

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, 2011**

**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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November 23, 2011

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, 2011.

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, 2011, 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, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

Lee County, founded in 1907, is located on the fall line dividing the Piedmont and Coastal Plains regions of the state. It has a land area of 255 square miles and a population of 57,866. 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 increased from the 12.5 percent in June 2010 to 12.7 percent in June 2011. The State's non-seasonally adjusted unemployment rate for June 2011 was 10.4 percent.

The County continues to work with City leadership and organizations such as the Lee County Economic Development Corporation (EDC), the Lee County Committee of 100 and the Sanford Area Chamber of Commerce, to maintain and expand the County's economic base. Lee County has many strengths to market to businesses and industries including a strong network of highways, rail lines, and airports giving easy access to Fayetteville, Raleigh, RTP and the Piedmont Triad region. Another strength is the high quality of local workers with all kinds of expertise, many trained by 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. During the fiscal year, the Caterpillar Plant in Lee County began a major plant expansion that will include a \$31 million investment in equipment and facility improvements. The expansion will create 350 new jobs. As part of the expansion, the County purchased a facility to house a new job training program for CCCC, EDC offices and a small business incubator facility in the Lee County Industrial Park. CCCC has secured a \$447,000 grant from the Golden Leaf Foundation for the equipment for the training facility. The incubator already has one tenant.

Lee County is part of an eleven county regional task force, the BRAC Regional Task Force, that is planning and preparing for the significant impact on our communities due to the changes that will occur from the Base Closure and Realignment Commission (BRAC) legislation approved November 8, 2005, that moves U.S. Army Forces Command (FORSCOM) and the U.S. Army Reserve Command (USARC) from Fort McPherson, Georgia to Fort Bragg, North Carolina. The BRAC RTF has hired an economic development coordinator who is developing leads for all eleven counties with companies who will be located to the area with FORSCOM and USARC. Population in the region is expected to increase by nearly 41,000 people. New jobs will be generated by companies relocating to pursue contracts from more than \$30 billion controlled by the U.S. Army Forces Command.

Long-term financial planning. The County prepares a five year capital improvements program and updates it each year. At June 30, 2011, general fund projects estimated at \$13.9 million are planned over the next five years. The program also includes \$49.7 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 \$62,689,722 which was approximately 1.2 percent above the budget for FY 2010-11. The County's tax rate remained at \$0.75 per \$100 of assessed value.

The County's available fund balance in the general fund at June 30, 2011, (16.4 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).

Debt service in the general fund (13.9 percent of total general fund expenditures) falls below the maximum 15 percent of general fund expenditures set in the Board of Commissioners' Financial Policies Resolution.

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, 2010. This was the fifteenth 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,

A handwritten signature in cursive script that reads "Lisa G. Minter".

Lisa G. Minter
Assistant County Manager/Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Lee
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

COUNTY OF LEE, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

June 30, 2011

BOARD OF COUNTY COMMISSIONERS

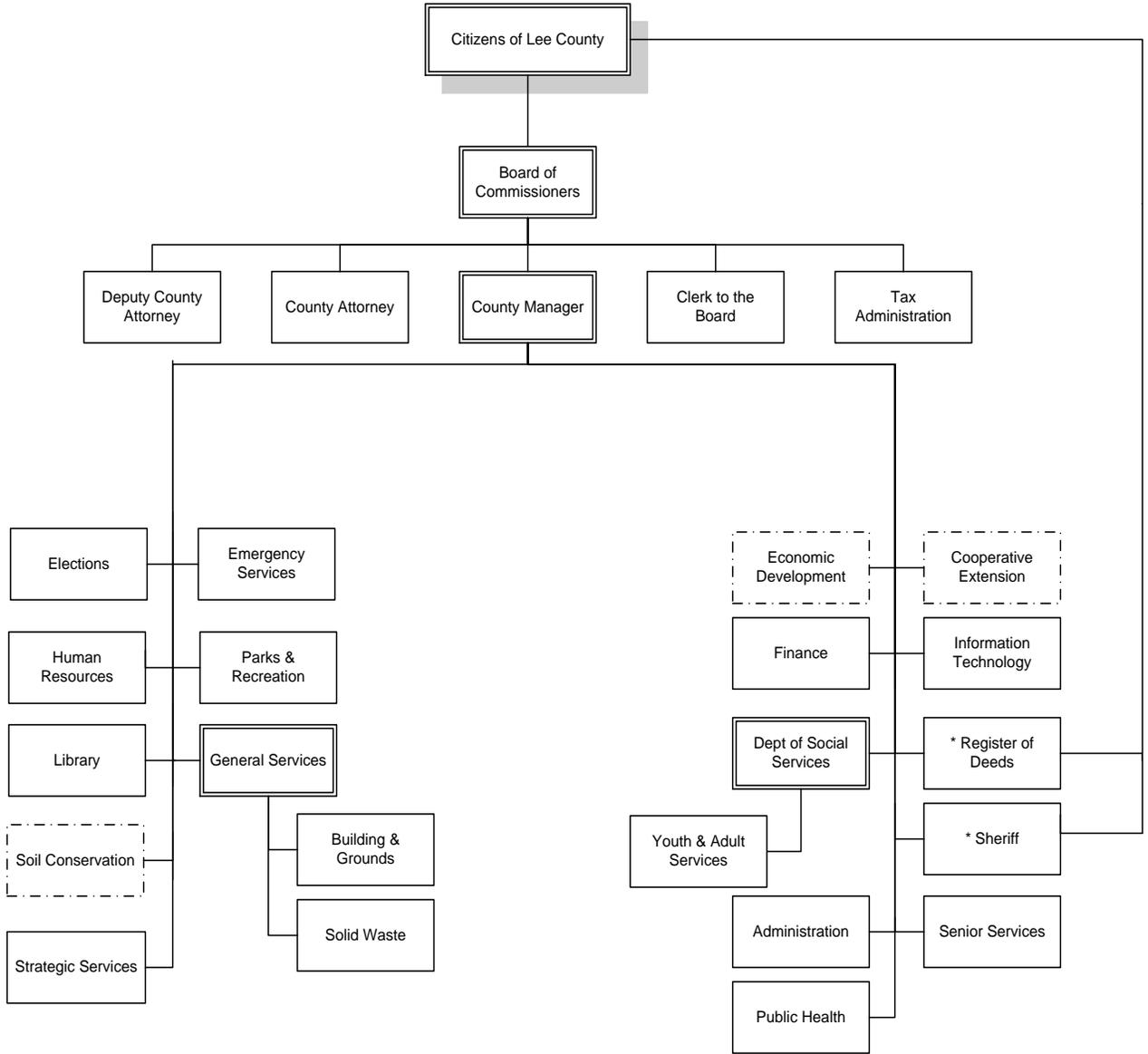
Linda A. Shook	Chairman
Larry C. Oldham	Vice Chairman
Richard B. Hayes	Commissioner
Charlie Parks	Commissioner
Nathan E. Paschal	Commissioner
Robert T. Reives	Commissioner
James A. Womack	Commissioner

COUNTY OFFICIALS

John A. Crumpton	County Manager
Gaynell Lee	Clerk to the Board
Kenneth R. Hoyle	County Attorney
Lisa G. Minter	Assistant County Manager/Finance Director
Tracy Carter	Sheriff
Mollie McInnis	Register of Deeds
Dwane Brinson	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 Kvasckitz	Strategic Services Director

COUNTY OF LEE, NORTH CAROLINA

ORGANIZATIONAL CHART



* Elected Officials
 - - - - - Liaison Relationship

FINANCIAL SECTION

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lee County, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lee County, North Carolina's management. Our responsibility is to express an opinion 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the 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, 2011, the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 23, 2011 on our consideration of Lee County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of Lee County, North Carolina, as a whole. 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 are derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

November 23, 2011

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, 2011. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

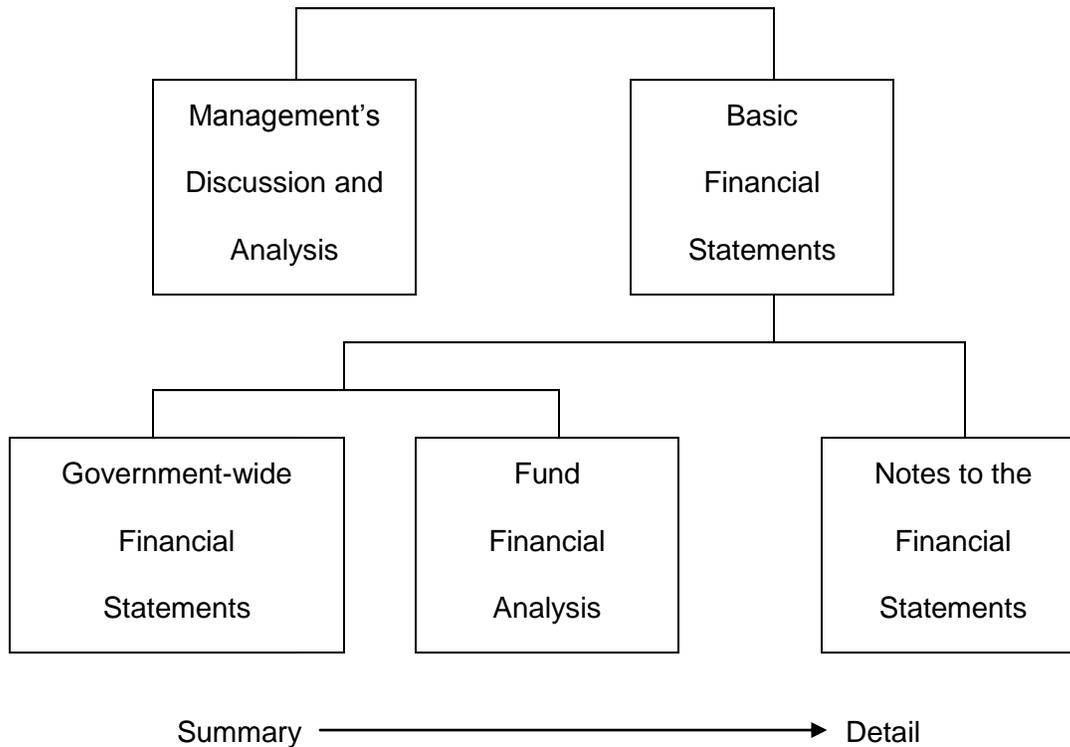
Financial Highlights

- The liabilities of Lee County exceeded its assets at the close of the fiscal year by (\$33,831,859) (*net assets*).
- The total net assets of governmental activities was a deficit \$35,574,593, a decrease of \$11,738,996 from the prior year's deficit amount of \$23,835,597, primarily due to school capital spending. 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 \$26,874,846, a decrease of \$16,428,089 from the prior year. Approximately 60.6 percent of this total amount or \$16,287,232 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,199,709 or 9.9 percent of total General Fund expenditures for the fiscal year.
- Lee County's total debt decreased by \$3,688,852 or 4.3 percent during the current fiscal year.
- During the year, Standard & Poor's upgraded the County's bond rating from A+ to AA-. The County maintained its A1 bond rating from Moody's Investor Services.

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

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

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

Fund Financial Statements

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

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

Lee County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as The Statement of Revenues, Expenditures and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Enterprise Fund is the only proprietary type fund that the County utilizes. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer activity and for its landfill operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County has ten fiduciary funds: a Pension Trust Fund, the Brown Bequest Trust Fund, and eight agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 25 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 54 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets over time may serve as a useful indicator of a government's financial condition. The figure below depicts the County's net assets for fiscal year 2011 and provides comparative data from fiscal year 2010.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2009
Current and other assets	\$ 33,004,820	\$ 48,232,441	\$ 1,496,158	\$ 915,790	\$ 34,500,978	\$ 49,148,231
Capital assets	18,258,538	17,414,226	528,993	555,393	18,787,531	17,969,619
Total assets	<u>51,263,358</u>	<u>65,646,667</u>	<u>2,025,151</u>	<u>1,471,183</u>	<u>53,288,509</u>	<u>67,117,850</u>
Long-term liabilities outstanding	82,501,897	86,206,894	104,504	88,359	82,606,401	86,295,253
Other liabilities	4,336,054	3,275,370	177,913	47,144	4,513,967	3,322,514
Total liabilities	<u>86,837,951</u>	<u>89,482,264</u>	<u>282,417</u>	<u>135,503</u>	<u>87,120,368</u>	<u>89,617,767</u>
Net assets:						
Investment in capital assets, net						
of related debt	16,604,705	16,934,589	528,993	555,393	17,133,698	17,489,982
Restricted	16,287,232	24,602,272	-	-	16,287,232	24,602,272
Unrestricted	(68,466,530)	(65,372,458)	1,213,741	780,287	(67,252,789)	(64,592,171)
Total net assets	<u>\$ (35,574,593)</u>	<u>\$ (23,835,597)</u>	<u>\$ 1,742,734</u>	<u>\$ 1,335,680</u>	<u>\$ (33,831,859)</u>	<u>\$ (22,499,917)</u>

The liabilities of Lee County exceed assets by (\$33,831,859) at the close of the most recent fiscal year. The County's net assets decreased by \$11,331,942 for the fiscal year ended June 30, 2011. One of the largest portions of net assets reflects the County's investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt still outstanding that was issued to acquire those items. Lee County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Lee County's investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the County's net assets, \$16,287,232, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$67,252,789 is unrestricted.

As with many counties in the State of North Carolina, the County's Governmental Activities deficit in unrestricted net assets is due primarily to the portion of the County's outstanding debt incurred for the Lee County Board of Education (the "schools") and Central Carolina Community College (the "community college"). Under North Carolina law, the County is responsible for providing capital funding for the school and community college systems. The County has chosen to meet its legal obligation to provide the systems capital funding by using a mixture of County funds, general obligation debt, and installment financings. The assets funded by the County; however, are titled to, and utilized by the school and community college systems. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. As of June 30, 2011, approximately \$74.7 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 99 percent for real and personal property and 87 percent for motor vehicles, higher than the statewide averages of 97.09 percent and 85.80 percent for the County's population group.
- Actual expenditures in the General Fund less than the budgeted amount by \$3.4 million.
- Continued low cost of debt due to the County's high bond rating.
- The General Fund had budgeted fund balance appropriated of \$4,260,760 that was not used during the fiscal year.
- County departments were conservative in their spending and General Fund expenditures at June 30, 2011 were \$3,851,779 under budget.

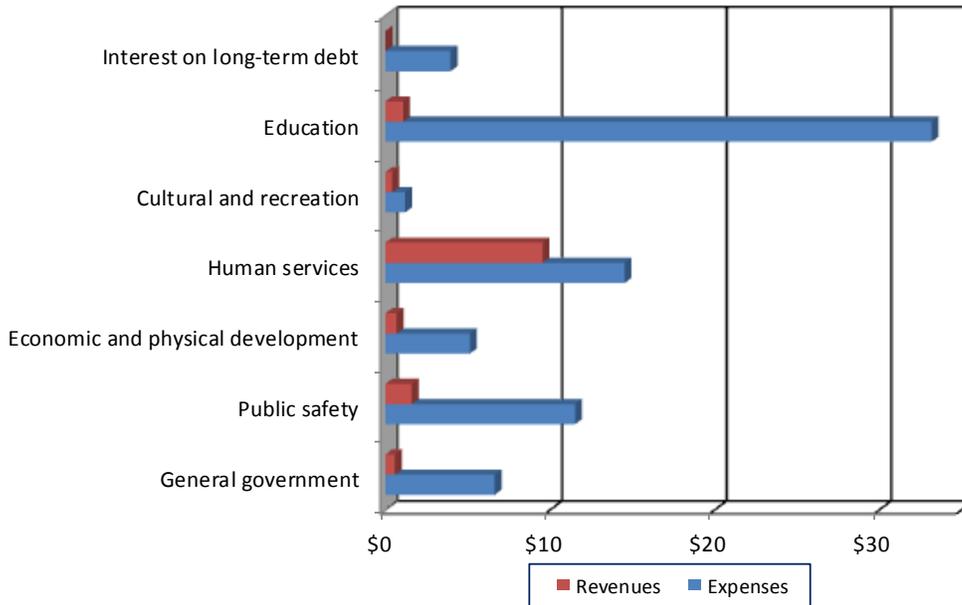
Lee County's Changes in Net Assets
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 2,676,438	\$ 2,727,351	\$ 1,231,441	\$ 1,211,244	\$ 3,907,879	\$ 3,938,595
Operating grants and contributions	9,997,027	8,950,432	1,086,446	-	11,083,473	8,950,432
Capital grants and contributions	1,224,494	1,545,524	84,481	-	1,308,975	1,545,524
General revenues:						
Property taxes	39,041,333	38,461,492	-	-	39,041,333	38,461,492
Other taxes	9,847,105	8,423,844	-	-	9,847,105	8,423,844
Grants and contributions not restricted to specific programs	1,039,083	19,829	-	-	1,039,083	19,829
Investment earnings	140,549	194,719	4,535	6,841	145,084	201,560
Other	484,803	547,564	-	-	484,803	547,564
Total revenues	64,450,832	60,870,755	2,406,903	1,218,085	66,857,735	62,088,840
Expenses:						
General government	6,641,567	7,118,954	-	-	6,641,567	7,118,954
Public safety	11,531,800	10,362,318	-	-	11,531,800	10,362,318
Economic and physical development	5,132,274	2,514,333	-	-	5,132,274	2,514,333
Human services	14,537,884	14,919,267	-	-	14,537,884	14,919,267
Cultural and recreation	1,196,701	1,373,943	-	-	1,196,701	1,373,943
Education	33,185,635	21,757,882	-	-	33,185,635	21,757,882
Interest on long-term debt	3,963,967	2,895,420	-	-	3,963,967	2,895,420
Water and sewer	-	-	87,333	-	87,333	-
Landfill	-	-	1,912,516	1,203,132	1,912,516	1,203,132
Total expenses	76,189,828	60,942,117	1,999,849	1,203,132	78,189,677	62,145,249
Increase (decrease) in net assets	(11,738,996)	(71,362)	407,054	14,953	(11,331,942)	(56,409)
Net assets, July 1	(23,835,597)	(23,764,235)	1,335,680	1,320,727	(22,499,917)	(22,443,508)
Net assets, June 30	<u>\$(35,574,593)</u>	<u>\$(23,835,597)</u>	<u>\$ 1,742,734</u>	<u>\$ 1,335,680</u>	<u>\$(33,831,859)</u>	<u>\$(22,499,917)</u>

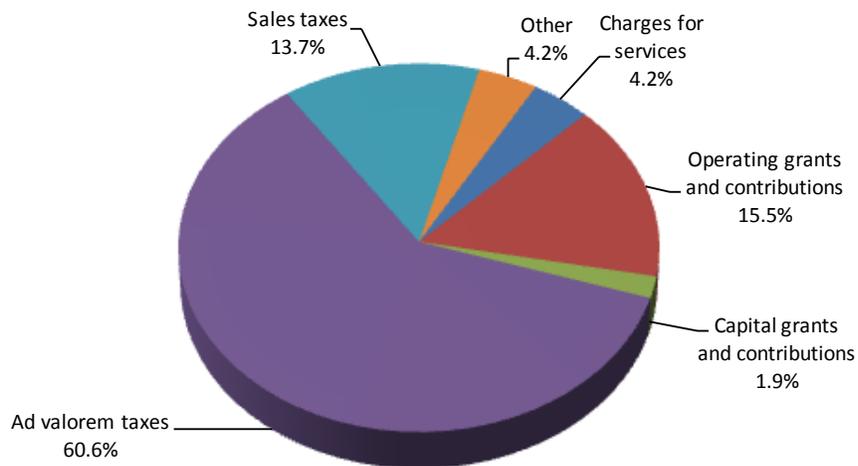
Governmental Activities. Governmental activities decreased the County's net assets by \$11,738,996. The key factor in the decrease is the use of financing proceeds from prior years on school and community college projects that are not considered County assets. The decrease in total net assets was offset by a reduction in net program expenses in the categories of general government and human services that totaled

\$2,550,035. The decrease in net program expenses helped offset the decrease in investment earnings and sales tax revenues that have resulted from the economic downturn. 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 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 assets by \$407,054. The key factor in the increase was reimbursements from FEMA for equipment usage related to storm debris removal after the County suffered damage from a tornado on April 16, 2011.

