



# **Comprehensive Annual Financial Report**

**Lee County  
North Carolina**

**For the Fiscal Year Ended  
June 30, 2018**

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

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

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## **INTRODUCTORY SECTION**

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October 31, 2018

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, 2018.

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 Thompson, Price, Scott, Adams & Co., 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, 2018, 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 unmodified opinion that Lee County's financial statements for the year ended June 30, 2018, 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 60,430. 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, which includes the Raleigh-Cary Metropolitan Statistical Area (MSA) with a 2018 population estimate of 1,338,928 and the Durham-Chapel Hill MSA with a population estimate of 571,105. Lee County is part of the eight county Raleigh Durham Combined Statistical Area (CSA), which has a total population of 2,207,935. Lee County is also located within commuting distance of the Fayetteville MSA, home of Fort Bragg, the US army's largest military installation. The Fayetteville MSA has a 2018 population estimate of 551,314.

Major industries located within the government's boundaries or in close proximity include manufacturers of pharmaceuticals, automobile components, cosmetics, plumbing fixtures, electronics and brick. Lee County's unemployment rate has decreased from 5.1 percent in July 2017 to 4.7 percent in June 2018, compared to a state average non-seasonally adjusted unemployment rate for June 2018 of 4.2 percent.

The County continues to work in partnership with community leadership and organizations such as the City of Sanford, Town of Broadway, and the Sanford Area Growth Alliance to maintain and expand the County's economic base. The Sanford Area Growth Alliance (SAGA), a combination of the previous Lee County Economic Development Corporation and the Sanford Area Chamber of Commerce, began full operation in 2015 and is now staffed with eight people. This public/private organization is responsible for retail, commercial, and industrial recruitment and business retention, as well as visitor services.

SAGA has a robust Program of Work emanating from a Strategic Plan developed by County leaders. The work plan, which was approved by all three local governmental units, as well as, the Chamber of Commerce, the Sanford Lee County Airport Authority, and the Board of Trustees of the Community College, has 30 strategies and 100 action items with measurable results. The strategic plan emphasizes marketing Lee County's many strengths including a strong network of highways, rail lines, NC Ports and airports providing easy access not only to the region but to global markets as well.

Lee County's 100-year history of manufacturing is the foundation of our local economy with nearly thirty percent of the workforce in a manufacturing or related occupation. Although a significant pullback in this sector occurred during the Great Recession, local manufacturing has rebounded dramatically. While many lower wage/lower skilled jobs have not returned, the local force has grown by nearly 18 percent to just under 27,000. Additionally, Lee County remains a net importer of daily labor from surrounding rural areas due to the concentration of industry within county boundaries. The average weekly wage has grown to \$751 per week from \$736 per week in 2016. Retail sales tax collections have increased to by 4.7 percent to \$13,889,956.

In addition to a skilled manufacturing workforce, other local assets include a wide selection of training opportunities through nationally recognized Central Carolina Community College (CCCC). Lee County is proximate to highly rated research universities such as Duke University, the University of North Carolina at Chapel Hill and North Carolina State University, all less than an hour's drive from Sanford. In fact, there are nine community colleges or private training schools and eight degree granting universities within 50 miles of Lee County.

Expansions of local industry and retail growth continue to lead economic development success. In the past 18 months, Caterpillar has added 50 new employees and invested \$15.5 million in an additional facility to support the manufacturing of their highly popular skid steer machines. Post-recession, the plant's employment has rebounded to nearly 1,700 people working multiple shifts, making CAT one of the County's largest private employers. Skid steers are shipped worldwide from the Sanford facility.

Coty USA's Sanford facility is the company's largest worldwide plant, employing nearly 1,300 during peak production. The company has recently leased an additional 350,000 square feet to facilitate operation of their major distribution complex. The Sanford site also manufactures OPI nail polish, Philosophy Skin Care products, as well as other private label cosmetics.

