (16,441,039)	\$ 1,461,474	\$ (4,691,687)	\$ (8,989,305)	\$ (4,196,473)	\$ (56,409)	\$ (11,331,942)	\$ (4,986,890)	\$ 2,237,486

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 4,083,915	\$ 3,817,812	\$ 4,383,855	\$ 4,537,451	\$ 4,872,074	\$ 4,770,633	\$ 4,065,649	\$ -	\$ -	\$ -
Unreserved										
Designated	4,558,603	2,811,519	2,449,864	2,104,290	2,903,446	1,625,099	2,692,973	-	-	-
Undesignated	6,330,983	6,872,982	6,258,524	8,000,060	8,053,905	9,327,392	9,412,184	-	-	-
Restricted	-	-	-	-	-	-	-	5,739,619	5,031,218	5,098,201
Committed	-	-	-	-	-	-	-	571,788	83,165	91,504
Assigned	-	-	-	-	-	-	-	3,319,880	2,780,915	2,900,506
Unassigned	-	-	-	-	-	-	-	6,199,709	7,555,399	6,367,601
Total General Fund	\$ 14,973,501	\$ 13,502,313	\$ 13,092,243	\$ 14,641,801	\$ 15,829,425	\$ 15,723,124	\$ 16,170,806	\$ 15,830,996	\$ 15,450,697	\$ 14,457,812
All Other Governmental Funds										
Reserved	\$ 16,306,086	\$ 4,620,045	\$ 852,476	\$ 12,167,520	\$ 1,349,397	\$ 1,148,006	\$ 20,368,705	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	2,847,535	1,805,835	3,008,922	3,940,717	263,851	725,620	962,853	-	-	-
Capital projects funds	3,560,836	1,472,797	2,860,546	10,657,904	10,861,605	5,838,954	5,800,570	-	-	-
Restricted in special revenue funds	-	-	-	-	-	-	-	1,657,138	1,192,762	1,344,671
Restricted in capital project funds	-	-	-	-	-	-	-	8,890,475	1,595,831	422,516
Committed in special revenue funds	-	-	-	-	-	-	-	626,256	499,100	145,530
Committed in capital project funds	-	-	-	-	-	-	-	793,544	793,133	-
Assigned in capital project funds	-	-	-	-	-	-	-	834,821	839,183	636,557
Unassigned in capital project funds	-	-	-	-	-	-	-	(1,758,384)	(678,992)	(138,467)
Total all other governmental funds	\$ 22,714,457	\$ 7,898,677	\$ 6,721,944	\$ 26,766,141	\$ 12,474,853	\$ 7,712,580	\$ 27,132,128	\$ 11,043,850	\$ 4,241,017	\$ 2,410,807