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 \$10,198,767, while total fund balance reached \$15,830,996. 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 16.41 percent of general fund expenditures, while total fund balance represents 25.47 percent of that same amount.

The fund balance of the County's General Fund decreased by \$339,810 during the current fiscal year. The key factor in the decrease is the County's continued economic development efforts. During the current year, the County approved a \$900,000 economic incentive package with Caterpillar. With that incentive, the County also agreed to provide space for a new training facility and purchased a building for \$920,000. These one-time expenditures were offset by above average tax collections and a continued effort by the County to control cost as much as possible.

The Lee County High School Renovations Project Fund is the other major governmental fund. This fund accounts for the financing and construction costs of renovations and additions at Lee County High School. The total fund balance at the end of the year totaled \$7,121,728, a \$13,682,215 reduction from the previous year. The decrease is due to the ongoing construction costs that have been incurred.

At June 30, 2011, the non-major governmental funds of the County reported a combined fund balance of \$3,922,122 a 38.02 percent decrease from the prior year. The primary reason for this decrease was the use of construction loan proceeds in the Middle School Project Fund, Floyd L Knight Addition Fund, CCCC 2006 COPS Capital Project Fund, and Tramway Road Park Fund from the financing of the debt issued in December 2006. The County used \$438,093 from the Capital Projects Outlay Fund in fiscal year ending June 30, 2011 for school debt service. The use of these funds was planned for in the County's capital financing plan.

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 \$5,345,772.

Major budget increases during the year include:

- NC Lottery Funds – funding for various maintenance and repair projects at schools in the County were funded through lottery funds - \$823,367
- Department of Social Services – due to economic conditions, there was an increase in revenue and expenses for fund received to support citizen's emergency and economic needs. - \$476,991
- Economic Development Incentives – during the year the County entered into a new incentive agreement with Caterpillar that required a payment during the year. - \$900,000
- Golden Leaf Foundation – the County assisted Frontier Spinning Mills in securing funding from the Golden Leaf Foundation to purchase pallets for overseas shipping. - \$1,000,000
- Contribution to Industrial Park Expansion Project – as part of the incentive agreement with Caterpillar, the County agreed to provide a facility for training of Caterpillar employees. Funds were transferred to this project for the purchase of a building to provide such training and to serve as a home for Economic Development offices and as a business incubator. - \$920,000

At year end, *actual* general fund revenues and transfers in exceeded *final amended budget* numbers by \$408,981 or 0.7 percent. *Actual* general fund expenditures and transfers out were less than *final budgetary* figures by \$3,851,770 limiting the use of fund balance to \$339,810.

Proprietary Funds. Lee County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets for the Water and Sewer District # 1 Fund at the end of the fiscal year amounted to \$2,423. The unrestricted net assets of the Solid Waste Management Fund equaled \$1,211,318. The increase in net assets in this fund was \$409,906. 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, 2011, totals \$18,787,531 (net of accumulated depreciation). These assets include land, buildings, machinery and equipment, improvements, and construction in progress. The total increase in the County's capital assets for fiscal year 2011 was 4.5 percent.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2008
Land	\$ 3,394,033	\$ 3,295,999	\$ 260,425	\$ 260,425	\$ 3,654,458	\$ 3,556,424
Land improvements	2,430,299	1,074,719	-	-	2,430,299	1,074,719
Buildings	7,139,380	7,192,008	112,730	135,933	7,252,110	7,327,941
Roads	819,247	749,288	-	-	819,247	749,288
Equipment	4,454,434	4,547,660	155,838	159,035	4,610,272	4,706,695
Construction in progress	21,145	554,552	-	-	21,145	554,552
Totals	\$ 18,258,538	\$ 17,414,226	\$ 528,993	\$ 555,393	\$ 18,787,531	\$ 17,969,619

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, 2011, Lee County had total bonded debt outstanding of \$2,285,000, all of which is backed by the full faith and credit of the County. In addition, the County had installment purchase debt of \$25,165,634 and certificates of participation debt of \$48,855,000, for total debt burden outstanding of \$76,305,634.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 2,285,000	\$ 5,085,000	\$ -	\$ -	\$ 2,285,000	\$ 5,085,000
Certificates of Participation	48,855,000	50,165,000	-	-	48,855,000	50,165,000
Installment Notes	25,165,634	25,448,160	-	-	25,165,634	25,448,160
Totals	\$ 76,305,634	\$ 80,698,160	\$ -	\$ -	\$ 76,305,634	\$ 80,698,160

As mentioned in the financial highlights section of this document, Lee County maintained its A1 bond rating from Moody's Investor Service and received a rating upgrade from A+ to 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 \$305,904,892.

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 \$62,689,722 budget for fiscal year 2012, which represents a 1.2 percent increase from the 2011 adopted budget. The tax rate remained unchanged at 75 cents per \$100 of assessed value.

The following factors were considered when developing the 2011 budget:

- A slow economy resulting in minimal growth in the property tax base and a modest 2 percent growth rate for sales tax revenue.
- 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 2012. The State continues to hold the counties' ADM funding which Lee County used to support school debt payments. The County also 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, 2012

Governmental Activities. Ad valorem tax is the largest single revenue item. It is based on a tax rate of \$0.75 per \$100 of assessed valuation. The total budget amount of \$35,420,000 represents an increase of 0.85 percent from the adopted FY 2011 budget. Budgeted sales tax revenues are \$9,051,299, a 5.44 percent increase from FY 2011. That increase can be attributed to a modest 2 percent growth factor applied to better than anticipated revenues in FY 2011. In addition, the County has some history to base collections of the new ¼ percent sales tax levy approved by the citizens of Lee County.

As a result of the continued economic slowdown, difficult decisions were made to continue meeting the essential needs of our community. In accordance with the County's Financial Policies, wages were increased by 1.6 percent based on the Consumer Price Index for Urban Wage Earners, Southern Region, Average of All Groups; however, the County's contribution to employees' 401(k) accounts was reduced from 5 percent to 3 percent. The County also had to make changes to its health insurance plan an increase the premium cost to the employees. Other changes included staff reductions and closing of one library branch.

Education and related debt service make up the largest expenditures in the FY 2012 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 \$27,248,860 in the FY 2012 budget.

Business-type Activities. The FY 2012 Solid Waste Fund budget totals \$1,413,041 which represents a decrease of 3.26 percent from the adopted FY 2011 budget. The primary reason for the decrease is the completion of a paving project for white goods processing at the landfill in FY 2011. Solid Waste fees will remain the same in FY 2012.

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.

BASIC FINANCIAL STATEMENTS

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LEE COUNTY, NORTH CAROLINA
Statement of Net Assets
June 30, 2011

Exhibit 1

	Primary Government		
	Governmental Activities	Business- type Activities	Total
Assets			
Cash and investments	\$ 16,462,601	\$ 322,423	\$ 16,785,024
Taxes receivable - net	1,763,538	-	1,763,538
Accounts receivable - net	5,367,527	1,173,280	6,540,807
Accrued interest receivable	33,367	455	33,822
Restricted assets:			
Temporarily restricted:			
Cash and investments	8,505,123	-	8,505,123
Deferred charge - issuance costs	872,664	-	872,664
Capital assets:			
Land, improvements, and construction in progress	5,845,477	260,425	6,105,902
Other capital assets, net of depreciation	12,413,061	268,568	12,681,629
Total capital assets	<u>18,258,538</u>	<u>528,993</u>	<u>18,787,531</u>
Total assets	<u>51,263,358</u>	<u>2,025,151</u>	<u>53,288,509</u>
Liabilities			
Accounts payable and accrued liabilities	3,417,619	177,913	3,595,532
Unearned revenues	219,986	-	219,986
Accrued interest payable	698,449	-	698,449
Long-term liabilities			
Due within one year	6,281,525	28,500	6,310,025
Due in more than one year	76,220,372	76,004	76,296,376
Total long-term liabilities	<u>82,501,897</u>	<u>104,504</u>	<u>82,606,401</u>
Total liabilities	<u>86,837,951</u>	<u>282,417</u>	<u>87,120,368</u>
Net Assets			
Invested in capital assets, net of related debt	16,604,705	528,993	17,133,698
Restricted for:			
Public Safety	1,515,112	-	1,515,112
Economic and Physical Development	39,887	-	39,887
Education	53,184	-	53,184
Register of Deeds	107,390	-	107,390
Stabilization by State Statute	14,571,659	-	14,571,659
Unrestricted	<u>(68,466,530)</u>	<u>1,213,741</u>	<u>(67,252,789)</u>
Total net assets	<u>\$ (35,574,593)</u>	<u>\$ 1,742,734</u>	<u>\$ (33,831,859)</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, 2011

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Change in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Government activities:							
General government	\$ 6,641,567	\$ 576,595	\$ -	\$ -	\$ (6,064,972)	\$ -	\$ (6,064,972)
Public safety	11,531,800	421,370	1,181,312	-	(9,929,118)	-	(9,929,118)
Economic and physical development	5,132,274	-	539,489	147,692	(4,445,093)	-	(4,445,093)
Human services	14,537,884	1,376,086	8,168,364	-	(4,993,434)	-	(4,993,434)
Cultural and recreation	1,196,701	302,387	107,862	-	(786,452)	-	(786,452)
Education	33,185,635	-	-	1,076,802	(32,108,833)	-	(32,108,833)
Interest on long-term debt	3,963,967	-	-	-	(3,963,967)	-	(3,963,967)
Total governmental activities	76,189,828	2,676,438	9,997,027	1,224,494	(62,291,869)	-	(62,291,869)
Business-type activities:							
Water & Sewer	87,333	-	-	84,481	-	(2,852)	(2,852)
Solid Waste Management Fund	1,912,516	1,231,441	1,086,446	-	-	405,371	405,371
Total business-type activities	1,999,849	1,231,441	1,086,446	84,481	-	402,519	402,519
Total primary government	\$ 78,189,677	\$ 3,907,879	\$ 11,083,473	\$ 1,308,975	(62,291,869)	402,519	(61,889,350)
General revenues:							
Ad valorem taxes					39,041,333	-	39,041,333
Sales taxes					8,835,342	-	8,835,342
Other taxes					1,011,763	-	1,011,763
Grants and contributions not restricted to specific programs					1,039,083	-	1,039,083
Investment earnings					140,549	4,535	145,084
Miscellaneous					484,803	-	484,803
Total general revenues					50,552,873	4,535	50,557,408
Change in net assets					(11,738,996)	407,054	(11,331,942)
Net assets, beginning of year					(23,835,597)	1,335,680	(22,499,917)
Net assets, end of year					\$ (35,574,593)	\$ 1,742,734	\$ (33,831,859)

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

LEE COUNTY, NORTH CAROLINA
Balance Sheet - Governmental Funds
June 30, 2011

Exhibit 3

	Major Fund			Total Governmental Funds
	General Fund	Lee County High School Renovations Project Fund	Nonmajor Governmental Funds	
Assets				
Assets:				
Cash and investments	\$ 12,530,973	\$ 3,151	\$ 3,928,477	\$ 16,462,601
Taxes receivable - net	1,643,032	-	120,506	1,763,538
Accounts receivable - net	5,085,825	375,012	50,572	5,511,409
Accrued interest receivable	27,376	6	5,985	33,367
Cash and investments - restricted	<u>29</u>	<u>8,505,094</u>	<u>-</u>	<u>8,505,123</u>
Total assets	<u>\$ 19,287,235</u>	<u>\$ 8,883,263</u>	<u>\$ 4,105,540</u>	<u>\$ 32,276,038</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,600,403	\$ 1,761,535	\$ 55,681	\$ 3,417,619
Deferred revenues	<u>1,855,836</u>	<u>-</u>	<u>127,737</u>	<u>1,983,573</u>
Total liabilities	<u>3,456,239</u>	<u>1,761,535</u>	<u>183,418</u>	<u>5,401,192</u>
Fund Balances:				
Restricted:				
Stabilization by State Statute	5,632,229	8,880,112	59,318	14,571,659
Public Safety	-	-	1,515,112	1,515,112
Economic and Physical Development	-	-	39,887	39,887
Education	-	-	53,184	53,184
Register of Deeds	107,390	-	-	107,390
Committed:				
Economic and Physical Development	-	-	1,169,498	1,169,498
Public Safety	559,921	-	-	559,921
Human Services	11,867	-	-	11,867
Education	-	-	250,302	250,302
Assigned:				
Subsequent year's expenditures	3,319,880	-	-	3,319,880
Capital	-	-	834,821	834,821
Unassigned:	<u>6,199,709</u>	<u>(1,758,384)</u>	<u>-</u>	<u>4,441,325</u>
Total fund balances	<u>15,830,996</u>	<u>7,121,728</u>	<u>3,922,122</u>	<u>26,874,846</u>
Total liabilities and fund balances	<u>\$ 19,287,235</u>	<u>\$ 8,883,263</u>	<u>\$ 4,105,540</u>	<u>\$ 32,276,038</u>
Reconciliation of fund balance as reported in the balance sheet - governmental funds with net assets - governmental activities				
Fund balance as reported in the balance sheet - governmental funds				\$ 26,874,846
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				18,258,538
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				2,492,369
Compensated absences not expected to be materially liquidated with expendable available resources.				(1,503,981)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				<u>(81,696,365)</u>
Net assets of governmental activities				<u>\$(35,574,593)</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, 2011

Exhibit 4

	Major Funds			Total Governmental Funds
	General Fund	Lee County High School Renovations Project Fund	Nonmajor Governmental Funds	
Revenues:				
Ad valorem taxes	\$ 36,474,268	\$ -	\$ 2,428,838	\$ 38,903,106
Local option sales taxes	8,835,342	-	-	8,835,342
Other taxes and licenses	355,988	-	655,775	1,011,763
Unrestricted intergovernmental	1,039,083	-	-	1,039,083
Restricted intergovernmental	11,574,226	-	259,387	11,833,613
Permits and fees	245,800	-	-	245,800
Sales and services	2,003,044	-	39,872	2,042,916
Investment earnings	99,811	19,797	20,941	140,549
Miscellaneous	400,478	-	570	401,048
Total revenues	61,028,040	19,797	3,405,383	64,453,220
Expenditures:				
Current:				
General government	7,214,203	-	-	7,214,203
Public safety	8,273,060	-	2,627,580	10,900,640
Economic and physical development	2,930,204	-	2,182,543	5,112,747
Human services	13,980,608	-	-	13,980,608
Education	19,366,305	13,702,012	222,895	33,291,212
Cultural and recreational	1,847,347	-	-	1,847,347
Debt service:				
Principal retirement	4,392,526	-	-	4,392,526
Interest and fees	4,142,025	-	-	4,142,025
Total expenditures	62,146,278	13,702,012	5,033,018	80,881,308
Revenues over (under) expenditures	(1,118,238)	(13,682,215)	(1,627,635)	(16,428,088)
Other Financing Sources (Uses):				
Transfers from other funds	2,048,428	-	920,000	2,968,428
Transfers to other funds	(1,270,000)	-	(1,698,428)	(2,968,428)
Total other financing sources (uses)	778,428	-	(778,428)	-
Net change in fund balances	(339,810)	(13,682,215)	(2,406,063)	(16,428,088)
Fund balances, beginning of year	16,170,806	20,803,943	6,328,185	43,302,934
Fund balances, end of year	\$ 15,830,996	\$ 7,121,728	\$ 3,922,122	\$ 26,874,846
Reconciliation of net change in fund balance in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to change in net assets - governmental activities				
Net changes in fund balances - total governmental funds				\$(16,428,088)
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				2,352,727
Depreciation				(1,466,353)
Basis of assets disposed				(42,062)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.				104,841
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.				
				3,739,939
Change in net assets of governmental activities				\$(11,738,996)

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, 2011

Exhibit 5

	Budget		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 35,120,750	\$ 35,120,750	\$ 36,474,268	\$ 1,353,518
Local option sales taxes	8,584,520	8,584,520	8,835,342	250,822
Other taxes and licenses	385,500	385,500	355,988	(29,512)
Unrestricted intergovernmental	996,830	996,830	1,039,083	42,253
Restricted intergovernmental	10,208,502	12,956,626	11,574,226	(1,382,400)
Permits and fees	262,000	262,000	245,800	(16,200)
Sales and services	1,863,624	1,866,730	2,003,044	136,314
Investment earnings	150,000	150,000	99,811	(50,189)
Miscellaneous	251,428	295,028	400,478	105,450
Total revenues	<u>57,823,154</u>	<u>60,617,984</u>	<u>61,028,040</u>	<u>410,056</u>
Expenditures:				
Current:				
General government	7,274,229	7,705,186	7,214,203	490,983
Public safety	7,930,164	8,455,820	8,273,060	182,760
Economic and physical development	1,750,191	3,660,991	2,930,204	730,787
Human services	14,937,638	15,585,648	13,980,608	1,605,040
Education	19,242,720	20,066,087	19,366,305	699,782
Cultural and recreational	1,950,580	1,987,562	1,847,347	140,215
Debt service:				
Principal retirement	4,392,526	4,392,526	4,392,526	-
Interest and fees	4,094,237	4,144,237	4,142,025	2,212
Total expenditures	<u>61,572,285</u>	<u>65,998,057</u>	<u>62,146,278</u>	<u>3,851,779</u>
Revenues over (under) expenditures	<u>(3,749,131)</u>	<u>(5,380,073)</u>	<u>(1,118,238)</u>	<u>4,261,835</u>
Other Financing Sources (Uses):				
Transfers from other funds	1,995,968	2,049,503	2,048,428	(1,075)
Transfers to other funds	<u>(350,000)</u>	<u>(1,270,000)</u>	<u>(1,270,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,645,968</u>	<u>779,503</u>	<u>778,428</u>	<u>(1,075)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(2,103,163)	(4,600,570)	(339,810)	4,260,760
Appropriated fund balance	<u>2,103,163</u>	<u>4,600,570</u>	<u>-</u>	<u>(4,600,570)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(339,810)	<u>\$ (339,810)</u>
Fund balance, beginning of year			<u>16,170,806</u>	
Fund balance, end of year			<u>\$ 15,830,996</u>	