In the life sciences sector, Pfizer's Sanford location was chosen as the expansion location for a new gene therapy research and production facility as the result of Pfizer's purchase of Bamboo Therapeutics, a Chapel Hill-based biomedical start-up, and is in the process of hiring 50 employees at an average annual wage of \$120,000. The company is nearly complete with a \$120 million R&D lab facility to develop gene therapies treatments for rare genetic central nervous system and neuromuscular diseases such as Muscular Dystrophy. The company recently completed a research and QC/QA addition that added 50 employees and a \$70 million expansion investment.

In 2016, Pilgrim's Pride, a US subsidiary of the world's largest meat processing company, JBS, SA, announced a \$120 million renovation and expansion of the Lee County processing facility and the nearby feed mill to accommodate a ten-year Costco Wholesale Corp. contract to supply organic poultry to stores in the eastern United States. The company has added over 420 new jobs generating a \$35 million payroll at the Lee County plant. The regional grower network operation expanded production by 25 percent to supply poultry for this plant.

Frontier Spinning Mills announced a \$41 million investment in automated spinning equipment over the next three years. Although only 20 new jobs will be created, wage levels for these positions is considerably higher than traditional textile industry labor. Frontier is the world's second largest cotton yarn spinning manufacturer.

In August of 2018, Dowa Thermotech, a division of Dowa Holdings, announced the purchase of land and future construction of a manufacturing facility in Lee County. The company will invest \$22.5 million and employ 109 people by year five of the project. The Sanford facility will support Dowa customer in the automotive industry with heat treatment furnaces as well as providing heat treatment services on a contract basis.

Expansion in the small industry sector is also worth noting. In the past 12 months, Kempsville Building Supplies, a division of Carter Lumber Company, purchased an existing 125,000 square foot facility to construct roof trusses for the residential and commercial building market in central North Carolina. PCC Airfoils, a division of Precision Castparts Corp., has increased their local workforce from 30 to 120 employees. Zurn, whose local operation produces commercial brass fixtures, has increase employment by 20 percent. Cargo Control, a small manufacturer of heavy-duty ratchets, winch straps, netting and towing accessories, has doubled the size of their manufacturing space and added 10 new employees.

In September 2018, First Health of the Carolinas, a non-profit health care network headquartered in Pinehurst, NC, held a ribbon cutting on a new 65,000 square foot facility that houses a cardiac wellness center, an urgent care facility and other associated clinics. This facility will employ 25 people.

Also in September of 2018, East Coast Hospitality, the operator of 15 hotel properties in North Carolina, began construction of a 100-room Fairfield Inn and Suites on US 1 Expressway. This Marriott property is scheduled to be complete in November 2019.

In the past 12 months, the Chamber of Commerce has held 20 ribbon cuttings for independent small businesses. These businesses combined will create 52 new jobs. Sanford recently welcomed its second craft brewery to a location near downtown. A major \$9 million downtown streetscape renovation is complete and has begun influencing growth if the city's core. Vacancy rates for downtown properties are declining. Property values have increased with several pivotal properties changing hands recently. A major 6.5-acre warehouse property is under option as a mixed-use project to include loft apartments. Further streetscape improvements by NCDOT and the City of Sanford are planned, engineered and funded.

A new \$30 million, 1000-student elementary school located in the downtown area is under construction and will be completed and opened for the 2019-20 school year.

The Dennis A. Wicker Civic Center, a 28 year-old facility, recently re-opened after a \$3.5 million renovation. With the addition of 12,000 square feet of meeting space and a full catering kitchen the civic center is now able to host small to medium-sized regional and statewide meetings. Event bookings for 2019 are 25 percent ahead of the previous full year operation. The new Fairfield's 100 rooms will bring overnight accommodation space to 450 Class A hotel rooms.

Another public facility, the Raleigh Executive Jetport, broke ground in September on a \$4 million terminal building that is scheduled for completion in fourth quarter 2019. Flight operations at the airport, a FAA-designated regional reliever, continue to increase. The airport is ranked as the ninth busiest (in take-offs and landings) in North Carolina. Two new private hanger facilities are on the drawing board for 2019.