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Ad valorem taxes	\$ 25,922,979	\$ 26,336,761	\$ 32,482,953	\$ 33,726,758	\$ 36,956,934	\$ 38,378,263	\$ 38,461,649	\$ 38,903,106	\$ 38,360,223	\$ 38,543,096
Local option sales taxes	9,073,883	9,065,325	9,481,892	10,616,103	11,547,687	8,998,757	7,428,181	8,835,342	9,349,289	9,616,974
Other taxes and licenses	964,597	1,047,268	1,067,196	1,152,882	1,112,829	1,038,496	995,663	1,011,763	862,624	957,636
Unrestricted intergovernmental	272,749	141,921	52,632	58,482	61,341	61,237	19,829	1,039,083	986,463	926,594
Restricted intergovernmental	7,790,098	8,102,734	8,409,895	9,311,520	10,046,958	11,070,408	10,898,163	11,833,613	10,771,349	9,516,406
Permits and fees	397,358	354,375	363,334	367,884	318,936	257,674	247,270	245,800	260,112	274,388
Sales and services	2,051,893	2,006,891	2,088,930	2,120,353	2,740,167	2,241,257	2,138,255	2,042,916	2,711,531	2,698,461
Investment earnings	201,772	601,147	846,030	1,787,096	1,567,654	551,572	194,719	140,549	99,881	79,463
Miscellaneous	669,091	847,498	499,687	599,192	472,031	599,013	499,379	401,048	469,048	481,208
Total revenues	47,344,420	48,503,920	55,292,549	59,740,270	64,824,537	63,196,677	60,873,108	64,453,220	63,870,520	63,094,226
Expenditures										
General government	5,357,670	5,484,097	6,684,886	6,628,376	7,234,685	7,209,472	6,588,680	7,214,203	7,168,476	7,963,598
Public safety	7,073,903	7,100,827	7,477,227	7,769,698	9,540,060	9,531,085	9,551,377	10,900,640	11,045,336	10,556,249
Economic and physical development	1,267,088	1,217,939	1,840,574	1,875,938	1,600,880	1,895,074	1,705,337	3,124,604	1,938,528	1,684,090
Human services	13,821,570	14,357,689	15,501,884	16,738,792	16,820,123	15,557,648	14,110,098	13,980,608	13,842,381	13,854,907
Education	11,738,642	12,385,372	14,798,332	15,613,181	16,963,573	20,590,862	19,782,743	19,564,162	20,133,096	20,489,694
Cultural and recreational	1,636,450	1,667,361	1,776,748	1,849,485	2,413,544	1,879,941	1,767,244	1,847,347	1,888,518	1,752,726
Capital outlay	11,854,225	16,572,646	2,939,387	11,182,843	16,177,723	5,782,341	2,988,719	15,715,193	6,339,325	1,691,124
Debt service										
Principal	3,316,151	3,746,506	3,737,359	3,717,087	3,729,142	4,306,705	4,437,974	4,392,526	4,881,527	5,420,857
Interest and fees	1,350,185	2,630,685	2,161,266	2,037,429	3,448,471	2,934,144	2,751,770	4,142,025	5,398,465	3,179,076
Total expenditures	57,415,884	65,163,122	56,917,663	67,412,829	77,928,201	69,687,272	63,683,942	80,881,308	72,635,652	66,592,321
Excess of revenues over (under) expenditures	(10,071,464)	(16,659,202)	(1,625,114)	(7,672,559)	(13,103,664)	(6,490,595)	(2,810,834)	(16,428,088)	(8,765,132)	(3,498,095)
Other financing sources (uses)										
Transfers in	4,605,899	5,592,857	2,304,678	2,823,572	4,240,438	5,411,207	7,404,416	2,968,428	1,847,550	1,818,131
Transfers out	(3,900,657)	(5,220,623)	(2,262,513)	(2,774,572)	(4,240,438)	(5,411,207)	(7,404,416)	(2,968,428)	(1,847,550)	(1,818,131)
Bonds issued	-	-	-	-	-	-	-	-	-	-
Installment purchase issued	-	-	-	-	-	-	-	-	-	675,000
Certificates of participation issued	26,220,000	-	-	28,355,000	-	-	-	-	-	-
Original issuance premium	795,739	-	-	862,314	-	-	-	-	-	-
Qualified Zone Academy Bonds issued	-	-	-	-	-	1,622,021	4,000,000	-	-	-
Qualified School Construction Bonds issued	-	-	-	-	-	-	6,678,064	-	-	-
Recovery Zone Economic Development Bonds issued	-	-	-	-	-	-	12,000,000	-	-	-
Refunding certificates of participation issued	-	-	-	-	-	-	-	-	17,022,000	-
Payment to refunding escrow agent	-	-	-	-	-	-	-	-	(15,440,000)	-
Total other financing sources (uses)	27,720,981	372,234	42,165	29,266,314	-	1,622,021	22,678,064	-	1,582,000	675,000
Net change in fund balances	\$ 17,649,517	\$ (16,286,968)	\$ (1,582,949)	\$ 21,593,755	\$ (13,103,664)	\$ (4,868,574)	\$ 19,867,230	\$ (16,428,088)	\$ (7,183,132)	\$ (2,823,095)
Debt services as a percentage of noncapital expenditures	10.3%	10.2%	10.6%	8.7%	9.4%	10.6%	11.5%	10.9%	14.4%	13.4%