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

LEE COUNTY, NORTH CAROLINA
Statement of Fund Net Assets - Proprietary Funds
June 30, 2011

Exhibit 6

	<u>Major Fund</u> Solid Waste Management Fund	Water and Sewer District #1 Fund	<u>Total</u> Business-type Activities Enterprise
Assets			
Current assets:			
Cash and investments	\$ 237,892	\$ 84,531	\$ 322,423
Accounts receivable - net	1,168,055	5,225	1,173,280
Accrued interest receivable	455	-	455
Total current assets	<u>1,406,402</u>	<u>89,756</u>	<u>1,496,158</u>
Non-current assets:			
Land	260,425	-	260,425
Other capital assets, net of accumulated depreciation	<u>268,568</u>	-	<u>268,568</u>
Total non-current assets	<u>528,993</u>	-	<u>528,993</u>
Total assets	<u>1,935,395</u>	<u>89,756</u>	<u>2,025,151</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	66,199	87,333	153,532
Compensated absences payable	28,500	-	28,500
Accrued landfill closure costs	<u>24,381</u>	-	<u>24,381</u>
Total current liabilities	<u>119,080</u>	<u>87,333</u>	<u>206,413</u>
Non-current liabilities:			
Compensated absences payable	2,270	-	2,270
OPEB liability payable	<u>73,734</u>	-	<u>73,734</u>
Total non-current liabilities	<u>76,004</u>	-	<u>76,004</u>
Total liabilities	<u>195,084</u>	<u>87,333</u>	<u>282,417</u>
Net Assets			
Invested in capital assets	528,993	-	528,993
Unrestricted	<u>1,211,318</u>	<u>2,423</u>	<u>1,213,741</u>
Total net assets	<u>\$ 1,740,311</u>	<u>\$ 2,423</u>	<u>\$ 1,742,734</u>

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

LEE COUNTY, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund
Net Assets - Proprietary Funds
For The Year Ended June 30, 2011

Exhibit 7

	Major Fund Solid Waste Management Fund	Water and Sewer District #1 Fund	Total Business-type Activities Enterprise
Operating revenues:			
Charges for services	\$ 1,061,828	\$ -	\$ 1,061,828
Other miscellaneous revenues	169,613	-	169,613
Total operating revenues	<u>1,231,441</u>	<u>-</u>	<u>1,231,441</u>
Operating expenses:			
Cost of service and administration	1,869,996	-	1,869,996
Depreciation	42,520	-	42,520
Total operating expenses	<u>1,912,516</u>	<u>-</u>	<u>1,912,516</u>
Operating income (loss)	<u>(681,075)</u>	<u>-</u>	<u>(681,075)</u>
Non-operating revenues (expenses):			
Grant funds	1,086,446	79,256	1,165,702
Tap fees	-	5,225	5,225
Investment earnings	4,535	-	4,535
Water/Sewer extension	-	(87,333)	(87,333)
Non-operating revenues (expenses)	<u>1,090,981</u>	<u>(2,852)</u>	<u>1,088,129</u>
Change in net assets	409,906	(2,852)	407,054
Net assets, beginning of year	<u>1,330,405</u>	<u>5,275</u>	<u>1,335,680</u>
Net assets, end of year	<u>\$ 1,740,311</u>	<u>\$ 2,423</u>	<u>\$ 1,742,734</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, 2011

Exhibit 8

	Major Fund		Total
	Solid Waste Management Fund	Water and Sewer District #1 Fund	Business-type Activities Enterprise
Cash flows from operating activities:			
Receipts from customers	\$ 1,048,894	\$ -	\$ 1,048,894
Payments to suppliers for goods and services	(1,273,389)	-	(1,273,389)
Payments to or on behalf of employees	(539,410)	-	(539,410)
Other operating revenues	169,408	-	169,408
Net cash provided (used) by operating activities	(594,497)	-	(594,497)
Cash flows from noncapital and related financing activities:			
Grant funds	-	79,256	79,256
Net cash provided (used) by noncapital and related financing activities	-	79,256	79,256
Cash flows from capital and related financing activities:			
Proceeds from loan receivable			-
Acquisition and construction of capital assets	(16,120)	-	(16,120)
Net cash provided (used) by capital and related financing activities	(16,120)	-	(16,120)
Cash flows from investing activities -			
Interest on investments	4,866	-	4,866
Net increase (decrease) in cash and cash equivalents	(605,751)	79,256	(526,495)
Cash and cash equivalents, beginning of year	843,643	5,275	848,918
Cash and cash equivalents, end of year	\$ 237,892	\$ 84,531	\$ 322,423
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (681,075)	.	\$ (681,075)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation	42,520	-	42,520
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(15,523)	-	(15,523)
Increase (decrease) in accounts payable and accrued expenses	59,581	-	59,581
Net cash provided (used) by operating activities	\$ (594,497)	\$ -	\$ (594,497)

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

LEE COUNTY, NORTH CAROLINA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

Exhibit 9

	Pension Trust Law Enforcement Employees	Kenneth Brown Bequest Fund	Agency Funds
Assets			
Cash and investments	\$ 4,094	\$ 18,132	\$ 456,166
Taxes receivable - net	-	-	729,856
Accounts receivable	-	-	16,005
Accrued interest receivable	<u>8</u>	<u>35</u>	<u>677</u>
Total assets	<u>4,102</u>	<u>18,167</u>	<u>1,202,704</u>
Liabilities			
Other liabilities	-	-	440,155
Due to other governmental units	<u>-</u>	<u>-</u>	<u>762,549</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>1,202,704</u>
Net Assets			
Held in trust for employee's pension benefits	4,102	-	-
Held in trust for the Library	<u>-</u>	<u>18,167</u>	<u>-</u>
Total net assets	<u>\$ 4,102</u>	<u>\$ 18,167</u>	<u>\$ -</u>

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

LEE COUNTY, NORTH CAROLINA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2011

Exhibit 10

	Pension Trust Law Enforcement Employees	Kenneth Brown Bequest Fund
Additions:		
Investment earnings	\$ 25	\$ 111
Net increase (decrease)	25	111
Net assets, beginning of year	4,077	18,056
Net assets, end of year	\$ 4,102	\$ 18,167

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 Assets and the Statement of Activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other 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.

Lee County High School Renovations Fund is a capital project fund used to account for debt issuance and construction costs for renovations and additions at Lee County High School.

The County reports the following major enterprise funds:

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

Additionally the County reports the following fund types:

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

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

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

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

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

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.

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

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, 2010.

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.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. Long-Term Obligations

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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.

N. Deferred/Unearned Revenues

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

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 Assets/Fund Balances

Net Assets

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund 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)].

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Net Assets/Fund Balances (Continued)

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.

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 ore 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.

Committed for Education – portion of fund balance that can only be used for education purposes.

Assigned Fund Balance – portion of fund balance that the Lee County Board of Commissioners has budgeted.

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

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.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Net Assets/Fund Balances (Continued)

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	\$ 15,830,996
Less:	
Stabilization by State Statute	<u>5,632,229</u>
Available Fund Balance	<u>\$ 10,198,767</u>

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, 2011 were as follows:

General Fund	\$ 519,077
Lee County High School Renovations Project Fund	6,427,631
Nonmajor Governmental Funds	2,760

Q. Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Assets.

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$(62,449,439) 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)	\$ 42,588,781
Less accumulated depreciation	<u>(24,330,243)</u>
Net capital assets	<u>18,258,538</u>
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	
Allowance for uncollectible notes receivable	(221,000)
Accrued interest rebate	77,118
Debt issuance costs	872,664
Deferred revenue	<u>1,763,587</u>
	<u>2,492,369</u>
Compensated absences not expected to be materially liquidated with expendable resources	<u>(1,503,981)</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Bonds, leases, and installment financing	(77,512,714)
Accrued interest	(698,449)
OPEB liability	(3,358,095)
LEO pension obligation	<u>(127,107)</u>
	<u>(81,696,365)</u>
Total adjustment	<u>\$ (62,449,439)</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 assets of governmental activities as reported in the government-wide Statement of Activities. The net adjustment of \$4,689,092 consists of several elements as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities	\$ 2,352,727
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.	(1,466,353)
cost of disposed capital assets not recorded in fund statements	(42,062)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenues in the fund statements	138,227
Change in health department fees deferred in the fund statements	(1,967)
Accrued interest rebate not recorded on fund statements	(31,419)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the Statement of Net Assets in the government-wide statements.	4,392,526
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)	95,155
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(83,698)
Amortization of issuance costs not recorded on fund statements	(60,213)
Amortization of premium on certificates of participation not recorded on fund statements	82,903
Net (increase) in other post-employment benefits	(772,672)
Arbitrage rebate liability is accrued in the government-wide statements but not in the fund statements because it does not use current resources	108,239
Difference in retirement expense between fund statements (modified accrual) and government-wide statements (full accrual)	(22,301)
Total adjustment	\$ 4,689,092

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, 2011, the carrying amount of the County's bank deposits (including fiduciary funds) was \$9,201,768, and the bank balance was \$9,383,904. There was \$8,505,123 in escrow accounts with financial institutions. Sufficient collateral was maintained at June 30, 2011 to secure the County's deposits. Of the bank balance, \$500,000 was covered by federal depository insurance, \$497,000 was covered by collateral held under the Dedicated Method and \$8,908,170 was collateralized under the Pooling Method.

At June 30, 2011, the County had \$2,332 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, 2011, the County had the following investments and maturities:

Investment Type	Fair Value	Less Than 6 Months	6 -12 Months	1-3 Years
Commercial Paper	\$ 5,981,109	\$ 5,981,109	N/A	N/A
NC Capital Management Trust – Cash Portfolio	2,078,207	N/A	N/A	N/A
	\$ 8,059,316	\$ 5,981,109	\$ -	\$ -

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, 2011, 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, 2011.

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>
2010	\$ 1,197,098	\$ 68,833	\$ 1,265,931
2009	1,192,698	175,923	1,368,621
2008	1,098,786	260,962	1,359,748
2007	<u>1,053,941</u>	<u>345,166</u>	<u>1,399,107</u>
Total	<u>\$ 4,542,523</u>	<u>\$ 850,884</u>	<u>\$ 5,393,407</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, 2011 were as follows:

	Taxes Receivable- Net	Accounts Receivable-Net		
		Accounts	Due from Other Government	Total
Governmental activities:				
General	\$ 2,092,568	\$ 2,946,479	\$ 2,492,419	\$ 5,438,898
Lee County High School Renovations Project Fund	-	-	375,012	375,012
Other governmental	<u>137,270</u>	<u>-</u>	<u>50,572</u>	<u>50,572</u>
Total receivables	2,229,838	2,946,479	2,918,003	5,864,482
Allowance for doubtful accounts	<u>(466,300)</u>	<u>(496,955)</u>	<u>-</u>	<u>(496,955)</u>
Total governmental activities	<u>\$ 1,763,538</u>	<u>\$ 2,449,524</u>	<u>\$ 2,918,003</u>	<u>\$ 5,367,527</u>
Business-type activities:				
Solid waste management	-	<u>1,162,958</u>	<u>10,322</u>	<u>1,173,280</u>
Allowance for doubtful accounts	-	-	-	-
Total business-type activities	<u>\$ -</u>	<u>\$ 1,162,958</u>	<u>\$ 10,322</u>	<u>\$ 1,173,280</u>

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

Local option sales tax	\$ 2,222,361
Sales tax	583,912
Various federal and state grants	<u>122,052</u>
	<u>\$ 2,928,325</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, 2011 was as follows:

Governmental activities by type:

	<u>June 30, 2010</u>	<u>Transfers In/ Additions</u>	<u>Transfers Out/ Disposals</u>	<u>June 30, 2011</u>
Non-depreciable assets:				
Land	\$ 3,295,999	\$ 98,034	\$ -	\$ 3,394,033
Land Improvements	1,074,719	822,173	533,407	2,430,299
Construction in progress	<u>554,552</u>	<u>-</u>	<u>(533,407)</u>	<u>21,145</u>
	<u>4,925,270</u>	<u>920,207</u>	<u>-</u>	<u>5,845,477</u>
Depreciable assets:				
Buildings	26,236,995	793,182	(6,602)	27,023,575
Roads	826,794	93,366	-	920,160
Equipment	<u>8,491,819</u>	<u>545,972</u>	<u>(238,222)</u>	<u>8,799,569</u>
	<u>35,555,608</u>	<u>1,432,520</u>	<u>(244,824)</u>	<u>36,743,304</u>
Less accumulated depreciation and amortization for:				
Buildings	19,044,987	842,062	(2,854)	19,884,195
Roads	77,506	23,407	-	100,913
Equipment	<u>3,944,159</u>	<u>600,884</u>	<u>(199,908)</u>	<u>4,345,135</u>
	<u>23,066,652</u>	<u>\$ 1,466,353</u>	<u>\$ (202,762)</u>	<u>24,330,243</u>
Depreciable assets - net	<u>12,488,956</u>			<u>12,413,061</u>
Total Governmental Activities				
Capital Assets - net	<u>\$ 17,414,226</u>			<u>\$18,258,538</u>

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

General government	\$ 293,342
Public safety	738,693
Human services	194,255
Economic & physical development	105,771
Cultural & recreational	<u>134,292</u>
	<u>\$ 1,466,353</u>

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, 2010	Transfers In/ Additions	Transfers Out/ Disposals	June 30, 2011
Non-depreciable assets:				
Land	\$ 260,425	\$ -	\$ -	\$ 260,425
	<u>260,425</u>	<u>-</u>	<u>-</u>	<u>260,425</u>
Depreciable assets:				
Buildings	565,482	-	-	565,482
Equipment	1,105,828	16,120	-	1,121,948
	<u>1,671,310</u>	<u>-</u>	<u>-</u>	<u>1,687,430</u>
Less accumulated depreciation and amortization for:				
Buildings	429,549	23,203	-	452,752
Equipment	946,793	19,317	-	966,110
	<u>1,376,342</u>	<u>\$ 42,520</u>	<u>\$ -</u>	<u>1,418,862</u>
Depreciable assets - net	<u>294,968</u>			<u>268,568</u>
Total Business Activities Capital Assets - net	<u>\$ 555,393</u>			<u>\$ 528,993</u>

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

Solid waste	\$ 42,520
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Construction commitments

The government has active construction projects as of June 30, 2011. The projects include the renovations and construction at Lee County High School and dam repairs to the San-Lee Dam.

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Project		
Lee County High School Renovations	14,012,057	6,427,631
Total	<u>\$ 14,012,057</u>	<u>\$ 6,427,631</u>

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, 2011 were as follows:

	<u>Vendors</u>
Governmental activities:	
General	\$ 1,600,403
Lee County High School Renovations Project	1,761,535
Other governmental	55,681
Total governmental activities	\$ 3,417,619
Business-type activities:	
Solid waste management	\$ 90,580
Water and Sewer District #1	87,333
	\$ 177,913

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 6.46% and 6.41%, 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, 2011, 2010, and 2009 were \$ 725,015, \$631,332, and \$654,001, 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, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>49</u>
Total	<u>52</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 \$39,863, or 1.90% 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, 2009 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 4.5% to 12.3% per year. Both (a) and (b) include an inflation component of 3.75%. The assumptions do not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected pay on a closed basis. The remaining amortization period at December 31, 2009 was 21 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	\$ 62,535
Interest on net pension obligation	5,240
Adjustment to annual required contribution	<u>(5,611)</u>
Annual pension cost	62,164
Contributions made	<u>39,863</u>
Increase (decrease) in net pension obligation	22,301
Net pension obligation beginning of fiscal year	<u>104,806</u>
 Net pension obligation end of fiscal year	 <u>\$127,107</u>

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$ 45,807	63.76%	\$ 102,834
6/30/10	45,766	95.69%	104,806
6/30/11	62,164	64.13%	127,107

Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the plan was .84 percent funded. The actuarial accrued liability for benefits was \$485,914, and the actuarial value of assets was \$4,086 resulting in an unfunded actuarial accrued liability (UAAL) of \$481,828. The covered payroll (annual payroll of active employees covered by the plan) was \$1,998,364, and the ratio of the UAAL to the covered payroll was 24.11 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, 2011 were \$122,814 which consisted of \$107,900 from the County and \$14,914 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, 2010, the County's required and actual contributions were \$4,209.

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, 2009, the date of the latest actuarial valuation:

Retirees receiving benefits	73
Active Plan Members:	
General Employees	287
Law Enforcement	<u>46</u>
Total	<u>406</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 8.14% of annual covered payroll (4.69% normal cost and 3.45% accrued liability). For the current year, the County contributed \$286,785 or 2.19% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 2.13% and 2.55% of covered payroll, respectively.

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	\$ 1,064,273
Interest on net OPEB obligation	105,594
Adjustment to annual required contribution	<u>91,100</u>
Annual OPEB cost (expense)	1,078,767
Contributions made	<u>(286,785)</u>
Increase (decrease) in net OPEB obligation	791,982
Net OPEB obligation, beginning of fiscal year	<u>2,639,847</u>
Net OPEB obligation, end of year	<u>\$ 3,431,829</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 2010 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>
6/30/2009	\$ 1,610,185	20.7%	\$ 1,277,767
6/30/2010	1,610,185	15.4%	2,639,847
6/30/2011	1,078,767	26.6%	3,431,829

Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$13,078,298. The covered payroll (annual payroll of active employees covered by the plan) was \$13,075,974, and the ratio of the UAAL to covered payroll was 100.0%. 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, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 to 5.00 percent annually. The investment rate included a 3.75 percent inflation assumption. The actuarial value of assets, if any was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009, 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, 2011 were \$668,619, which consisted of \$560,719 from the County and \$107,900 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, 2011, the County made contributions to the State for death benefits of \$17,531. 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 \$583,691; \$559,310 has been incurred as of June 30, 2011 and the remaining \$24,381 is reported as liability within the Solid Waste Management Fund at June 30, 2011. 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/Unearned Revenues

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

Government-wide statements:

	<u>Unearned or Deferred Revenues</u>	<u>Full Accrual Unearned Revenues</u>
Prepaid taxes not earned (General)	\$ 212,755	\$ 212,755
Prepaid taxes not earned (Special Revenue)	7,231	7,231
Taxes receivable, net (General)	1,643,032	-
Taxes receivable, net (Special Revenue)	120,506	-
Accounts receivable, net (General)	<u>49</u>	<u>-</u>
	<u>\$ 1,983,573</u>	<u>\$ 219,986</u>

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 Assets. All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit, and taxing power of the County. Principal and interest payments are appropriated when due.