**Long-term financial planning.** The County prepares a five-year capital improvements program and updates it each year. At June 30, 2018, general fund projects estimated at \$3.2 million were planned over the next five years and community development projects totaled \$27.8 million. The program also includes \$17.2 million in projects for Lee County Schools. On May 9, 2018, Lee County sold limited obligation bonds totaling \$30,095,000 for the construction of a new elementary school, courthouse complex renovations, and park improvements. 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 increased debt service. Those actions resulted in the Board adopting a budget totaling \$75,164,491 that was approximately 5.57 percent above the budget for FY 2017-18. The County maintained its property tax rate at \$0.795 per \$100 of assessed value.

The County's available fund balance in the general fund at June 30, 2018, (21.34 percent of total general fund expenditures) exceeded the policy guidelines set by the Board of Commissioners for budgetary and planning purposes (i.e., between 16 and 24 percent of total general fund expenditures).

### **Awards and Acknowledgments**

In April 2018, Moody's Investors Service and Standard and Poor's Global ratings reconfirmed their Aa2 and AA ratings, respectively.

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, 2017. This was the twenty-second 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 Thompson, Price, Scott, Adams & Co., 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 the Board of Commissioners and County Manager John Crumpton for their continued support and leadership in conducting the financial affairs of the County.

Respectfully submitted,



Lisa G. Minter  
Assistant County Manager/Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**County of Lee  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO

**COUNTY OF LEE, NORTH CAROLINA**

**LIST OF PRINCIPAL OFFICIALS**

**June 30, 2018**

**BOARD OF COUNTY COMMISSIONERS**

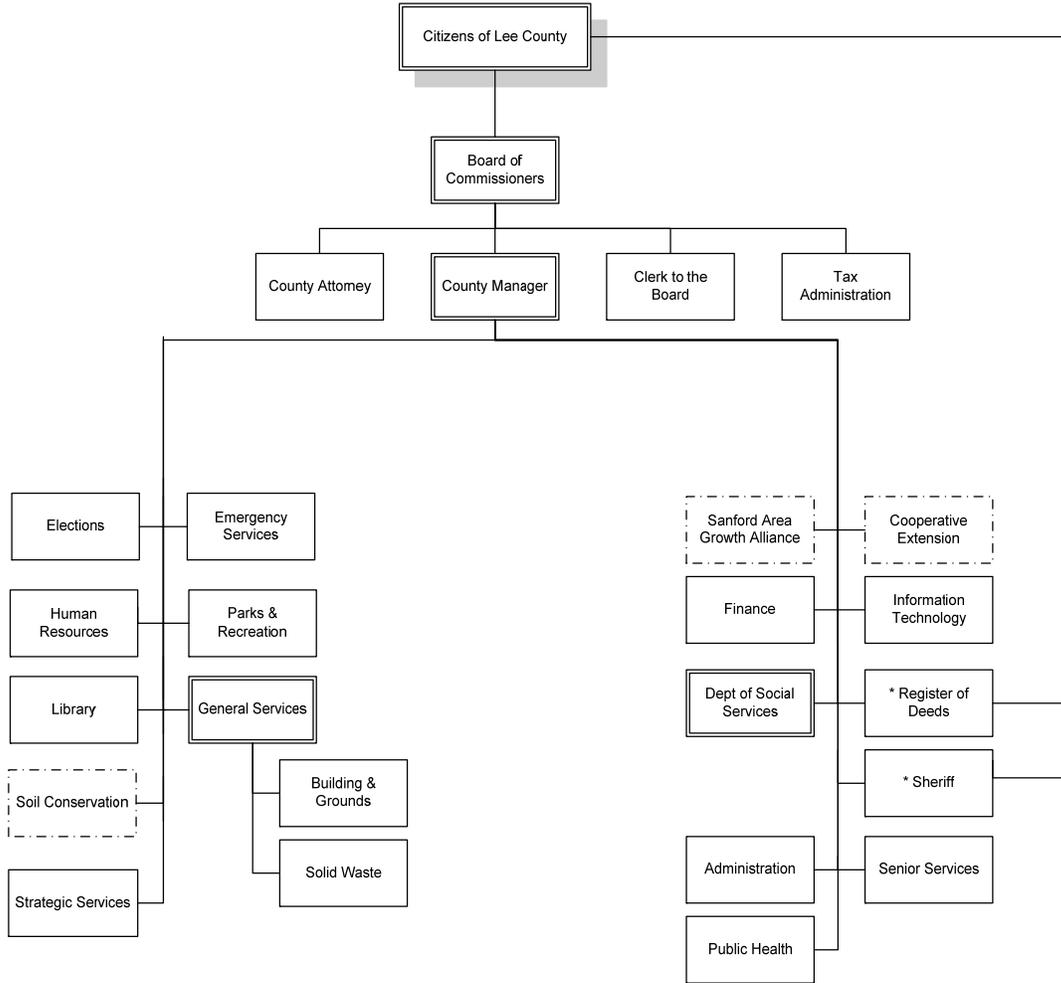
Amy M. Dalrymple	Chair
Timothy S. Sloan	Vice Chairman
Kevin C. Dodson	Commissioner
Dr. Andre Knecht	Commissioner
Larry C. "Doc" Oldham	Commissioner
Robert T. Reives	Commissioner
Cameron W. Sharpe	Commissioner