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

Fiscal Year	Real Property		Personal Property	Public Service Companies (1)	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate (2)	Estimated Actual Taxable Value (3)	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property							
2004	2,042,744,100	603,641,300	1,052,518,849	96,087,790	172,891,586	3,622,100,453	0.67	3,622,100,453	100.00%
2005	2,165,767,500	641,559,100	1,031,506,417	100,485,686	267,506,752	3,671,811,951	0.67	3,841,611,164	95.58%
2006	2,096,670,300	659,680,800	1,199,743,255	101,758,654	139,581,042	3,918,271,967	0.79	4,414,954,329	88.75%
2007	2,157,260,462	679,908,600	1,207,962,419	112,251,434	139,678,704	4,017,704,211	0.79	4,526,990,660	88.75%
2008	2,292,577,157	1,033,165,900	1,193,221,817	120,626,826	37,898,777	4,601,692,923	0.75	4,601,692,923	100.00%
2009	2,594,275,359	833,399,480	1,205,237,978	124,458,265	39,991,203	4,717,379,879	0.75	5,021,694,570	93.94%
2010	2,622,808,977	850,781,880	1,195,236,050	123,366,900	44,209,446	4,747,984,361	0.75	4,957,694,853	95.77%
2011	2,634,380,868	873,830,200	1,198,791,941	119,918,246	49,289,686	4,777,631,569	0.75	4,945,788,374	96.60%
2012	2,646,993,567	894,794,400	1,159,761,594	117,865,942	52,295,319	4,767,120,184	0.75	4,839,715,923	98.50%
2013	2,681,678,503	904,231,950	1,180,223,760	116,632,096	(53,493,927)	4,829,272,382	0.75	4,909,293,872	98.37%

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, 2013.

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

	2004 (1)	2005	2006	2007	2008 (1)	2009	2010	2011	2012	2013
County:										
Lee	0.670	0.670	0.790	0.790	0.750	0.750	0.750	0.750	0.750	0.750
Municipalities:										
Town of Broadway	0.490	0.490	0.490	0.470	0.440	0.440	0.440	0.440	0.440	0.440
City of Sanford	0.560	0.590	0.590	0.610	0.540	0.540	0.540	0.540	0.540	0.540
Fire Districts										
Cameron	0.071	0.068	0.068	0.067	0.080	0.085	(4)	(4)	(4)	(4)
Cape Fear	0.068	0.066	0.066	0.058	0.073	0.076	0.076	0.086	0.092	0.092
Carolina Trace	0.037	0.037	0.040	0.052	0.064	0.070	0.070	0.067	0.067	0.075
Clearwater	NA	NA	NA	NA	NA	NA	NA	NA	0.186	0.186
Deep River	0.076	0.076	0.082	0.068	0.086	0.100	0.100	0.104	0.104	0.113
Lemon Springs	0.070	0.072	0.072	0.065	0.067	0.083	0.083	0.084	0.086	0.091
Northview	0.070	0.077	0.060	0.064	0.071	0.081	0.081	0.081	0.081	0.081
Northwest Pocket	0.084	0.079	0.085	0.086	0.099	0.118	0.118	0.118	0.124	0.129
Tramway	0.038	0.042	0.049	0.069	0.075	0.081	0.081	0.080	0.078	0.079
West Sanford	0.088	0.082	0.082	0.091	0.086	0.109	0.109	(5)	(5)	(5)
Other Districts: (3)										
Central Business District	0.130	0.130	0.150	0.150	0.130	0.130	0.130	0.130	0.130	0.130
Lee County Water & Sewer District #1	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Notes:

- (1) Property in Lee County is reassessed every four years. The last reassessment was on January 1, 2013.
- (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, 2013.
- (4) The Lee County portion of the Cameron Fire District was absorbed by Lemon Springs Fire District.
- (5) The West Sanford Fire District merged into the Northview Fire District.