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

II. DETAIL NOTES ON ALL FUNDS (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, 2011:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Current portion of balance
Governmental activities:					
General obligation bonds	\$ 5,085,000	\$ -	\$ 2,800,000	\$ 2,285,000	\$ 1,550,000
Certificates of participation	50,165,000	-	1,310,000	48,855,000	2,480,000
Installment notes payable	25,448,160	-	282,526	25,165,634	851,525
Unamortized bond premium	1,289,983	-	82,903	1,207,080	-
Unfunded pension liability	104,806	62,164	39,863	127,107	-
Net OPEB obligation	2,585,423	1,059,457	286,785	3,358,095	-
Accrued arbitrage rebate	108,239	-	108,239	-	-
Compensated absences	1,420,283	1,487,534	1,403,836	1,503,981	1,400,000
Total governmental activities	\$ 86,206,894	\$ 2,609,155	\$ 6,314,152	\$ 82,501,897	\$ 6,281,525
Business-type activities:					
Net OPEB obligation	\$ 54,424	\$ 19,310	\$ -	\$ 73,734	\$ -
Compensated absences	33,935	28,734	31,899	30,770	28,500
Total business-type activities	\$ 88,359	\$ 48,044	\$ 31,899	\$ 104,504	\$ 28,500

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

2. Certificates of Participation

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

Amount	Original Issue		Payment Information		Outstanding Balance	Purpose and Collateral
	Date	Rate	Period	Amount		
\$ 26,220,000	January 2004	2.00% - 5.25%	Annual	\$ 500,000 - 1,720,000	\$ 22,300,000	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	26,555,000	Construct middle school, addition at alternative school, renovations and repairs for community college; and park construction; secured by real estate
Total certificates of participation					\$ 48,855,000	

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 (continued)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	2,480,000	2,217,676
2013	3,205,000	2,104,332
2014	3,105,000	1,984,708
2015	3,025,000	1,860,507
2016	3,025,000	1,742,938
2017-2021	15,565,000	6,544,713
2022-2026	14,060,000	2,767,444
2027-2028	<u>4,390,000</u>	<u>299,069</u>
Total	<u>\$ 48,855,000</u>	<u>\$ 19,521,387</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	\$ 985,000
\$25,000,000 School bonds series 1998, issued April 1998; interest at 4.80% to 5.00%; due serially to 2012	<u>1,300,000</u>
	<u>\$ 2,285,000</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>
2012	1,550,000	105,980
2013	250,000	30,980
2014	250,000	20,730
2015	<u>235,000</u>	<u>10,105</u>
Total	<u>\$ 2,285,000</u>	<u>\$ 167,795</u>

4. Installment Notes Payable

<u>Original Issue</u>			<u>Payment Information</u>		<u>Outstanding</u>	<u>Purpose and Collateral</u>
<u>Amount</u>	<u>Date</u>	<u>Rate</u>	<u>Period</u>	<u>Amount</u>	<u>Balance</u>	
				\$13,889 +		
\$ 2,500,000	January 2003	3.96%	Monthly	interest	\$ 1,097,268	Telecommunications School
1,622,021	August 2008	0.00%	Annual	115,859	1,390,303	School QZAB
12,000,000	May 2010	6.40%	Annual	Principal	12,000,000	RZEDB - Lee County High School
6,678,064	May 2010	6.40%	Annual	Principal	6,678,063	QSCB - Lee County High School
4,000,000	May 2010	6.40%	Annual	Principal	<u>4,000,000</u>	QZAB - Lee County High School
Total installment notes payable					<u>\$ 25,165,634</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 (Continued)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	851,525	1,492,480
2013	1,580,525	1,449,444
2014	1,678,525	1,359,753
2015	1,771,525	1,263,791
2016	2,003,525	1,161,878
2017-2021	9,559,228	4,079,482
2022-2025	7,720,781	1,258,576
Total	<u>\$ 25,165,634</u>	<u>\$ 12,065,404</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, 2011, the balance of this debt was \$675,000, and debt service payments made by the City of Sanford totaled \$95,735.

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, 2010, Lee County has a legal debt margin of \$305,904,892.

N. Joint Ventures

The County, in conjunction with seven other county governments (Anson, Harnett, Hoke, Montgomery, Moore, Randolph, and Richmond) participates in a joint venture to operate The Sandhills Center for Mental Health, Developmental Disabilities, and Substance Abuse Services (Center). The Center operates units in each of the counties to provide services to residents who are in need of assistance for either mental health, developmental disabilities, or alcohol or drug-related problems. Each participating government appoints members to the Center's twenty-five member governing board, with Lee County appointing two. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. The County contributed \$240,000 to the Center during the fiscal year ended June 30, 2011. 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, 2011. Complete financial statements for the Center can be obtained from the Center's office in West End, North Carolina 27376.

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

N. Joint Ventures (Continued)

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, 2011. 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, 2011. 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 \$2,218,259 to the community college for operating purposes and \$189,070 for capital outlay purposes during the fiscal year ended June 30, 2011. 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, 2011. Complete financial statements for the community college may be obtained from the community college's business office at 1105 Kelly Drive, Sanford, NC 27330.

The County, in conjunction with the City of Sanford and the Town of Broadway, participates in the Lee County Economic Development Corporation. Lee County appoints five members to the eleven-member board. The Economic Development Corporation is a joint venture established to facilitate economic expansion within the County. The County has an ongoing financial responsibility for the Corporation because the Corporation's continued existence depends on the participating governments' continued funding. The County contributed \$2,088,519 to the Corporation during the fiscal year ended June 30, 2011. 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, 2011. Financial reports for the Corporation can be obtained from the Corporation's administrative office at 130 Wicker Street, 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 \$10,593 to the Council during the fiscal year ended June 30, 2011.

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

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, 2011, 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.

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 42,523,478	\$ 17,528,811
TANF	283,349	-
WIC	2,181,251	-
Other	627,342	302,842
State/County Special Assistance	<u>-</u>	<u>433,469</u>
	<u>\$ 45,615,420</u>	<u>\$ 18,265,122</u>

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, 2011. The original issue amount of such bonds totaled \$15,650,000. The amount of conduit debt outstanding at June 30, 2011 was not determinable and could not be reasonably estimated.

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

S. Interfund Balances and Activity

Transfers From / To Other Funds

Transfers to/from other funds at June 30, 2011 consist of the following:

From the General Fund to the Capital Projects Outlay Fund to accumulate resources for future capital projects	\$ (350,000)
From the General Fund to the Industrial Park Project Fund to provide local resources for the capital project	(920,000)
From the Emergency Telephone System Fund to the General Fund to cover E911 related costs	3,000
From the Drug Seizure Fund to the General Fund for Sheriff Department capital outlay	13,535
From the Capital Projects Outlay fund to the General Fund for debt service	795,116
From the Fire Districts Fund to the General Fund to cover Fire Marshal operating expenses	290,025
From the Middle School Project Fund to the General Fund for debt service	735,867
From the Floyd L Knight Addition Fund to the General Fund for debt service	102,151
From the CCCC 2006 COPS Capital Project Fund to the General Fund for debt service	<u>108,734</u>
General Fund transfers, net	<u>\$ 778,428</u>

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REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance and Notes
- 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)
12-31-01	\$104,506	\$ 244,688	\$ 140,182	42.71%	\$ 1,177,544	11.90%
12-31-02	115,959	273,147	157,188	42.45%	1,238,198	12.69%
12-31-03	122,970	272,577	149,607	45.11%	1,228,996	12.17%
12-31-04	118,944	424,500	301,556	28.29%	1,101,201	27.38%
12-31-05	93,070	397,759	304,689	23.40%	1,287,341	23.67%
12-31-06	54,176	443,657	389,481	12.21%	1,560,025	24.97%
12-31-07	8,739	417,290	408,551	2.09%	1,604,079	25.47%
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%

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>
2002	\$ 21,619	\$ 9,187	42.5%
2003	24,113	9,187	38.1%
2004	26,364	14,428	54.7%
2005	25,917	38,506	148.6%
2006	33,655	42,165	125.3%
2007	31,418	11,297	36.0%
2008	42,412	36,430	85.9%
2009	45,005	29,206	64.9%
2010	44,789	43,794	97.8%
2011	62,535	39,863	63.7%

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, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.5% to 12.3%
*Includes inflation at	3.75%
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%

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%

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, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate increases (decreases)	
Pre-Medicare trend rate	10.50% - 5.0%
Post-Medicare trend rate	9.0% - 5.0%
*Includes inflation at	3.75%
Year of Ultimate trend rate	2017

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ 34,945,750	\$ 36,256,130	\$ 1,310,380
Penalties and interest	175,000	218,138	43,138
	<u>35,120,750</u>	<u>36,474,268</u>	<u>1,353,518</u>
Local option sales taxes:			
Article 39 one percent	3,427,860	3,434,884	7,024
Article 40 one-half of one percent	1,908,449	1,990,209	81,760
Article 42 one-half of one percent	2,024,211	2,048,651	24,440
Article 44 one-half of one percent	-	8,863	8,863
Article 46 one-quarter of one percent	1,224,000	1,352,735	128,735
	<u>8,584,520</u>	<u>8,835,342</u>	<u>250,822</u>
Other taxes and licenses:			
Deed stamp excise tax	150,000	110,507	(39,493)
Privilege licenses	2,500	3,865	1,365
Rental vehicle tax	35,000	52,911	17,911
Cable TV franchise tax	198,000	188,705	(9,295)
	<u>385,500</u>	<u>355,988</u>	<u>(29,512)</u>
Unrestricted intergovernmental:			
Beer and wine tax	20,000	62,252	42,252
Federal bond interest subsidy	976,830	976,831	1
	<u>996,830</u>	<u>1,039,083</u>	<u>42,253</u>
Restricted intergovernmental:			
Federal and state grants	11,000,902	10,361,707	(639,195)
Court facility fees	117,357	89,308	(28,049)
ABC bottles taxes	15,000	14,990	(10)
Public School Building Capital Fund-Lottery	1,823,367	1,108,221	(715,146)
	<u>12,956,626</u>	<u>11,574,226</u>	<u>(1,382,400)</u>
Permits and fees:			
Register of Deeds	262,000	245,800	(16,200)
Sales and services:			
Rents, concessions, and fees	408,914	432,008	23,094
Jail fees	166,345	183,789	17,444
Vehicle tax collection fees	13,000	15,855	2,855
Health department fees	363,269	462,610	99,341
Other sales and services	915,202	908,782	(6,420)
	<u>1,866,730</u>	<u>2,003,044</u>	<u>136,314</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Revenues: (Continued)			
Investment earnings	\$ 150,000	\$ 99,811	\$ (50,189)
Miscellaneous	295,028	400,478	105,450
Total revenues	<u>60,617,984</u>	<u>61,028,040</u>	<u>410,056</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	92,316	91,173	1,143
Operating expenditures	91,073	73,929	17,144
	<u>183,389</u>	<u>165,102</u>	<u>18,287</u>
Administration:			
Salaries and employee benefits	545,483	544,423	1,060
Operating expenditures	54,313	44,445	9,868
	<u>599,796</u>	<u>588,868</u>	<u>10,928</u>
Human resources:			
Salaries and employee benefits	211,535	210,052	1,483
Operating expenditures	43,630	24,234	19,396
	<u>255,165</u>	<u>234,286</u>	<u>20,879</u>
Finance:			
Salaries and employee benefits	322,774	320,115	2,659
Operating expenditures	18,802	13,641	5,161
Professional services	58,200	54,141	4,059
Capital outlay	1,600	1,615	(15)
	<u>401,376</u>	<u>389,512</u>	<u>11,864</u>
Internal Services:			
Operating expenditures	366,824	343,348	23,476
	<u>366,824</u>	<u>343,348</u>	<u>23,476</u>
Tax administration:			
Salaries and employee benefits	840,692	820,621	20,071
Operating expenditures	116,625	94,848	21,777
Contracted services	74,250	47,014	27,236
Professional services	247,296	238,700	8,596
Capital outlay	5,336	4,692	644
	<u>1,284,199</u>	<u>1,205,875</u>	<u>78,324</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, 2011

	<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	\$ 325,103	\$ 323,485	\$ 1,618
Operating expenditures	39,254	35,622	3,632
	<u>364,357</u>	<u>359,107</u>	<u>5,250</u>
Court facilities:			
Operating expenditures	8,844	4,222	4,622
Capital outlay	108	-	108
	<u>8,952</u>	<u>4,222</u>	<u>4,730</u>
Elections:			
Salaries and employee benefits	127,107	122,228	4,879
Operating expenditures	87,834	74,604	13,230
Capital outlay	9,400	7,779	1,621
	<u>224,341</u>	<u>204,611</u>	<u>19,730</u>
Register of deeds:			
Salaries and employee benefits	262,069	259,256	2,813
Operating expenditures	112,160	104,094	8,066
	<u>374,229</u>	<u>363,350</u>	<u>10,879</u>
Information technology:			
Salaries and employee benefits	297,723	296,700	1,023
Operating expenditures	246,597	211,993	34,604
Contracted services	269,150	250,668	18,482
Capital outlay	100,897	100,897	-
	<u>914,367</u>	<u>860,258</u>	<u>54,109</u>
Information technology - PEG channel:			
Operating expenditures	37,761	35,928	1,833
Capital outlay	66,363	66,363	-
	<u>104,124</u>	<u>102,291</u>	<u>1,833</u>
Buildings and grounds:			
Salaries and employee benefits	1,356,311	1,325,659	30,652
Operating expenditures	1,060,795	973,087	87,708
Capital outlay	206,961	94,627	112,334
	<u>2,624,067</u>	<u>2,393,373</u>	<u>230,694</u>
Total general government	<u>7,705,186</u>	<u>7,214,203</u>	<u>490,983</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Expenditures: (Continued)			
Public safety:			
Sheriff :			
Salaries and employee benefits	\$ 3,613,222	\$ 3,533,917	\$ 79,305
Operating expenditures	715,858	693,096	22,762
Capital outlay	342,181	338,393	3,788
	<u>4,671,261</u>	<u>4,565,406</u>	<u>105,855</u>
Jail:			
Salaries and employee benefits	1,315,805	1,287,771	28,034
Operating expenditures	792,681	702,766	89,915
Capital outlay	76,721	41,144	35,577
	<u>2,185,207</u>	<u>2,031,681</u>	<u>153,526</u>
E911 Service	<u>208,548</u>	<u>208,548</u>	<u>-</u>
State fire control contribution	<u>86,685</u>	<u>67,563</u>	<u>19,122</u>
Inspections:			
Contracted services	<u>65,983</u>	<u>17,970</u>	<u>48,013</u>
Medical examiner:			
Professional services	<u>32,000</u>	<u>27,800</u>	<u>4,200</u>
Juvenile detention	<u>65,000</u>	<u>37,013</u>	<u>27,987</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	121,064	115,667	5,397
Operating expenditures	142,287	382,075	(239,788)
Capital outlay	46,774	9,760	37,014
	<u>310,125</u>	<u>507,502</u>	<u>(197,377)</u>
Fire Marshall:			
Salaries and employee benefits	203,283	197,906	5,377
Operating expenditures	77,888	64,701	13,187
Capital outlay	11,000	8,230	2,770
	<u>292,171</u>	<u>270,837</u>	<u>21,334</u>
Total public safety	<u>8,455,820</u>	<u>8,273,060</u>	<u>182,760</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, 2011

	<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	\$ 180,619	\$ 180,398	\$ 221
Operating expenditures	<u>2,791,853</u>	<u>2,088,519</u>	<u>703,334</u>
	<u>2,972,472</u>	<u>2,268,917</u>	<u>703,555</u>
Planning and zoning:			
Contracted services	<u>377,108</u>	<u>377,108</u>	<u>-</u>
Agricultural extension:			
Salaries and employee benefits	171,293	158,143	13,150
Operating expenditures	<u>30,996</u>	<u>20,204</u>	<u>10,792</u>
	<u>202,289</u>	<u>178,347</u>	<u>23,942</u>
Conservation:			
Salaries and employee benefits	95,280	94,154	1,126
Operating expenditures	<u>13,842</u>	<u>11,678</u>	<u>2,164</u>
	<u>109,122</u>	<u>105,832</u>	<u>3,290</u>
Total economic and physical development	<u>3,660,991</u>	<u>2,930,204</u>	<u>730,787</u>
Human services:			
Health:			
Administration:			
Salaries and employee benefits	553,663	532,201	21,462
Operating expenditures	45,371	32,054	13,317
Contracted services	14,071	8,593	5,478
Capital outlay	<u>3,750</u>	<u>2,775</u>	<u>975</u>
	<u>616,855</u>	<u>575,623</u>	<u>41,232</u>
Maternal health:			
Salaries and employee benefits	167,658	125,770	41,888
Operating expenditures	<u>52,411</u>	<u>39,669</u>	<u>12,742</u>
	<u>220,069</u>	<u>165,439</u>	<u>54,630</u>
Child health:			
Salaries and employee benefits	55,739	51,911	3,828
Operating expenditures	<u>14,558</u>	<u>9,205</u>	<u>5,353</u>
	<u>70,297</u>	<u>61,116</u>	<u>9,181</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, 2011