**COUNTY OFFICIALS**

John A. Crumpton	County Manager
Jennifer Gamble	Clerk to the Board
Whitney Parrish	County Attorney
Lisa G. Minter	Assistant County Manager/Finance Director
Tracy Carter	Sheriff
Pamela Britt	Register of Deeds
Mary Yow	Tax Administrator
Bill Stone	County Extension Director
Parker Holland	Elections Director
Shane Seagroves	Emergency Services Director
Russell Spivey	General Services Director
Heath Cain	Health Director
Joyce McGehee	Human Resources Director
Kyle Edwards	Information Technology Director
Beth List	Library Director
John Payne	Parks & Recreation Director
Debbie Davidson	Senior Services Director
Angelina Noel	Social Services Director
Don Kovasckitz	Strategic Services Director

# COUNTY OF LEE, NORTH CAROLINA

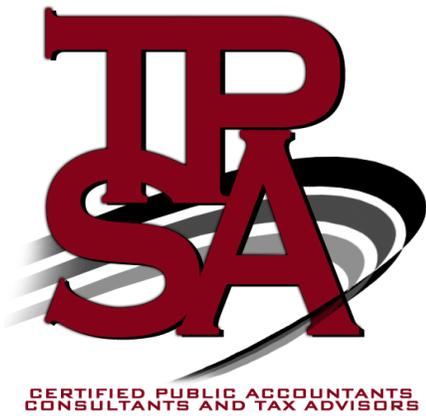
## ORGANIZATIONAL CHART



\* Elected Officials  
 - - - - - Liaison Relationship

## **FINANCIAL SECTION**

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*Thompson, Price, Scott, Adams & Co, P.A.*

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Whiteville, NC 28472  
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Fax (910) 642-5958**

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**Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
Gregory S. Adams, CPA**

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lee County, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise Lee County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Members**  
**American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms**

## *Opinions*

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information Lee County, North Carolina as of June 30, 2018, and 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 accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14, the Local Government Employees' Retirement System schedules of the County's Proportionate Share of the Net Pension Liability and County Contributions on pages 70 and 71, the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions on pages 72 and 73, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of covered payroll on pages 74 and 75, and Schedule of Changes in Total OPEB Liability and Related Ratios, page 76, presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Lee County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018 on our consideration of Lee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lee County's internal control over financial reporting and compliance.