Source: Lee County Tax Department.

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

Taxpayer	Type of Business	Fiscal Year 2013				Fiscal Year 2004			
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		
Pfizer	Pharmaceuticals	\$ 229,792,514	1	4.8%	\$ 186,403,969	1	5.1%		
Coty, Inc.	Cosmetics	95,137,325	2	2.0%	50,280,214	4	1.4%		
Frontier Spinning Mills LLC	Textiles	74,061,462	3	1.5%	51,941,907	3	1.4%		
Donald R. Simpson	Real Estate	66,679,890	4	1.4%	31,869,436	7	0.9%		
Caterpillar	Manufactureing	53,152,218	5	1.1%					
Progress Energy	Utility	46,684,386	6	1.0%	29,449,298	8	0.8%		
Magneti Marelli, Inc.	Automotive Parts	38,891,006	7	0.8%	26,099,298	9	0.7%		
Windstream Inc.	Utility	34,244,563	8	0.7%	39,817,174	6	1.1%		
The Pantry, Inc.	Convenience Stores	31,883,072	9	0.7%					
Moen, Inc.	Plumbing fixtures	31,794,467	10	0.7%	45,262,029	5	1.2%		
GKN Automotive Components, Inc.	Automotive Parts	-		0.0%	75,324,850	2	2.1%		
Central Carolina Hospital	Medical Care	-		0.0%	20,275,295	10	0.6%		
Totals		\$ 702,320,903		14.7%	\$ 556,723,470		19.1%		

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
2004	24,499,755	23,471,377	95.8%	914,550		24,385,927	99.5%
2005	24,701,551	23,797,835	96.3%	782,868		24,580,703	99.5%
2006	30,865,687	29,860,345	96.7%	934,002		30,794,347	99.8%
2007	31,910,008	30,887,929	96.8%	939,942		31,827,871	99.7%
2008	34,701,980	33,618,528	96.9%	943,467		34,561,995	99.6%
2009	35,560,801	34,701,417	97.6%	763,382		35,464,799	99.7%
2010	35,774,486	34,900,196	97.6%	595,717		35,495,913	99.2%
2011	36,431,441	35,580,416	97.7%	689,189		36,269,605	99.6%
2012	35,810,080	34,992,878	97.7%	585,846		35,578,724	99.4%
2013	36,257,156	35,175,722	97.0%	-		35,175,722	97.0%

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			
2004	21,875,000	26,220,000	3,641,693	8,030,000	-	-	59,766,693	4.45%	1,119
2005	19,030,000	25,720,000	3,240,187	-	-	-	47,990,187	3.33%	882
2006	16,210,000	25,220,000	2,822,304	-	-	-	44,252,304	2.85%	794
2007	13,410,000	53,075,000	2,386,899	-	-	-	68,871,899	4.06%	1,210
2008	10,635,000	52,575,000	1,932,754	-	-	-	65,142,754	3.65%	1,124
2009	7,885,000	51,475,000	3,098,070	-	-	-	62,458,070	3.41%	1,057
2010	5,085,000	50,165,000	25,448,160	-	-	-	80,698,160	4.37%	1,334
2011	2,285,000	48,855,000	25,165,634	-	-	-	76,305,634	4.09%	1,319
2012	735,000	47,957,000	24,314,110	-	-	-	73,006,110	*	1,243
2013	485,000	44,440,000	23,335,253	-	-	-	68,260,253	*	1,143

* 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 2011 and 2012 personal income not available to calculate fiscal year 2012 or fiscal year 2013.