	<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	\$ 53,619	\$ 54,164	\$ (545)
Operating expenditures	18,719	17,945	774
	<u>72,338</u>	<u>72,109</u>	<u>229</u>
Health promotion:			
Salaries and employee benefits	102,934	101,933	1,001
Operating expenditures	26,071	16,274	9,797
	<u>129,005</u>	<u>118,207</u>	<u>10,798</u>
WIC - Client services:			
Salaries and employee benefits	218,072	197,045	21,027
Operating expenditures	47,523	11,554	35,969
Capital outlay	11,458	9,427	2,031
	<u>277,053</u>	<u>218,026</u>	<u>59,027</u>
Family planning:			
Salaries and employee benefits	133,124	134,223	(1,099)
Operating expenditures	58,044	55,038	3,006
	<u>191,168</u>	<u>189,261</u>	<u>1,907</u>
Animal control:			
Salaries and employee benefits	194,512	187,523	6,989
Operating expenditures	70,671	57,317	13,354
Capital outlay	3,470	3,305	165
	<u>268,653</u>	<u>248,145</u>	<u>20,508</u>
Environmental health:			
Salaries and employee benefits	388,076	381,361	6,715
Operating expenditures	28,112	18,513	9,599
	<u>416,188</u>	<u>399,874</u>	<u>16,314</u>
Aids control:			
Salaries and employee benefits	49,892	50,757	(865)
Operating expenditures	1,234	-	1,234
	<u>51,126</u>	<u>50,757</u>	<u>369</u>
Bioterrorism:			
Salaries and employee benefits	34,313	36,034	(1,721)
Operating expenditures	8,940	1,939	7,001
Capital outlay	5,200	5,198	2
	<u>48,453</u>	<u>43,171</u>	<u>5,282</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Expenditures: (Continued)			
Human services: (Continued)			
Health: (Continued)			
H1N1			
Salaries and employee benefits	\$ 27,000	\$ -	\$ 27,000
Operating expenditures	33,000	8,107	24,893
Capital outlay	20,000	2,206	17,794
	<u>80,000</u>	<u>10,313</u>	<u>69,687</u>
WIC - Breastfeeding:			
Salaries and employee benefits	14,152	13,989	163
Operating expenditures	8,783	5,345	3,438
	<u>22,935</u>	<u>19,334</u>	<u>3,601</u>
Child service coordinator:			
Salaries and employee benefits	71,319	67,297	4,022
Operating expenditures	4,563	2,287	2,276
	<u>75,882</u>	<u>69,584</u>	<u>6,298</u>
Communicable diseases:			
Salaries and employee benefits	153,187	154,872	(1,685)
Operating expenditures	19,545	15,511	4,034
	<u>172,732</u>	<u>170,383</u>	<u>2,349</u>
Breast/cervical cancer control:			
Salaries and employee benefits	9,578	6,732	2,846
Operating expenditures	11,147	4,391	6,756
	<u>20,725</u>	<u>11,123</u>	<u>9,602</u>
Immunizations:			
Salaries and employee benefits	54,423	51,518	2,905
Operating expenditures	11,160	4,917	6,243
	<u>65,583</u>	<u>56,435</u>	<u>9,148</u>
WIC - General administration:			
Salaries and employee benefits	10,368	9,831	537
Operating expenditures	6,497	917	5,580
	<u>16,865</u>	<u>10,748</u>	<u>6,117</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Expenditures: (Continued)			
Human services: (Continued)			
Health: (Continued)			
WIC - Nutrition education:			
Salaries and employee benefits	\$ 47,539	\$ 45,192	\$ 2,347
Operating expenditures	20,988	3,577	17,411
	<u>68,527</u>	<u>48,769</u>	<u>19,758</u>
Total health	<u>2,884,454</u>	<u>2,538,417</u>	<u>346,037</u>
Social services:			
Social services - administration:			
Salaries and employee benefits	4,877,539	4,709,618	167,921
Operating expenditures	644,161	565,158	79,003
Contracted services	126,822	96,073	30,749
Professional services	107,168	47,850	59,318
Capital outlay	43,829	40,098	3,731
	<u>5,799,519</u>	<u>5,458,797</u>	<u>340,722</u>
Social services - programs	<u>4,203,026</u>	<u>3,536,603</u>	<u>666,423</u>
Total social services	<u>10,002,545</u>	<u>8,995,400</u>	<u>1,007,145</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	451,252	450,268	984
Operating expenditures	210,320	208,408	1,912
Capital outlay	14,315	14,315	-
	<u>675,887</u>	<u>672,991</u>	<u>2,896</u>
Senior services - general:			
Salaries and employee benefits	567,201	556,628	10,573
Operating expenditures	181,454	150,247	31,207
Contracted services	136,082	122,280	13,802
Capital outlay	4,174	4,181	(7)
	<u>888,911</u>	<u>833,336</u>	<u>55,575</u>
Johnston-Lee Community Action	<u>13,440</u>	<u>13,440</u>	<u>-</u>
HAVEN	<u>12,000</u>	<u>12,000</u>	<u>-</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Expenditures: (Continued)			
Human services: (Continued)			
Helping Hand Clinic	\$ 5,000	\$ 5,000	\$ -
Boys and Girls Club of Sanford/Lee County	20,000	20,000	-
Youth services:			
Salaries and employee benefits	110,483	110,088	395
Operating expenditures	24,766	19,094	5,672
	<u>135,249</u>	<u>129,182</u>	<u>6,067</u>
Hillcrest:			
Salaries and employee benefits	294,825	232,242	62,583
Operating expenditures	45,189	21,078	24,111
	<u>340,014</u>	<u>253,320</u>	<u>86,694</u>
Pretrial release			
Salaries and employee benefits	61,579	61,913	(334)
Operating expenditures	7,861	4,031	3,830
Capital outlay	3,000	-	3,000
	<u>72,440</u>	<u>65,944</u>	<u>6,496</u>
WIA - Youth Employment			
Salaries and employee benefits	91,883	82,275	9,608
Operating expenditures	111,318	74,832	36,486
Capital outlay	-	-	-
	<u>203,201</u>	<u>157,107</u>	<u>46,094</u>
Emergency and contingency	82,507	34,471	48,036
Total human services	<u>15,585,648</u>	<u>13,980,608</u>	<u>1,605,040</u>
Education:			
Lee County Board of Education:			
Current appropriation	15,178,050	15,178,050	-
Capital outlay	2,427,198	1,727,416	699,782
Central Carolina Community College:			
Current appropriation	2,271,769	2,271,769	-
Capital outlay	189,070	189,070	-
Total education	<u>20,066,087</u>	<u>19,366,305</u>	<u>699,782</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Expenditures: (Continued)			
Cultural and recreational:			
Parks and recreation:			
Salaries and employee benefits	\$ 792,280	\$ 766,383	\$ 25,897
Operating expenditures	334,327	307,154	27,173
Professional services	57,970	57,440	530
Capital outlay	88,715	36,499	52,216
	<u>1,273,292</u>	<u>1,167,476</u>	<u>105,816</u>
Libraries:			
Salaries and employee benefits	480,557	471,276	9,281
Operating expenditures	216,013	191,022	24,991
Capital outlay	3,300	3,173	127
	<u>699,870</u>	<u>665,471</u>	<u>34,399</u>
Temple Theater	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Arts Council	<u>2,400</u>	<u>2,400</u>	<u>-</u>
Total cultural and recreational	<u>1,987,562</u>	<u>1,847,347</u>	<u>140,215</u>
Debt service:			
Principal retirement	4,110,000	4,110,000	-
Interest and fees	4,096,537	4,094,994	1,543
Capital lease payments - principal	282,526	282,526	-
Capital lease payments - interest	47,700	47,031	669
Total debt service	<u>8,536,763</u>	<u>8,534,551</u>	<u>2,212</u>
Total expenditures	<u>65,998,057</u>	<u>62,146,278</u>	<u>3,851,779</u>
Revenues over (under) expenditures	<u>(5,380,073)</u>	<u>(1,118,238)</u>	<u>4,261,835</u>
Other financing sources (uses):			
Transfers from other funds:			
Special Revenue Funds	306,560	306,560	-
Capital Projects Fund	1,742,943	1,741,868	(1,075)
Transfers to other funds:			
Capital Projects Fund	<u>(1,270,000)</u>	<u>(1,270,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>779,503</u>	<u>778,428</u>	<u>(1,075)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(4,600,570)	(339,810)	4,260,760

(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, 2011

	<u>Budget</u>	<u>Actual</u>	Variance With Final Budget Over/(Under)
Expenditures: (Continued)			
Appropriated fund balance	\$ 4,600,570	\$ -	\$ (4,600,570)
Net change in fund balance	<u>\$ -</u>	(339,810)	<u>\$ (339,810)</u>
Fund balance, beginning of year		<u>16,170,806</u>	
Fund balance, end of year		<u>\$ 15,830,996</u>	

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MAJOR CAPITAL PROJECT FUND

Lee County High School Renovations Project Fund –
Accounts for the debt issuance and constructions costs for
renovations and additions at Lee County High School.

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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, 2011

	<u>Project Budget</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Current Year</u>	<u>Prior Years</u>	
Revenues:				
Investment earnings	\$ -	\$ 19,797	\$ 4,855	\$ 24,652
Expenditures:				
Capital outlay:				
Education	<u>22,677,688</u>	<u>13,702,012</u>	<u>1,878,976</u>	<u>15,580,988</u>
Revenues over (under) expenditures	<u>(22,677,688)</u>	<u>(13,682,215)</u>	<u>(1,874,121)</u>	<u>(15,556,336)</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>(13,682,215)</u>	<u>\$ 20,803,943</u>	<u>\$ 7,121,728</u>
Fund balance, beginning of year		<u>20,803,943</u>		
Fund balance, end of year		<u>\$ 7,121,728</u>		

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NONMAJOR GOVERNMENTAL FUNDS

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LEE COUNTY, NORTH CAROLINA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2011

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and investments	\$ 2,292,138	\$ 1,636,339	\$ 3,928,477
Taxes receivable - net	120,506	-	120,506
Accounts receivable - net	42,229	8,343	50,572
Accrued interest receivable	<u>4,387</u>	<u>1,598</u>	<u>5,985</u>
 Total assets	 <u>\$ 2,459,260</u>	 <u>\$ 1,646,280</u>	 <u>\$ 4,105,540</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 48,129	\$ 7,552	\$ 55,681
Deferred revenues	<u>127,737</u>	<u>-</u>	<u>127,737</u>
 Total liabilities	 <u>175,866</u>	 <u>7,552</u>	 <u>183,418</u>
Fund balances:			
Restricted:			
Stabilization by State Statute	48,955	10,363	59,318
Public Safety	1,515,112	-	1,515,112
Economic and Physical Development	39,887	-	39,887
Education	53,184	-	53,184
Committed:			
Economic and Physical Development	626,256	543,242	1,169,498
Education	-	250,302	250,302
Assigned			
Capital	<u>-</u>	<u>834,821</u>	<u>834,821</u>
 Total fund balances	 <u>2,283,394</u>	 <u>1,638,728</u>	 <u>3,922,122</u>
 Total liabilities and fund balances	 <u>\$ 2,459,260</u>	 <u>\$ 1,646,280</u>	 <u>\$ 4,105,540</u>

LEE COUNTY, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 2,428,838	\$ -	\$ 2,428,838
Other taxes and licenses	655,775	-	655,775
Restricted intergovernmental	111,695	147,692	259,387
Sales and services	39,872	-	39,872
Investment earnings	13,401	7,540	20,941
Other revenues	570	-	570
Total revenues	<u>3,250,151</u>	<u>155,232</u>	<u>3,405,383</u>
Expenditures:			
Current:			
Public safety	2,627,580	-	2,627,580
Economic and physical development	194,400	1,988,143	2,182,543
Education	197,857	25,038	222,895
Total expenditures	<u>3,019,837</u>	<u>2,013,181</u>	<u>5,033,018</u>
Revenues over (under) expenditures	<u>230,314</u>	<u>(1,857,949)</u>	<u>(1,627,635)</u>
Other financing sources (Uses):			
Transfers from other funds	-	920,000	920,000
Transfers to other funds	<u>(306,560)</u>	<u>(1,391,868)</u>	<u>(1,698,428)</u>
Total other financing sources (uses)	<u>(306,560)</u>	<u>(471,868)</u>	<u>(778,428)</u>
Net change in fund balances	(76,246)	(2,329,817)	(2,406,063)
Fund balance, beginning of year	<u>2,359,640</u>	<u>3,968,545</u>	<u>6,328,185</u>
Fund balance, end of year	<u>\$ 2,283,394</u>	<u>\$ 1,638,728</u>	<u>\$ 3,922,122</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 GoldenLeaf Foundation grant.

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LEE COUNTY, NORTH CAROLINA
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2011

	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	\$ 272,859	\$ 53,184	\$ 1,222,422	\$ 626,256	\$ 77,530	\$ 39,887	\$ 2,292,138
Taxes receivable - net	108,820	-	-	11,686	-	-	120,506
Accounts receivable	-	-	39,709	-	2,520	-	42,229
Accrued interest receivable	522	102	2,340	1,199	148	76	4,387
Total assets	\$ 382,201	\$ 53,286	\$ 1,264,471	\$ 639,141	\$ 80,198	\$ 39,963	\$ 2,459,260
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 43,978	\$ -	\$ 4,151	\$ -	\$ 48,129
Deferred revenues	116,051	-	-	11,686	-	-	127,737
Total liabilities	116,051	-	43,978	11,686	4,151	-	175,866
Fund balances:							
Restricted							
Stabilization by State Statute	522	102	42,049	1,199	5,007	76	48,955
Public Safety	265,628	-	1,178,444	-	71,040	-	1,515,112
Economic and Physical Development	-	-	-	-	-	39,887	39,887
Education	-	53,184	-	-	-	-	53,184
Committed:							
Economic and Physical Development	-	-	-	626,256	-	-	626,256
Total fund balances	266,150	53,286	1,220,493	627,455	76,047	39,963	2,283,394
Total liabilities and fund balances	\$ 382,201	\$ 53,286	\$ 1,264,471	\$ 639,141	\$ 80,198	\$ 39,963	\$ 2,459,260

LEE COUNTY, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	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	\$ 2,240,442	-	\$ -	\$ 188,396	-	\$ -	\$ 2,428,838
Other taxes and licenses	-	179,264	476,511	-	-	-	655,775
Restricted intergovernmental	-	-	-	-	111,695	-	111,695
Sales and services	-	-	-	-	-	39,872	39,872
Miscellaneous	-	-	-	-	570	-	570
Investment earnings	904	361	7,701	3,825	519	91	13,401
Total revenues	<u>2,241,346</u>	<u>179,625</u>	<u>484,212</u>	<u>192,221</u>	<u>112,784</u>	<u>39,963</u>	<u>3,250,151</u>
Expenditures:							
Current:							
General government:							
Public safety	1,980,633	-	549,967	-	96,980	-	2,627,580
Economic and physical development	-	-	-	194,400	-	-	194,400
Education	-	197,857	-	-	-	-	197,857
Total expenditures	<u>1,980,633</u>	<u>197,857</u>	<u>549,967</u>	<u>194,400</u>	<u>96,980</u>	<u>-</u>	<u>3,019,837</u>
Revenues over (under) expenditures	<u>260,713</u>	<u>(18,232)</u>	<u>(65,755)</u>	<u>(2,179)</u>	<u>15,804</u>	<u>39,963</u>	<u>230,314</u>
Other financing sources (uses):							
Transfers in (out):							
General Fund	(290,025)	-	(3,000)	-	(13,535)	-	(306,560)
Total other financing sources (uses)	<u>(290,025)</u>	<u>-</u>	<u>(3,000)</u>	<u>-</u>	<u>(13,535)</u>	<u>-</u>	<u>(306,560)</u>
Net changes in fund balances	(29,312)	(18,232)	(68,755)	(2,179)	2,269	39,963	(76,246)
Fund balances, beginning of year	<u>295,462</u>	<u>71,518</u>	<u>1,289,248</u>	<u>629,634</u>	<u>73,778</u>	<u>-</u>	<u>2,359,640</u>
Fund balances, end of year	<u>\$ 266,150</u>	<u>\$ 53,286</u>	<u>\$ 1,220,493</u>	<u>\$ 627,455</u>	<u>\$ 76,047</u>	<u>\$ 39,963</u>	<u>\$ 2,283,394</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, 2011

	Budget	Actual	Variance With Final Budget Over/(Under)
Revenues:			
Ad valorem taxes:			
Current year	\$ 2,054,909	\$ 2,187,817	\$ 132,908
Prior years	-	52,625	52,625
Total ad valorem taxes	<u>2,054,909</u>	<u>2,240,442</u>	<u>185,533</u>
Investment earnings	-	904	904
Total revenues	<u>2,054,909</u>	<u>2,241,346</u>	<u>186,437</u>
Expenditures:			
Public safety	<u>1,980,884</u>	<u>1,980,633</u>	<u>251</u>
Revenues over (under) expenditures	74,025	260,713	186,688
Other financing sources (uses):			
Transfers in (out):			
General Fund	(290,025)	(290,025)	-
Special Revenue Fund	<u>(36,891)</u>	<u>-</u>	<u>36,891</u>
Total other financing sources (uses)	<u>(326,916)</u>	<u>(290,025)</u>	<u>36,891</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(252,891)	(29,312)	223,579
Appropriated fund balance	<u>252,891</u>	-	<u>(252,891)</u>
Net change in fund balance	<u>\$ -</u>	(29,312)	<u>\$ (29,312)</u>
Fund balance, beginning of year		<u>295,462</u>	
Fund balance, end of year		<u>\$ 266,150</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, 2011

	Budget	Actual	Variance With Final Budget Over/(Under)
Revenues:			
Other taxes and licenses:			
Room occupancy tax	\$ 158,000	\$ 179,264	\$ 21,264
Investment earnings	-	361	361
	158,000	179,625	21,625
Total revenues			
Expenditures:			
Education - CCCC appropriation	197,857	197,857	-
	(39,857)	(18,232)	21,625
Revenues over (under) expenditures			
Appropriated fund balance	39,857	-	(39,857)
Net change in fund balance	\$ -	(18,232)	\$ (18,232)
Fund balance, beginning of year		71,518	
Fund balance, end of year		\$ 53,286	

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, 2011

	Budget	Actual	Variance With Final Budget Over/(Under)
Revenues:			
Other taxes and licenses	\$ 476,511	\$ 476,511	\$ -
Investment earnings	3,159	7,701	4,542
Total revenues	479,670	484,212	4,542
Expenditures:			
Public safety	706,670	549,967	156,703
Revenues over (under) expenditures	(227,000)	(65,755)	161,245
Other financing sources (uses):			
Transfers in (out):			
General Fund	(3,000)	(3,000)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(230,000)	(68,755)	161,245
Appropriated fund balance	230,000	-	(230,000)
Net change in fund balance	\$ -	(68,755)	\$ (68,755)
Fund balance, beginning of year		1,289,248	
Fund balance, end of year		\$ 1,220,493	

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 172,520	\$ 186,045	\$ 13,525
Prior years	<u>-</u>	<u>2,351</u>	<u>2,351</u>
Total ad valorem taxes	<u>172,520</u>	<u>188,396</u>	<u>15,876</u>
Investment earnings	<u>-</u>	<u>3,825</u>	<u>3,825</u>
Total revenues	<u>172,520</u>	<u>192,221</u>	<u>19,701</u>
Expenditures:			
Economic and physical development	<u>194,400</u>	<u>194,400</u>	<u>-</u>
Revenues over (under) expenditures	(21,880)	(2,179)	<u>\$ 19,701</u>
Appropriated fund balance	<u>21,880</u>	<u>-</u>	<u>(21,880)</u>
Net change in fund balance	<u>\$ -</u>	<u>(2,179)</u>	<u>\$ (2,179)</u>
Fund balance, beginning of year		<u>629,634</u>	
Fund balance, end of year		<u>\$ 627,455</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, 2011

	Budget	Actual	Variance With Final Budget Over/(Under)
Revenues:			
Intergovernmental revenues	\$ 38,211	\$ 111,695	\$ 73,484
Miscellaneous revenues	-	570	570
Investment earnings	-	519	519
Total revenues	38,211	112,784	74,573
Expenditures:			
Public safety	105,373	96,980	8,393
Revenues over (under) expenditures	(67,162)	15,804	82,966
Other financing sources (uses):			
Transfers in (out):			
General Fund	(13,535)	(13,535)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(80,697)	2,269	82,966
Appropriated fund balance	80,697	-	(80,697)
Net change in fund balance	\$ -	2,269	\$ 2,269
Fund balance, beginning of year		73,778	
Fund balance, end of year		\$ 76,047	

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Revenues:			
Sales and services	\$ -	\$ 39,872	\$ 39,872
Investment earnings	<u>-</u>	<u>91</u>	<u>91</u>
Total revenues	<u>-</u>	<u>39,963</u>	<u>39,963</u>
Net change in fund balance	<u>\$ -</u>	39,963	<u>\$ 39,963</u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year		<u>\$ 39,963</u>	

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
- *Industrial Park Expansion Fund* – Accounts for the costs associated with the expansion of Lee County's Industrial Park.
- *Tramway Road Park Fund* – Accounts for the costs of the construction a new park facility located on Tramway Road.
- *Makepeace Street Office Expansion Fund* – Accounts for the costs of expanding the Makepeace Street Office.
- *Middle School Project Fund* – Accounts for the costs associated with the construction of a new middle school
- *Floyd L. Knight Addition Fund* – Accounts for the costs of adding a multipurpose gym room to the Floyd L. Knight School.
- *CCCC 2006 COPS Capital Project Fund* – Accounts for the costs associated with renovations and repairs at Central Carolina Community College and Dennis Wicker Civic Center.
- *QZAB School Project Fund* – Accounts for the cost associated with renovations and repairs at various Lee County Schools financed by Qualified Zone Academy Bonds.
- *San-Lee Dam Project Fund* – Accounts for costs of repairing the dam located at San-Lee Park.
- *Fiscal Year 2008 Community Development Block Grant Fund* – Accounts for State funds used to renovate housing.

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LEE COUNTY, NORTH CAROLINA
Combining Balance Sheet - Normajor Capital Project Funds
June 30, 2011

	Capital Projects Outlay Fund	Industrial Park Expansion Fund	Tramway Road Park Fund	Makepeace Street Office Expansion Fund	Middle School Project Fund	Floyd L. Knight Addition Fund	CCCC-2006 COPS Capital Project Fund	QZAB School Project Fund	San-Lee Dam Project Fund	Fiscal Year 2008 Community Development Block Grant Fund	Totals
Assets											
Cash and investments	\$ 834,821	\$ 1,075	\$ 153,780	\$ 297,256	\$ 210,788	\$ 39,280	\$ 34	\$ 200	\$ 98,131	\$ 974	\$ 1,636,339
Accounts receivable - net	-	105	1,382	-	-	-	-	-	6,856	-	8,343
Accrued interest receivable	1,598	-	-	-	-	-	-	-	-	-	1,598
Total assets	<u>\$ 836,419</u>	<u>\$ 1,180</u>	<u>\$ 155,162</u>	<u>\$ 297,256</u>	<u>\$ 210,788</u>	<u>\$ 39,280</u>	<u>\$ 34</u>	<u>\$ 200</u>	<u>\$ 104,987</u>	<u>\$ 974</u>	<u>\$ 1,646,280</u>
Liabilities and Fund Balances											
Liabilities:											
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,578	\$ 974	\$ 7,552
Total liabilities	-	-	-	-	-	-	-	-	6,578	974	7,552
Fund balances:											
Restricted:											
Stabilization by State Statute	1,598	105	1,804	-	-	-	-	-	6,856	-	10,363
Committed:											
Economic and Physical Development	-	1,075	153,358	297,256	-	-	-	-	91,553	-	543,242
Education	-	-	-	-	210,788	39,280	34	200	-	-	250,302
Assigned:											
Capital	834,821	-	-	-	-	-	-	-	-	-	834,821
Total fund balance (deficit)	<u>836,419</u>	<u>1,180</u>	<u>155,162</u>	<u>297,256</u>	<u>210,788</u>	<u>39,280</u>	<u>34</u>	<u>200</u>	<u>98,409</u>	<u>-</u>	<u>1,638,728</u>
Total liabilities and fund balances	<u>\$ 836,419</u>	<u>\$ 1,180</u>	<u>\$ 155,162</u>	<u>\$ 297,256</u>	<u>\$ 210,788</u>	<u>\$ 39,280</u>	<u>\$ 34</u>	<u>\$ 200</u>	<u>\$ 104,987</u>	<u>\$ 974</u>	<u>\$ 1,646,280</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, 2011

	Capital Projects Outlay Fund	Industrial Park Expansion Fund	Tramway Road Park Fund	Makepeace Street Office Expansion Fund	Middle School Project Fund	Floyd L. Knight Addition Fund	CCCC 2006 COPS Capital Project Fund	QZAB School Project Fund	San-Lee Dam Project Fund	Fiscal Year 2008 Community Development Block Grant Fund	Totals
Revenues:											
Restricted intergovernmental investment earnings	\$ 7,023	-	-	-	\$ 412	49	24	32	-	\$ 147,692	\$ 147,692
Total revenues	7,023	-	-	-	412	49	24	32	-	147,692	155,232
Expenditures:											
Capital outlay:											
Economic and physical development	-	1,004,638	13,640	-	-	-	-	-	822,173	147,692	1,988,143
Education	-	-	-	-	-	-	-	25,038	-	-	25,038
Total expenditures	-	1,004,638	13,640	-	-	-	-	25,038	822,173	147,692	2,013,181
Revenues over (under) expenditures	7,023	(1,004,638)	(13,640)	-	412	49	24	(25,006)	(822,173)	-	(1,857,949)
Other financing sources (uses)											
Transfers in (out):											
General Fund	(445,116)	920,000	-	-	(735,867)	(102,151)	(108,734)	-	-	-	(471,868)
Capital Project Fund	-	47,400	-	(47,400)	-	-	-	-	-	-	-
Total other financing sources (uses)	(445,116)	967,400	-	(47,400)	(735,867)	(102,151)	(108,734)	-	-	-	(471,868)
Net change in fund balances	(438,093)	(37,238)	(13,640)	(47,400)	(735,455)	(102,102)	(108,710)	(25,006)	(822,173)	-	(2,329,817)
Fund balances (deficit), beginning of year	1,274,512	38,418	168,802	344,656	946,243	141,382	108,744	25,206	920,582	-	3,968,545
Fund balances (deficit), end of year	\$ 836,419	\$ 1,180	\$ 155,162	\$ 297,256	\$ 210,788	\$ 39,280	\$ 34	\$ 200	\$ 98,409	\$ -	\$ 1,638,728

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, 2011

	Budget	Actual	Variance With Final Budget Over/(Under)
Revenues:			
Investment earnings	\$ -	\$ 7,023	\$ 7,023
Revenues over (under) expenditures	-	7,023	7,023
Other financing sources (uses):			
Transfers in (out):			
General Fund	350,000	350,000	-
General Fund	(795,116)	(795,116)	-
Total other financing sources (uses)	(445,116)	(445,116)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(445,116)	(438,093)	7,023
Appropriated fund balance	445,116	-	(445,116)
Net change in fund balance	\$ -	(438,093)	\$ (438,093)
Fund balance, beginning of year		1,274,512	
Fund balance, end of year		\$ 836,419	

LEE COUNTY, NORTH CAROLINA
Industrial Park Expansion Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2011

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ 71,739	\$ -	\$ 72,344	\$ 72,344
Other revenues	<u>107,000</u>	-	<u>107,000</u>	<u>107,000</u>
Total revenues	<u>178,739</u>	-	<u>179,344</u>	<u>179,344</u>
Expenditures:				
Capital outlay:				
Economic and physical development	<u>3,321,139</u>	<u>1,004,638</u>	<u>2,315,926</u>	<u>3,320,564</u>
Revenues over (under) expenditures	<u>(3,142,400)</u>	<u>(1,004,638)</u>	<u>(2,136,582)</u>	<u>(3,141,220)</u>
Other financing sources (uses):				
Transfers in (out):				
General Fund	960,000	920,000	40,000	960,000
Capital Project Fund	47,400	47,400	-	47,400
Enterprise Fund	700,000	-	700,000	700,000
Bond issuance	<u>1,435,000</u>	-	<u>1,435,000</u>	<u>1,435,000</u>
Total other financing sources (uses)	<u>3,142,400</u>	<u>967,400</u>	<u>2,175,000</u>	<u>3,142,400</u>
Net change in fund balance	<u>\$ -</u>	(37,238)	<u>\$ 38,418</u>	<u>\$ 1,180</u>
Fund balance, beginning of year		<u>38,418</u>		
Fund balance, end of year		<u>\$ 1,180</u>		

LEE COUNTY, NORTH CAROLINA
Tramway Road Park Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2011

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Restricted intergovernmental PARTF grant	\$ 750,000	\$ -	\$ 750,000	\$ 750,000
Investment earnings	-	-	37,164	37,164
Other revenues	<u>17,400</u>	-	<u>17,404</u>	<u>17,404</u>
Total revenues	<u>767,400</u>	<u>-</u>	<u>804,568</u>	<u>804,568</u>
Expenditures:				
Capital outlay:				
Cultural and recreational	<u>1,766,133</u>	<u>13,640</u>	<u>1,634,499</u>	<u>1,648,139</u>
Revenues over (under) expenditures	<u>(998,733)</u>	<u>(13,640)</u>	<u>(829,931)</u>	<u>(843,571)</u>
Other financing sources (uses):				
Certificates of participation issued	714,283	-	700,000	700,000
Original issuance premium	-	-	14,283	14,283
Transfers in (out):				
General Fund	<u>284,450</u>	-	<u>284,450</u>	<u>284,450</u>
Total other financing sources (uses)	<u>998,733</u>	<u>-</u>	<u>998,733</u>	<u>998,733</u>
Net change in fund balance	<u>\$ -</u>	(13,640)	<u>\$ 168,802</u>	<u>\$ 155,162</u>
Fund balance, beginning of year		<u>168,802</u>		
Fund balance, end of year		<u>\$ 155,162</u>		

LEE COUNTY, NORTH CAROLINA
Makepeace Street Office Expansion - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2011

	Project Budget	Current Year	Actual Prior Years	Total to Date
Expenditures:				
Capital outlay:				
Economic and physical development	\$ 318,400	\$ -	\$ 21,144	\$ 21,144
Revenues over (under) expenditures	<u>(318,400)</u>	<u>-</u>	<u>(21,144)</u>	<u>(21,144)</u>
Other financing sources (uses):				
Transfers in (out):				
General Fund	365,800	-	365,800	365,800
Capital Project Fund	<u>(47,400)</u>	<u>(47,400)</u>	<u>-</u>	<u>(47,400)</u>
Total other financing sources (uses)	<u>318,400</u>	<u>(47,400)</u>	<u>365,800</u>	<u>318,400</u>
Net change in fund balance	<u>\$ -</u>	(47,400)	<u>\$ 344,656</u>	<u>\$ 297,256</u>
Fund balance, beginning of year		<u>344,656</u>		
Fund balance, end of year		<u>\$ 297,256</u>		

LEE COUNTY, NORTH CAROLINA
Middle School Project Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2011

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ 996,380	\$ 412	\$ 1,139,220	\$ 1,139,632
Expenditures:				
Capital outlay:				
Education	22,877,003	-	22,877,001	22,877,001
Revenues over (under) expenditures	(21,880,623)	412	(21,737,781)	(21,737,369)
Other financing sources (uses):				
Transfers in (out):				
General Fund	(1,799,780)	(735,867)	(996,379)	(1,732,246)
Certificates of participation issued	23,680,403	-	22,925,000	22,925,000
Original issuance premium	-	-	755,403	755,403
Total other financing sources (uses)	21,880,623	(735,867)	22,684,024	21,948,157
Net change in fund balance	\$ -	(735,455)	\$ 946,243	\$ 210,788
Fund balance, beginning of year		946,243		
Fund balance, end of year		\$ 210,788		

LEE COUNTY, NORTH CAROLINA
Floyd L. Knight Addition Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2011

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ 101,606	\$ 49	\$ 102,033	\$ 102,082
Other revenues	-	-	38,800	38,800
Total revenues	<u>101,606</u>	<u>49</u>	<u>140,833</u>	<u>140,882</u>
Expenditures:				
Capital outlay:				
Education	<u>2,107,051</u>	-	<u>2,107,048</u>	<u>2,107,048</u>
Revenues over (under) expenditures	<u>(2,005,445)</u>	<u>49</u>	<u>(1,966,215)</u>	<u>(1,966,166)</u>
Other financing sources (uses):				
Transfers in (out):				
General Fund	(220,495)	(102,151)	(118,343)	(220,494)
Certificates of participation issued	2,225,940	-	2,185,000	2,185,000
Original issuance premium	-	-	40,940	40,940
Total other financing sources (uses)	<u>2,005,445</u>	<u>(102,151)</u>	<u>2,107,597</u>	<u>2,005,446</u>
Net change in fund balance	<u>\$ -</u>	<u>(102,102)</u>	<u>\$ 141,382</u>	<u>\$ 39,280</u>
Fund balance, beginning of year		<u>141,382</u>		
Fund balance, end of year		<u>\$ 39,280</u>		

LEE COUNTY, NORTH CAROLINA
CCCC 2006 COPS Capital Project Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2011

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ 201,704	\$ 24	\$ 201,710	\$ 201,734
Expenditures:				
Capital outlay:				
Education	2,593,683	-	2,593,680	2,593,680
Revenues over (under) expenditures	<u>(2,391,979)</u>	<u>24</u>	<u>(2,391,970)</u>	<u>(2,391,946)</u>
Other financing sources (uses):				
Transfers in (out):				
General Fund	(204,709)	(108,734)	(95,974)	(204,708)
Certificates of participation issued	2,596,688	-	2,545,000	2,545,000
Original issuance premium	-	-	51,688	51,688
Total other financing sources (uses)	<u>2,391,979</u>	<u>(108,734)</u>	<u>2,500,714</u>	<u>2,391,980</u>
Net change in fund balance	<u>\$ -</u>	<u>(108,710)</u>	<u>\$ 108,744</u>	<u>\$ 34</u>
Fund balance, beginning of year		<u>108,744</u>		
Fund balance, end of year		<u>\$ 34</u>		

LEE COUNTY, NORTH CAROLINA
QZAB School Project Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2011

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ 14,857	\$ 32	\$ 14,826	\$ 14,858
Expenditures:				
Capital outlay:				
Education	1,636,878	25,038	1,611,641	1,636,679
Revenues over (under) expenditures	(1,622,021)	(25,006)	(1,596,815)	(1,621,821)
Other financing sources (uses):				
Qualified Zone Academy Bonds issued	1,622,021	-	1,622,021	1,622,021
Net change in fund balance	<u>\$ -</u>	(25,006)	<u>\$ 25,206</u>	<u>\$ 200</u>
Fund balance, beginning of year		<u>25,206</u>		
Fund balance, end of year		<u>\$ 200</u>		

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, 2011

	Project Budget	Current Year	Actual Prior Years	Total to Date
Expenditures:				
Capital outlay:				
Economic and physical development	\$ 1,542,211	\$ 822,173	\$ 621,629	\$ 1,443,802
Revenues over (under) expenditures	(1,542,211)	(822,173)	(621,629)	(1,443,802)
Other financing sources (uses):				
Transfers in (out):				
General Fund	1,542,211	-	1,542,211	1,542,211
Net change in fund balance	<u>\$ -</u>	(822,173)	<u>\$ 920,582</u>	<u>\$ 98,409</u>
Fund balance, beginning of year		<u>920,582</u>		
Fund balance, end of year		<u>\$ 98,409</u>		

LEE COUNTY, NORTH CAROLINA
FY 2008 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, 2011

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues				
Restricted intergovernmental	\$ 400,000	\$ 147,692	\$ 252,308	\$ 400,000
Expenditures:				
Capital outlay:				
Economic and physical development	400,000	147,692	252,308	400,000
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year		-		
Fund balance, end of year		<u>\$ -</u>		

ENTERPRISE FUNDS

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

The following comprise the County's Enterprise Funds

- *Water and Sewer District #1 Fund* – accounts for activities related to providing and maintaining a water and sewer system for County residents within the District.
- *Water and Sewer District #1 Fund – N. Plank Road Project Fund* – is consolidated with the Water and Sewer District #1 Fund (the operating fund) for financial reporting purposes.
- *Solid Waste Management Fund* – Accounts for the operations of the County's solid waste activities.

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LEE COUNTY, NORTH CAROLINA
Water and Sewer District # 1 Fund - Schedule of Revenues and Expenditures -
Budget and Actual (non GAAP)
For the Year Ended June 30, 2011

	Budget	Actual	Variance With Final Budget Positive (Negative)
Other financing sources (uses):			
Transfers (to) from:			
Capital Project Fund	\$ 5,275	\$ 2,852	\$ 2,423
Revenues and other financing sources over (under) expenditures and other financing uses	(5,275)	(2,852)	2,423
Appropriated fund balance	5,275	-	(5,275)
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	\$ -	\$ (2,852)	\$ (2,852)

LEE COUNTY, NORTH CAROLINA
Water and Sewer District #1 - N. Plank Road Project Fund - Schedule of Revenues and Expenditures -
Budget and Actual (non GAAP)
From Inception and for the Year Ended June 30, 2011

	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Tap fees	\$ 26,766	5,225	-	5,225
Grant funds	<u>128,160</u>	<u>79,256</u>	<u>-</u>	<u>79,256</u>
Total revenues	154,926	<u>84,481</u>	<u>-</u>	<u>84,481</u>
Expenditures:				
Water/Sewer System	<u>160,200</u>	<u>87,333</u>	<u>-</u>	<u>87,333</u>
Revenues over (under) expenditures	(5,274)	(2,852)	-	(2,852)
Other financing sources (uses)				
Transfers (to) from:				
Water & Sewer District #1 Fund	<u>5,274</u>	<u>2,852</u>	<u>-</u>	<u>2,852</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2011

	Budget	Actual	Variance With Final Budget Over/(Under)
Revenues:			
Operating revenues:			
Solid waste charges	\$ 1,050,800	\$ 1,061,828	\$ 11,028
Other operating revenues	333,171	169,613	(163,558)
Total operating revenues	<u>1,383,971</u>	<u>1,231,441</u>	<u>(152,530)</u>
Non-operating revenues:			
Grant funds	1,100,000	1,086,446	(13,554)
Investment earnings	3,750	4,535	785
Total revenues	<u>2,487,721</u>	<u>2,322,422</u>	<u>(165,299)</u>
Expenditures:			
Salaries and employee benefits	557,902	558,996	(1,094)
Other operating expenditures	1,793,976	1,265,562	528,414
Capital outlay	254,197	61,558	192,639
Total expenditures	<u>2,606,075</u>	<u>1,886,116</u>	<u>719,959</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(118,354)	436,306	554,660
Appropriated fund balance	<u>118,354</u>	<u>-</u>	<u>(118,354)</u>
Revenues, other financing sources, and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 436,306</u>	<u>\$ 436,306</u>
Reconciliation of modified accrual basis to full accrual basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 436,306	
Capital outlay		16,120	
Depreciation		<u>(42,520)</u>	
Change in net assets		<u>\$ 409,906</u>	