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)
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	0.79%	0.33%	236
2008	10,635,000	-	10,635,000	0.60%	0.23%	183
2009	7,885,000	-	7,885,000	0.43%	0.17%	133
2010	5,085,000	-	5,085,000	0.28%	0.11%	84
2011	2,285,000	-	2,285,000	0.12%	0.05%	39
2012	735,000	-	735,000	*	0.02%	13
2013	485,000	-	485,000	*	0.01%	8

* Information not yet available

(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 2011 and 2012 personal income not available to calculate fiscal year 2012 and 2013.
 (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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assesses Value of Property	\$ 3,622,100	\$ 3,671,812	\$ 3,918,272	\$ 4,017,704	\$ 4,601,693	\$ 4,717,380	\$ 4,747,984	\$ 4,777,631	\$ 4,767,120	\$ 4,829,272
Debt Limit, 8% of Assessed Value Statutory Limitation	289,768	293,745	313,462	321,416	368,135	377,390	379,839	382,210	381,370	386,342
Amount of Debt Applicable to Limit										
Gross debt	60,901	47,990	44,252	68,872	65,143	62,458	80,698	76,306	73,006	68,260
Less: Debt outstanding for water and sewer purposes	9,164	-	-	-	-	-	-	-	-	-
Total net debt applicable to limit	51,737	47,990	44,252	68,872	65,143	62,458	80,698	76,306	73,006	68,260
Legal debt margin	\$ 238,031	\$ 245,755	\$ 269,210	\$ 252,544	\$ 302,992	\$ 314,932	\$ 299,141	\$ 305,904	\$ 308,364	\$ 318,082
Total net debt applicable to the limit as a percentage of debt limit	17.85%	16.34%	14.12%	21.43%	17.70%	16.55%	21.25%	19.96%	19.14%	17.67%

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, 2013

<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	\$ 485,000	100%	\$ 485,000
Total direct debt	<u>485,000</u>		<u>485,000</u>
Underlying Debt:			
Town of Broadway	498,000	100%	498,000
Lee County Water & Sewer District #1	<u>500,000</u>	100%	<u>500,000</u>
Total underlying debt	<u>998,000</u>		<u>998,000</u>
Total direct and overlapping debt	<u>\$ 1,483,000</u>		<u>\$ 1,483,000</u>

Note:
Percentage of overlap based on assessed property values.

**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)
2004	53,421	1,342,616	25,218	8,924	6.00%
2005	54,417	1,439,609	26,455	9,056	5.60%
2006	55,704	1,554,422	26,777	9,219	5.40%
2007	56,908	1,695,000	28,975	9,330	5.50%
2008	57,973	1,786,000	30,878	9,458	7.20%
2009	59,091	1,832,000	30,983	9,592	14.80%
2010	60,477	1,844,828	30,505	9,603	12.50%
2011	57,866	1,863,902	32,193	9,602	12.70%
2012	58,752	*	*	9,707	12.30%
2013	59,715	*	*	9,809	11.20%

* 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

Employer	Fiscal Year 2013 (1)			Fiscal Year 2004		
	Approximate Number of Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Lee County Schools	1000-1500	1	5.24%	1000-1500	3	5.12%
Static Control Components, Inc.	500-999	2	3.14%	1000-1500	2	5.12%
Coty, LLC	500-999	3	3.14%	500-999	6	3.07%
Pilgrims Pride Corporation	500-999	4	3.14%	1000-1500	1	5.12%
Central Carolina Hospital	500-999	5	3.14%	500-999	7	3.07%
Central Carolina Community College	500-999	6	3.14%	250-499	10	1.53%
Pentair Pool Products	250-499	7	1.57%	-	-	0.00%
Caterpillar	250-499	8	1.57%	-	-	0.00%
Frontier Spinning Mills, Inc.	250-499	9	1.57%	-	-	0.00%
County of Lee	250-499	10	1.57%	250-499	10	1.53%
Pfizer, Inc.	-	-	0.00%	1000-1500	4	5.12%
The Mega Force Staffing Group, Inc.	-	-	0.00%	500-999	5	3.07%
Magneti Marelli USA, Inc.	-	-	0.00%	500-999	8	3.07%
Moen, Inc.	-	-	0.00%	500-999	9	3.07%
Total			<u>27.25%</u>			<u>38.91%</u>