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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, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
TOWN OF BROADWAY				
Assets:				
Cash, cash equivalents and investments	\$ 3,187	\$ 353,891	\$ 351,328	\$ 5,750
Taxes receivable	<u>17,852</u>	<u>356,661</u>	<u>353,013</u>	<u>21,500</u>
Total assets	<u>\$ 21,039</u>	<u>\$ 710,552</u>	<u>\$ 704,341</u>	<u>\$ 27,250</u>
Liabilities:				
Due to tax district	<u>\$ 21,039</u>	<u>\$ 710,552</u>	<u>\$ 704,341</u>	<u>\$ 27,250</u>
CITY OF SANFORD				
Assets:				
Cash, cash equivalents and investments	\$ 3,914	\$ 12,837,782	\$ 12,831,390	\$ 10,306
Taxes receivable	<u>641,056</u>	<u>12,893,740</u>	<u>12,831,976</u>	<u>702,820</u>
Total assets	<u>\$ 644,970</u>	<u>\$ 25,731,522</u>	<u>\$ 25,663,366</u>	<u>\$ 713,126</u>
Liabilities:				
Due to tax district	<u>\$ 644,970</u>	<u>\$ 25,731,522</u>	<u>\$ 25,663,366</u>	<u>\$ 713,126</u>
CENTRAL BUSINESS DISTRICT				
Assets:				
Cash, cash equivalents and investments	\$ 535	\$ 52,865	\$ 52,768	\$ 632
Taxes receivable	<u>3,397</u>	<u>54,686</u>	<u>52,547</u>	<u>5,536</u>
Total assets	<u>\$ 3,932</u>	<u>\$ 107,551</u>	<u>\$ 105,315</u>	<u>\$ 6,168</u>
Liabilities:				
Due to tax district	<u>\$ 3,932</u>	<u>\$ 107,551</u>	<u>\$ 105,315</u>	<u>\$ 6,168</u>
FINES AND FORFEITURES				
Assets:				
Intergovernmental receivable	<u>\$ 20,033</u>	<u>\$ 245,080</u>	<u>\$ 249,108</u>	<u>\$ 16,005</u>
Liabilities:				
Intergovernmental payable	<u>\$ 20,033</u>	<u>\$ 245,080</u>	<u>\$ 249,108</u>	<u>\$ 16,005</u>
SOCIAL SERVICES PAYEE ACCOUNTS				
Assets:				
Cash, cash equivalents and investments	<u>\$ 26,668</u>	<u>\$ 595,937</u>	<u>\$ 584,847</u>	<u>\$ 37,758</u>
Liabilities:				
Due to participants	<u>\$ 26,668</u>	<u>\$ 595,937</u>	<u>\$ 584,847</u>	<u>\$ 37,758</u>

(Continued)

LEE COUNTY, NORTH CAROLINA
Agency Funds - Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
JAIL INMATE TRUST ACCOUNTS				
Assets:				
Cash, cash equivalents and investments	\$ 41,112	\$ 79,887	\$ 75,487	\$ 45,512
Liabilities:				
Due to participants	\$ 41,112	\$ 79,887	\$ 75,487	\$ 45,512
MOTOR VEHICLE TAX				
Assets:				
Cash, cash equivalents and investments	\$ 2,906	\$ 38,303	\$ 38,690	\$ 2,519
Liabilities:				
Miscellaneous liabilities	\$ 2,906	\$ 38,303	\$ 38,690	\$ 2,519
MENTAL HEALTH INSURANCE				
Assets:				
Cash, cash equivalents and investments	\$ 373,454	\$ 24,131	\$ 43,896	\$ 353,689
Accrued interest receivable	348	677	348	677
Total assets	\$ 373,802	\$ 24,808	\$ 44,244	\$ 354,366
Liabilities:				
Miscellaneous liabilities	\$ 869	\$ 44,019	\$ 44,888	\$ -
Due to participants	372,933	24,141	42,708	354,366
Total liabilities	\$ 373,802	\$ 68,160	\$ 87,596	\$ 354,366
COMBINING TOTALS				
Assets:				
Cash and investments	\$ 451,776	\$ 13,982,796	\$ 13,978,406	\$ 456,166
Accounts receivable	20,033	245,080	249,108	16,005
Taxes receivable	662,305	13,305,087	13,237,536	729,856
Accrued interest receivable	348	677	348	677
Total assets	\$ 1,134,462	\$ 27,533,640	\$ 27,465,398	\$ 1,202,704
Liabilities:				
Due to participants	\$ 440,713	\$ 699,965	\$ 703,042	\$ 437,636
Miscellaneous liabilities	3,775	82,322	83,578	2,519
Intergovernmental payable	20,033	245,080	249,108	16,005
Due to tax district	669,941	26,549,625	26,473,022	746,544
Total liabilities	\$ 1,134,462	\$ 27,576,992	\$ 27,508,750	\$ 1,202,704

LEE COUNTY, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable - General Fund
For the Fiscal Year Ended June 30, 2011

Fiscal Year	Uncollected Balance June 30, 2010	Additions	Collections and Credits	Uncollected Balance June 30, 2011
2010-11	\$ -	\$ 36,431,441	\$ 35,580,416	\$ 851,025
2009-10	874,290	13,501	485,056	402,735
2008-09	215,565	12,489	76,137	151,917
2007-08	166,067	12,489	48,598	129,958
2006-07	132,731	-	18,490	114,241
2005-06	113,367	-	10,118	103,249
2004-05	83,058	-	5,343	77,715
2003-04	89,756	-	4,565	85,191
2002-03	91,933	-	5,581	86,352
2001-02	92,474	-	2,289	90,185
2000-01	79,817	-	79,817	-
Total	<u>\$ 1,939,058</u>	<u>\$ 36,469,920</u>	<u>\$ 36,316,410</u>	2,092,568
Less allowance for uncollected taxes receivable				<u>(449,536)</u>
Ad valorem taxes receivable (net)				<u>\$ 1,643,032</u>
Reconciliation with revenues:				
Ad valorem collections and credits			\$ 36,316,410	
Penalties and interest			218,138	
Advertisement and collection fees			55,621	
Taxes written off			(78,162)	
Releases			(37,606)	
Adjustments			<u>(133)</u>	
Total ad valorem collections and credits			<u>\$ 36,474,268</u>	

LEE COUNTY, NORTH CAROLINA
Analysis of Current Tax Levy - County-Wide Levy
For the Fiscal Year Ended June 30, 2011

	County-Wide			Total Levy	
	Property	Rate	Amount	Property	Registered
	Valuation		of Levy	Excluding	Motor
				Registered	Motor
				Vehicles	Vehicles
Original levy:					
Property taxed at current year's rate	\$ 4,612,236,785	\$ 0.75	\$ 34,591,866	\$ 32,858,318	\$ 1,733,548
Motor vehicles taxed at prior year's rate	135,776,957		1,018,365	-	1,018,365
Penalties	-		79,878	79,878	-
Total	<u>4,748,013,742</u>		<u>35,690,109</u>	<u>32,938,196</u>	<u>2,751,913</u>
Discoveries:					
Current year taxes	48,585,723		676,514	676,514	-
Penalties	-		204,322	204,322	-
Total	<u>48,585,723</u>		<u>880,836</u>	<u>880,836</u>	<u>-</u>
Abatements	<u>(18,967,896)</u>		<u>(139,504)</u>	<u>(96,351)</u>	<u>(43,153)</u>
Total property valuation	<u>\$ 4,777,631,569</u>				
Net levy			36,431,441	33,722,681	2,708,760
Less uncollected taxes at June 30, 2011			<u>851,025</u>	<u>499,418</u>	<u>351,607</u>
Current year's taxes collected			<u>\$ 35,580,416</u>	<u>\$ 33,223,263</u>	<u>\$ 2,357,153</u>
Current levy collection percentage			<u>98%</u>	<u>99%</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 Assets by Component
- Changes in Net Assets
- Fund Balances, Governmental Funds
- Changes in Fund Balance, Governmental Funds

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

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

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

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

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

- Demographic and Economic Statistics
- Principal Employers

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

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

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

	Fiscal Year (1)								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	\$ 10,748,849	\$ 15,923,982	\$ 12,958,415	\$ 12,873,381	\$ 12,814,728	\$ 14,782,003	\$ 15,942,735	\$ 16,934,589	\$ 16,604,705
Restricted	5,128,645	20,795,822	7,201,990	5,188,730	24,159,356	9,520,433	5,861,444	24,602,272	16,287,232
Unrestricted	(5,594,990)	(21,727,925)	(27,917,052)	(24,340,269)	(47,851,898)	(43,979,888)	(45,588,414)	(65,372,458)	(68,466,530)
Total Governmental activities net assets	\$ 10,282,504	\$ 14,991,879	\$ (7,756,647)	\$ (6,278,158)	\$ (10,877,814)	\$ (19,677,452)	\$ (23,764,235)	\$ (23,835,597)	\$ (35,574,593)
Business-type activities									
Invested in capital assets, net of related debt	\$ 4,821,778	\$ 4,815,025	\$ 859,456	\$ 782,962	\$ 723,230	\$ 687,644	\$ 603,465	\$ 555,393	\$ 528,993
Unrestricted	2,198,086	1,960,265	873,528	929,153	896,854	742,773	717,262	780,287	1,213,741
Total business-type activities net assets	\$ 7,019,864	\$ 6,775,290	\$ 1,732,984	\$ 1,712,115	\$ 1,620,084	\$ 1,430,417	\$ 1,320,727	\$ 1,335,680	\$ 1,742,734
Primary government									
Invested in capital assets, net of related debt	\$ 15,570,627	\$ 20,739,007	\$ 13,817,871	\$ 13,656,343	\$ 13,537,958	\$ 15,469,647	\$ 16,546,200	\$ 17,489,982	\$ 17,133,698
Restricted	5,128,645	20,795,822	7,201,990	5,188,730	24,159,356	9,520,433	5,861,444	24,602,272	16,287,232
Unrestricted	(3,396,904)	(19,767,660)	(27,043,524)	(23,411,116)	(46,955,044)	(43,237,115)	(44,851,152)	(64,592,171)	(67,252,789)
Total primary government net assets	\$ 17,302,368	\$ 21,767,169	\$ (6,023,663)	\$ (4,566,043)	\$ (9,257,730)	\$ (18,247,035)	\$ (22,443,508)	\$ (22,499,917)	\$ (33,831,859)

Notes:

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

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

	Fiscal Year (1)								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
General government	\$ 5,524,431	\$ 5,120,577	\$ 5,829,053	\$ 7,468,078	\$ 6,831,197	\$ 7,266,396	\$ 7,841,687	\$ 7,118,954	\$ 6,641,567
Public safety	6,997,973	7,698,199	7,483,289	7,690,828	8,247,248	9,837,560	10,404,645	10,362,318	11,531,800
Economic and physical development	1,205,936	1,362,255	15,955,571	2,254,367	2,338,709	2,486,334	3,223,747	2,514,333	5,132,274
Human services	13,208,427	13,705,752	14,541,954	15,611,730	16,751,156	16,711,241	16,220,585	14,919,267	14,537,884
Cultural and recreation	1,716,914	1,734,880	1,595,953	1,593,900	1,618,181	1,724,553	1,477,550	1,373,943	1,196,701
Education	11,868,150	11,738,642	12,385,372	17,237,457	25,806,322	32,346,713	25,315,120	21,757,882	33,185,635
Interest on long-term debt	1,400,175	1,737,550	2,405,894	2,079,230	2,750,737	3,148,880	2,392,606	2,895,420	3,963,967
Total governmental activities expenses	41,922,006	43,097,855	60,197,086	53,935,590	64,343,550	73,521,677	66,875,940	60,942,117	76,189,828
Business-type activities:									
Water & Sewer	1,854,437	1,608,198	1,030,102	-	-	-	-	-	87,333
Solid Waste Management Fund	1,140,152	1,208,279	1,275,318	1,278,856	1,338,577	1,483,935	1,285,805	1,203,132	1,912,516
Total business-type activities	2,994,589	2,816,477	2,305,420	1,278,856	1,338,577	1,483,935	1,285,805	1,203,132	1,999,849
Total primary government expenses	\$ 44,916,595	\$ 45,914,332	\$ 62,502,506	\$ 55,214,446	\$ 65,682,127	\$ 75,005,612	\$ 68,161,745	\$ 62,145,249	\$ 78,189,677
Program Revenues									
Governmental activities:									
Charges for services:									
General government	\$ 504,444	\$ 533,896	\$ 472,894	\$ 582,616	\$ 568,023	\$ 580,535	\$ 520,029	\$ 633,416	\$ 576,595
Public safety	565,676	507,992	371,883	394,025	371,425	470,031	440,824	357,693	421,370
Economic and physical development	5,555	-	3,060	-	-	-	-	-	-
Human services	1,098,119	1,035,565	1,173,939	1,100,019	1,709,299	1,850,002	1,765,932	1,444,210	1,376,086
Culture and recreation	236,132	238,197	238,794	242,311	239,098	265,482	282,423	292,032	302,387
Operating grants and contributions:									
General government	2,000	2,000	9,584	34,262	-	48,630	1,167	27,020	-
Public safety	174,830	223,960	323,638	272,347	607,251	212,644	192,922	470,652	1,181,312
Economic and physical development	81,352	13,042	72,970	54,745	3,620	2,025	5,232	15,756	539,489
Human services	6,292,635	7,000,256	7,310,648	7,729,970	7,607,904	7,563,866	8,166,703	8,328,997	8,168,364
Culture and recreation	109,892	109,607	115,792	137,155	277,361	742,415	410,360	108,007	107,862

(Continued)

Lee County, North Carolina
Changes in Net Assets

Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year (1)								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
Education	18,948	392,758	413,400	428,283	732,142	908,204	1,610,205	1,308,937	1,076,802
Total governmental activities program revenues	9,089,583	10,297,900	10,506,602	10,975,733	12,119,320	13,086,164	13,411,518	13,223,307	13,897,959
Business-type activities (continued)									
Charges for services:									
Water & Sewer	1,349,140	1,587,754	977,923	-	-	-	-	-	-
Solid Waste Management Fund	933,755	1,014,040	1,069,301	1,103,943	1,151,100	1,213,702	1,189,675	1,211,244	1,231,441
Operating grants and contributions:									
Solid Waste Management Fund	70,364	149,445	67,765	21,275	9,440	-	-	-	1,086,446
Capital grants and contributions:									
Water & Sewer	1,164,797	465,302	-	-	-	-	-	-	84,481
Solid Waste Management Fund	-	-	48,691	-	-	-	23,090	-	-
Total business-type activities program revenues	3,518,056	3,216,541	2,163,680	1,125,218	1,160,540	1,213,702	1,212,765	1,211,244	2,402,368
Total primary governmental program revenues	\$ 12,607,639	\$ 13,514,441	\$ 12,670,282	\$ 12,100,951	\$ 13,279,860	\$ 14,299,866	\$ 14,624,283	\$ 14,434,551	\$ 16,300,327
Net (expense)/revenue									
Governmental activities	\$ (32,832,423)	\$ (32,799,955)	\$ (49,690,484)	\$ (42,959,857)	\$ (52,224,230)	\$ (60,435,513)	\$ (53,464,422)	\$ (47,718,810)	\$ (62,291,869)
Business-type activities	523,467	400,064	(141,740)	(153,638)	(178,037)	(270,233)	(73,040)	8,112	402,519
Total primary governmental net (expense)/revenue	\$ (32,308,956)	\$ (32,399,891)	\$ (49,832,224)	\$ (43,113,495)	\$ (52,402,267)	\$ (60,705,746)	\$ (53,537,462)	\$ (47,710,698)	\$ (61,889,350)

(Continued)

Lee County, North Carolina
Changes in Net Assets
Last Nine Fiscal Years

Schedule 2 (Continued)

(accrual basis of accounting)

	Fiscal Year (1)								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Ad valorem taxes	\$ 24,922,467	\$ 25,869,230	\$ 26,271,487	\$ 32,669,298	\$ 33,789,800	\$ 36,950,111	\$ 38,085,136	\$ 38,461,492	\$ 39,041,333
Sales taxes	7,103,481	9,073,883	9,065,325	9,481,892	10,616,103	11,547,687	8,998,757	7,428,181	8,835,342
Other taxes	850,317	854,137	931,185	923,238	991,200	1,017,318	1,038,496	995,663	1,011,763
Unrestricted grants and contributions	49,549	272,749	141,921	52,632	58,482	61,341	61,237	19,829	1,039,083
Investment earnings	307,744	201,772	601,147	846,030	1,787,096	1,567,655	551,572	194,719	140,549
Miscellaneous	459,656	616,590	938,772	426,945	381,893	491,763	642,441	547,564	484,803
Transfers	-	705,242	342,914	42,165	-	-	-	-	-
Total governmental activities	\$ 33,693,214	\$ 37,593,603	\$ 38,292,751	\$ 44,442,200	\$ 47,624,574	\$ 51,635,875	\$ 49,377,639	\$ 47,647,448	\$ 50,552,873
Business-type activities:									
Investment earnings	49,612	23,163	58,204	36,291	51,337	49,102	22,087	6,841	4,535
Miscellaneous	20,422	33,199	31,262	96,478	34,669	31,464	-	-	-
Loss on disposal of capital assets	(741,274)	-	(4,648,118)	-	-	-	(58,737)	-	-
Transfers	-	(700,000)	(342,914)	-	-	-	-	-	-
Total business-type activities	\$ (671,240)	\$ (643,638)	\$ (4,901,566)	\$ 132,769	\$ 86,006	\$ 80,566	\$ (36,650)	\$ 6,841	\$ 4,535
Total primary government	\$ 33,021,974	\$ 36,949,965	\$ 33,391,185	\$ 44,574,969	\$ 47,710,580	\$ 51,716,441	\$ 49,340,989	\$ 47,654,289	\$ 50,557,408
Change in Net Assets									
Governmental activities	\$ 860,791	\$ 4,793,648	\$ (11,397,733)	\$ 1,482,343	\$ (4,599,656)	\$ (8,799,638)	\$ (4,086,783)	\$ (71,362)	\$ (11,738,996)
Business-type activities	(147,773)	(243,574)	(5,043,306)	(20,869)	(92,031)	(189,667)	(109,690)	14,953	407,054
Total primary government	\$ 713,018	\$ 4,550,074	\$ (16,441,039)	\$ 1,461,474	\$ (4,691,687)	\$ (8,989,305)	\$ (4,196,473)	\$ (56,409)	\$ (11,331,942)

Notes:

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

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$ 3,381,774	\$ 4,262,748	\$ 4,083,915	\$ 3,817,812	\$ 4,383,855	\$ 4,537,451	\$ 4,872,074	\$ 4,770,633	\$ 4,065,649	\$ -
Unreserved										
Designated	1,603,441	2,799,908	4,558,603	2,811,519	2,449,864	2,104,290	2,903,446	1,625,099	2,692,973	-
Undesignated	9,323,208	6,980,508	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
Committed	-	-	-	-	-	-	-	-	-	571,788
Assigned	-	-	-	-	-	-	-	-	-	3,319,880
Unassigned	-	-	-	-	-	-	-	-	-	6,199,709
Total General Fund	\$ 14,308,423	\$ 14,043,164	\$ 14,973,501	\$ 13,502,313	\$ 13,092,243	\$ 14,641,801	\$ 15,829,425	\$ 15,723,124	\$ 16,170,806	\$ 15,830,996
All Other Governmental Funds										
Reserved	\$ 1,011,685	\$ 1,013,283	\$ 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	4,107,131	1,232,925	2,847,535	1,805,835	3,008,922	3,940,717	263,851	725,620	962,853	-
Capital projects funds	1,107,751	3,749,069	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
Restricted in capital project funds	-	-	-	-	-	-	-	-	-	8,890,475
Committed in special revenue funds	-	-	-	-	-	-	-	-	-	626,256
Committed in capital project funds	-	-	-	-	-	-	-	-	-	793,544
Assigned in capital project funds	-	-	-	-	-	-	-	-	-	834,821
Unassigned in capital project funds	-	-	-	-	-	-	-	-	-	(1,758,384)
Total all other governmental funds	\$ 6,226,567	\$ 5,995,277	\$ 22,714,457	\$ 7,898,677	\$ 6,721,944	\$ 26,766,141	\$ 12,474,853	\$ 7,712,580	\$ 27,132,128	\$ 11,043,850

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Ad valorem taxes	\$ 23,627,695	\$ 24,340,309	\$ 25,922,979	\$ 26,336,761	\$ 32,482,953	\$ 33,726,758	\$ 36,956,934	\$ 38,378,263	\$ 38,461,649	\$ 38,903,106
Local option sales taxes	6,543,194	7,103,481	9,073,883	9,065,325	9,481,892	10,616,103	11,547,687	8,998,757	7,428,181	8,835,342
Other taxes and licenses	971,832	952,532	964,597	1,047,268	1,067,196	1,152,882	1,112,829	1,038,496	995,663	1,011,763
Unrestricted intergovernmental	1,143,107	49,549	272,749	141,921	52,632	58,482	61,341	61,237	19,829	1,039,083
Restricted intergovernmental	9,981,803	6,607,517	7,790,098	8,102,734	8,409,895	9,311,520	10,046,958	11,070,408	10,888,163	11,833,613
Permits and fees	389,193	393,393	397,358	354,375	363,334	367,884	318,936	257,674	247,270	245,800
Sales and services	2,531,471	2,120,445	2,051,893	2,006,891	2,088,930	2,120,353	2,740,167	2,241,257	2,138,255	2,042,916
Investment earnings	406,118	307,744	201,772	601,147	846,030	1,787,096	1,567,654	551,572	194,719	140,549
Miscellaneous	342,834	441,430	669,091	847,498	499,687	599,192	472,031	599,013	499,379	401,048
Total revenues	45,937,247	42,316,400	47,344,420	48,503,920	55,292,549	59,740,270	64,824,537	63,196,677	60,873,108	64,453,220
Expenditures										
General government	4,778,656	5,128,776	5,357,670	5,484,097	6,684,866	6,628,376	7,234,685	7,209,472	6,588,680	7,214,203
Public safety	5,888,615	6,567,226	7,073,903	7,100,827	7,477,227	7,769,698	9,540,060	9,531,085	9,551,377	10,900,640
Economic and physical development	915,714	916,921	1,267,088	1,217,939	1,840,574	1,875,938	1,600,880	1,895,074	1,705,337	3,124,604
Human services	13,306,534	13,069,459	13,821,570	14,357,689	15,501,884	16,738,792	16,820,123	15,557,648	14,110,098	13,980,608
Education	10,956,955	11,868,150	11,738,642	12,385,372	14,798,332	15,613,181	16,963,573	20,590,862	19,782,743	19,564,162
Cultural and recreational	1,663,518	1,643,024	1,636,450	1,667,361	1,776,748	1,849,485	2,413,544	1,879,941	1,767,244	1,847,347
Capital outlay	1,065,231	1,427,596	11,854,225	16,572,646	2,939,387	11,182,843	16,177,723	5,782,341	2,988,719	15,715,193
Debt service										
Principal	3,086,840	3,249,663	3,316,151	3,746,506	3,737,359	3,717,087	3,729,142	4,306,705	4,437,974	4,392,526
Interest and fees	1,515,781	1,442,134	1,350,185	2,630,685	2,161,266	2,037,429	3,448,471	2,934,144	2,751,770	4,142,025
Total expenditures	43,177,844	45,312,949	57,415,884	65,163,122	56,917,663	67,412,829	77,928,201	69,687,272	63,683,942	80,881,308
Excess of revenues over (under) expenditures	2,759,403	(2,996,549)	(10,071,464)	(16,659,202)	(1,625,114)	(7,672,559)	(13,103,664)	(6,490,595)	(2,810,834)	(16,428,088)
Other financing sources (uses)										
Transfers in	2,272,483	4,723,645	4,605,899	5,592,857	2,304,678	2,823,572	4,240,438	5,411,207	7,404,416	2,968,428
Transfers out	(2,261,205)	(4,723,645)	(3,900,657)	(5,220,623)	(2,262,513)	(2,774,572)	(4,240,438)	(5,411,207)	(7,404,416)	(2,968,428)
Bonds issued	1,865,000	-	-	-	-	-	-	-	-	-
Installment purchase issued	-	-	-	-	-	-	-	-	-	-
Certificates of participation issued	-	-	26,220,000	-	-	28,355,000	-	-	-	-
Original issuance premium	-	-	795,739	-	-	862,314	-	-	-	-
Capital leases	-	2,500,000	-	-	-	-	-	-	-	-
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	-
Total other financing sources (uses)	1,896,278	2,500,000	27,720,981	372,234	42,165	29,266,314	-	1,622,021	22,678,064	-
Net change in fund balances	\$ 4,655,681	\$ (496,549)	\$ 17,649,517	\$ (16,286,968)	\$ (1,582,949)	\$ 21,593,755	\$ (13,103,664)	\$ (4,868,574)	\$ 19,867,230	\$ (16,428,088)
Debt services as a percentage of noncapital expenditures	10.9%	10.7%	10.3%	10.2%	10.6%	8.7%	9.4%	10.6%	12.5%	13.7%

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

Fiscal Year	Real 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	Personal Property						
2002	\$ 1,662,357,800	\$ 387,816,800	\$ 967,218,133	\$ 83,696,227	\$ 186,151,467	\$2,914,937,493	0.78	\$3,562,622,211	81.82%
2003	1,692,094,500	420,771,100	1,023,584,061	77,065,305	195,895,632	3,017,619,334	0.78	4,010,125,361	75.25%
2004	2,042,744,100	603,641,300	1,052,518,849	96,087,790	172,891,586	3,622,100,453	0.67	3,622,100,453	100.00%
2005	2,165,767,500	641,559,100	1,031,506,417	100,485,686	267,506,752	3,671,811,951	0.67	3,841,611,164	95.58%
2006	2,096,670,300	659,680,800	1,199,743,255	101,758,654	139,581,042	3,918,271,967	0.79	4,414,954,329	88.75%
2007	2,157,260,462	679,908,600	1,207,962,419	112,251,434	139,678,704	4,017,704,211	0.79	4,526,990,660	88.75%
2008	2,292,577,157	1,033,165,900	1,193,221,817	120,626,826	37,898,777	4,601,692,923	0.75	4,601,692,923	100.00%
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%

Source: Lee County Tax Office

Notes:

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

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

	2002	2003	2004 (1)	2005	2006	2007	2008 (1)	2009	2010	2011
County:										
Lee	0.780	0.780	0.670	0.670	0.790	0.790	0.750	0.750	0.750	0.750
Municipalities:										
Town of Broadway	0.530	0.530	0.490	0.490	0.490	0.470	0.440	0.440	0.440	0.440
City of Sanford	0.570	0.570	0.560	0.590	0.590	0.610	0.540	0.540	0.540	0.540
Fire Districts										
Cameron	0.070	0.066	0.071	0.068	0.068	0.067	0.080	0.085	(4)	(4)
Cape Fear	0.079	0.082	0.068	0.066	0.066	0.058	0.073	0.076	0.076	0.086
Carolina Trace	0.034	0.038	0.037	0.037	0.040	0.052	0.064	0.070	0.070	0.067
Deep River	0.081	0.085	0.076	0.076	0.082	0.068	0.086	0.100	0.100	0.104
Lemon Springs	0.056	0.053	0.070	0.072	0.072	0.065	0.067	0.083	0.083	0.084
Northview	0.064	0.061	0.070	0.077	0.060	0.064	0.071	0.081	0.081	0.081
Northwest Pocket	0.086	0.084	0.084	0.079	0.085	0.086	0.099	0.118	0.118	0.118
Tramway	0.041	0.041	0.038	0.042	0.049	0.069	0.075	0.081	0.081	0.080
West Sanford	0.087	0.103	0.088	0.082	0.082	0.091	0.086	0.109	0.109	(5)
Other Districts: (3)										
Central Business District	0.130	0.130	0.130	0.130	0.150	0.150	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, 2007.
- (2) The property tax rates for each of the governments listed above are based on unit-wide tax rates. For each government, certain motor vehicles were taxed at the preceding year's rate.
- (3) The Lee County Water & Sewer District # 1 has not enacted property taxes as of June 30, 2011.
- (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 2011				Fiscal Year 2002			
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		
Pfizer	Pharmaceuticals	\$ 307,885,650	1	6.4%	\$ 40,893,617	4	1.4%		
Coty, Inc.	Cosmetics	95,331,702	2	2.0%	40,074,904	5	1.4%		
Donald R. Simpson	Real Estate	64,551,828	3	1.4%					
Frontier Spinning Mills LLC	Textiles	60,519,265	4	1.3%	76,131,599	1	2.6%		
Progress Energy	Utility	48,473,301	5	1.0%	23,229,845	9	0.8%		
Windstream Inc.	Utility	35,171,010	6	0.7%	30,006,692	6	1.0%		
Moen, Inc.	Plumbing fixtures	32,794,691	7	0.7%	43,958,834	3	1.5%		
Lee Brick	Brick Manufacturing	32,751,775	8	0.7%	-				
Static Control Components, Inc.	Printer Cartridges	28,034,227	9	0.6%					
Magneti Marelli, Inc.	Automotive Parts	27,936,064	10	0.6%	26,433,425	7	0.9%		
GKN Automotive Components, Inc.	Automotive Parts	-			71,980,733	2	2.5%		
Parkdale America LLC	Textiles	-			27,276,076	8	0.9%		
Wachovia Capital Markets	Leasing	-			18,185,800	10	0.6%		
Totals		\$ 733,449,513		15.4%	\$ 398,171,525		13.7%		

Source: Lee County Tax Department

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

Fiscal Year Ended June 30	Total Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy
2002	\$ 22,784,612	\$ 21,820,606	95.8%	\$ 845,749		\$ 22,666,355	99.5%
2003	23,574,692	22,393,187	95.0%	1,073,562		23,466,749	99.5%
2004	24,499,755	23,471,377	95.8%	910,303		24,381,680	99.5%
2005	24,701,551	23,797,835	96.3%	776,725		24,574,560	99.5%
2006	30,865,687	29,860,345	96.7%	922,870		30,783,215	99.7%
2007	31,910,008	30,887,929	96.8%	920,442		31,808,371	99.7%
2008	34,701,980	33,618,528	96.9%	915,010		34,533,538	99.5%
2009	35,560,801	34,701,417	97.6%	719,956		35,421,373	99.6%
2010	35,774,486	34,900,196	97.6%	485,056		35,385,252	98.9%
2011	36,431,441	35,580,416	97.7%	-		35,580,416	97.7%

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			
2002	\$ 27,780,000	\$ -	\$ 2,257,294	\$ 4,035,000	\$ 4,166,000	\$ -	\$ 38,238,294	3.01%	748
2003	24,805,000	-	4,027,844	8,116,500	-	-	36,949,344	2.80%	710
2004	21,875,000	26,220,000	3,641,693	8,030,000	-	-	59,766,693	4.45%	1,119
2005	19,030,000	25,720,000	3,240,187	-	-	-	47,990,187	3.33%	882
2006	16,210,000	25,220,000	2,822,304	-	-	-	44,252,304	2.85%	794
2007	13,410,000	53,075,000	2,386,899	-	-	-	68,871,899	4.06%	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	*	1,319

* 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 2009 personal income not available to calculate fiscal year 2010.

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)
2002	31,815,000	4,035,000	27,780,000	2.18%	0.95%	544
2003	32,921,500	8,116,500	24,805,000	1.88%	0.82%	476
2004	29,905,000	8,030,000	21,875,000	1.63%	0.60%	409
2005	19,030,000	-	19,030,000	1.32%	0.52%	350
2006	16,210,000	-	16,210,000	1.04%	0.41%	291
2007	13,410,000	-	13,410,000	0.79%	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	*	0.05%	39

* 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 2009 personal income not available to calculate fiscal year 2010.
 (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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assesses Value of Property	\$ 2,914,937	\$ 3,017,619	\$ 3,622,100	\$ 3,671,812	\$ 3,918,272	\$ 4,017,704	\$ 4,601,693	\$ 4,717,380	\$ 4,747,984	\$ 4,777,631
Debt Limit, 8% of Assessed Value Statutory Limitation	233,195	241,410	289,768	293,745	313,462	321,416	368,135	377,390	379,839	382,210
Amount of Debt Applicable to Limit										
Gross debt	43,538	38,083	60,901	47,990	44,252	68,872	65,143	62,458	80,698	76,306
Less: Debt outstanding for water and sewer purposes	13,501	9,251	9,164	-	-	-	-	-	-	-
Total net debt applicable to limit	30,037	28,833	51,737	47,990	44,252	68,872	65,143	62,458	80,698	76,306
Legal debt margin	\$ 203,158	\$ 212,577	\$ 238,031	\$ 245,755	\$ 269,210	\$ 252,544	\$ 302,992	\$ 314,932	\$ 299,141	\$ 305,904
Total net debt applicable to the limit as a percentage of debt limit	12.88%	11.94%	17.85%	16.34%	14.12%	21.43%	17.70%	16.55%	21.25%	19.96%

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, 2011

<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	\$ 2,285,000	100%	\$ 2,285,000
Total direct debt	<u>2,285,000</u>		<u>2,285,000</u>
Underlying Debt:			
Town of Broadway	610,000	100%	610,000
Lee County Water & Sewer District #1	<u>675,000</u>	100%	<u>675,000</u>
Total underlying debt	<u>1,285,000</u>		<u>1,285,000</u>
Total direct and overlapping debt	<u>\$ 3,570,000</u>		<u>\$ 3,570,000</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)
2002	51,111	1,272,007	24,887	8,778	7.40%
2003	52,058	1,320,754	25,371	8,834	7.60%
2004	53,421	1,342,616	25,218	8,924	6.00%
2005	54,417	1,439,609	26,455	9,056	5.60%
2006	55,704	1,554,422	26,777	9,219	5.40%
2007	56,908	1,695,000	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	*	*	9,602	12.70%

* 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 2011 (1)			Fiscal Year 2002		
	Approximate Number of Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Lee County Schools	1000-1500	1	4.78%	1000-1500	1	5.02%
Pilgrims Pride Corporation	1000-1500	2	4.78%	1000-1500	3	5.02%
Coty, Inc.	1000-1500	3	4.78%	500-999	4	3.01%
Static Control Components, Inc.	500-999	4	2.87%	1000-1500	2	5.02%
Pfizer	500-999	5	2.87%	500-999	5	3.01%
The Pantry, Inc.	500-999	6	2.87%	-	-	0.00%
Central Carolina Hospital	500-999	7	2.87%	500-999	6	3.01%
Central Carolina Community College	500-999	8	2.87%	250-499	10	0.00%
Pentair Pool Products, Inc.	500-999	9	2.87%	-	-	0.00%
Arden Companies	250-499	10	1.43%	-	-	0.00%
Magneti Marelli USA, Inc.	-	-	0.00%	500-999	8	3.01%
Moen, Inc.	-	-	0.00%	500-999	7	3.01%
GKN Automotive Components, Inc.	-	-	0.00%	500-999	9	3.01%
Total			<u>33.00%</u>			<u>33.12%</u>

Source: NC Employment Security Commission; total county employment

Notes:

(1) Based on March 2011 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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	75	72	72	72	79	80	80	76	71	72
Public safety	73	74	73	73	84	85	88	90	86	87
Economic and physical development	4	4	4	4	4	4	4	4	4	4
Human Services	168	165	173	173	195	195	197	185	176	176
Cultural and recreational	24	23	23	23	38	38	38	36	32	32
Total	344	338	345	345	400	402	407	391	369	371

Source: Lee County Finance Department

Note: The schedule represents the number of approved permanent FTE's as of June 30, 2011

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

	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
Sheriff							
Civil papers issued	9,840	8,804	10,940	10,241	10,493	10,939	11,456
Criminal papers issued	5,309	5,251	4,399	4,455	4,088	4,498	2,177
COLTS (County of Lee Transit System)							
Passenger Trips	55,003	56,612	58,535	64,864	62,454	61,763	63,579
Senior Services							
Diners club meals served	21,877	19,501	17,585	19,729	18,551	16,801	17,212
Home delivered meals served	9,118	8,589	8,697	7,775	6,844	5,631	5,249
Unduplicated persons served using Senior Center Outreach Grant	2,625	1,915	2,205	800	3,900	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
Library							
Patron visits	154,592	159,979	167,771	171,144	175,192	157,267	147,818
Children participating in library programs	13,629	14,509	10,554	7,620	8,813	8,292	6,892
Seniors in outreach program	2,362	2,474	2,256	130	70	75	48
Books in collection	138,835	142,295	144,931	146,457	147,798	146,702	148,310
Book circulation	133,113	128,198	128,745	128,020	135,817	125,964	123,996
Parks and Recreation							
Youth recreation:							
Sports teams	131	115	123	105	110	138	126
Participants	1,712	1,459	1,522	1,300	1,316	1,615	1,600
Adult recreation:							
Sports teams	56	41	42	37	40	52	47
Participants	765	595	600	550	573	710	705
Gymnastics:							
Participants	1,304	1,229	1,240	1,300	1,350	1,350	1,518
San-Lee Park Summer Camps:							
Participants	99	110	127	210	114	145	183
Solid Waste:							
Waste collected (tons)	17,283	17,266	16,125	15,431	8,633	7,654	7,699
Ratio of recyclable to total waste received	20%	18%	20%	20%	26%	20%	16%

Sources: Various County departments

Notes:

(1) Information is actually provided for current year and six 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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Sheriff Protection:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	16	16	16	16	16	18	20	20	23	21
Jail										
Correctional facility capacity	126	126	126	126	126	126	126	126	126	126
Cultural and recreational										
Number of parks	11	11	11	12	12	12	12	12	12	12
Park acreage	283	300	300	327	327	327	327	337	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	1	1 (closed)	1 (closed)
Convenience Centers	6	6	6	6	6	6	6	6	6	6
Education										
Schools	12	12	12	12	13	13	15	15	15	16
Teachers	570	581	561	582	600	598	606	623	599	634
Students	8,778	8,834	8,924	9,056	9,219	9,330	9,458	9,592	9,603	9,602

Sources: Various County departments. Lee County Board of Education

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