Source: NC Employment Security Commission; total county employment

Notes:

(1) Based on March 2013 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									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General government	72	72	79	80	80	76	71	72	70	68
Public safety	73	73	84	85	88	90	86	87	90	92
Economic and physical development	4	4	4	4	4	4	4	4	4	4
Human Services	173	173	195	195	197	185	176	176	174	174
Cultural and recreational	23	23	38	38	38	36	32	32	31	31
Total	345	345	400	402	407	391	369	371	369	369

Source: Lee County Finance Department

Note: The schedule represents the number of approved permanent FTE's as of June 30, 2013.

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

	Fiscal Year								
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Sheriff									
Civil papers issued	9,840	8,804	10,940	10,241	10,493	10,939	11,456	10,539	4,153
Criminal papers issued	5,309	5,251	4,399	4,455	4,088	4,498	2,177	3,191	2,709
COLTS (County of Lee Transit System)									
Passenger Trips	55,003	56,612	58,535	64,864	62,454	61,763	63,579	67,138	57,786
Senior Services									
Diners club meals served	21,877	19,501	17,585	19,729	18,551	16,801	17,212	17,449	16,727
Home delivered meals served	9,118	8,589	8,697	7,775	6,844	5,631	5,249	5,569	6,489
Unduplicated persons served using Senior Center Outreach Grant	2,625	1,915	2,205	800	3,900	N/A	N/A	N/A	N/A
Unduplicated persons served using Senior Center General Purpose Grant	2,124	3,517	2,900	900	3,750	3,950	3,800	4,200	N/A
Library									
Patron visits	154,592	159,979	167,771	171,144	175,192	157,267	147,818	137,434	143,230
Children participating in library programs	13,629	14,509	10,554	7,620	8,813	8,292	6,892	6,560	4,710
Seniors in outreach program	2,362	2,474	2,256	130	70	75	48	70	70
Books in collection	138,835	142,295	144,931	146,457	147,798	146,702	148,310	137,411	135,744
Book circulation	133,113	128,198	128,745	128,020	135,817	125,964	123,996	115,883	103,746
Parks and Recreation									
Youth recreation:									
Sports teams	131	115	123	105	110	138	126	125	110
Participants	1,712	1,459	1,522	1,300	1,316	1,615	1,600	1,521	1,343
Adult recreation:									
Sports teams	56	41	42	37	40	52	47	32	31
Participants	765	595	600	550	573	710	705	482	500
Gymnastics:									
Participants	1,304	1,229	1,240	1,300	1,350	1,350	1,518	1,546	2,055
San-Lee Park Summer Camps:									
Participants	99	110	127	210	114	145	183	221	244
Solid Waste:									
Waste collected (tons)	17,283	17,266	16,125	15,431	8,633	7,654	7,736	8,134	7,682
Ratio of recyclable to total waste received	20%	18%	20%	20%	26%	20%	20%	24%	21%

Sources: Various County departments

Notes:

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

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

Function	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Sheriff Protection:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	16	16	16	18	20	20	23	21	21	20
Jail										
Correctional facility capacity	126	126	126	126	126	126	126	126	126	126
Cultural and recreational										
Number of parks	11	12	12	12	12	12	12	12	12	12
Park acreage	300	327	327	327	327	337	343	343	343	343
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 (closed)	1 (closed)	1 (closed)	1 (closed)
Convenience Centers	6	6	6	6	6	6	6	6	6	6
Education										
Schools	12	12	13	13	15	15	15	16	16	16
Teachers	561	582	600	598	606	623	599	612	614	618
Students	8,924	9,056	9,219	9,330	9,458	9,592	9,603	9,602	9,707	9,809

Sources: Various County departments. Lee County Board of Education

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