*Thompson, Price, Scott, Adams & Co., P.A.*

Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, NC  
October 31, 2018

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of Lee County, we offer readers of Lee County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

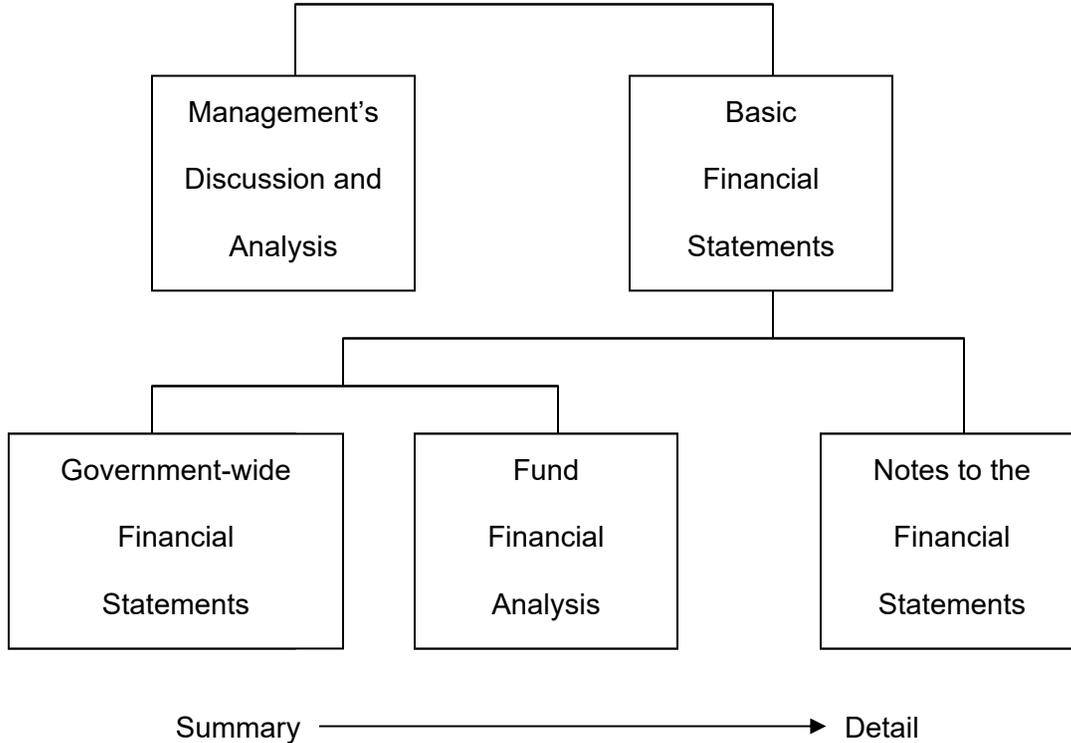
### Financial Highlights

- The liabilities and deferred inflows of resources of Lee County exceeded its assets and deferred outflows of resources at the close of the fiscal year by (\$44,600,673) (*net position*).
- The total net position of governmental activities was a deficit \$45,812,172, an increase of \$10,691,678 from the prior year's deficit amount of \$35,120,494 (restated). In accordance with North Carolina law, the County is financially responsible for funding school facilities and issuing any debt in connection with school facilities; however, since assets are not reflected in the County's financial statements, school capital improvements are expensed.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$60,965,858, an increase of \$15,441,306 from the prior year. Approximately 69.3 percent of this total amount or \$42,231,069 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,648,622 or 16.94 percent of total General Fund expenditures for the fiscal year.
- The County issued \$30,095,000 of limited obligation bonds during the fiscal year to provide construction funding for a new elementary school, courthouse complex renovations, and park improvements.
- The County maintained its Aa2 bond rating from Moody's Investor Services and it's AA bond rating from Standard & Poor's.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Lee County's basic financial statements. The basic financial statements consist of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Lee County.

**Required Components of Annual Financial Report  
Figure 1**



**Basic Financial Statements**

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County’s financial status.

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County’s government. These statements provide more detail than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County’s 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 and benefit plans.

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County has nine fiduciary funds: 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 27 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 pension benefits to its employees. Required supplemental information can be found on page 70 of this report.

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

As noted earlier, net position over time may serve as a useful indicator of a government's financial condition. The following figure depicts the County's net position for fiscal year 2018 and provides comparative data from fiscal year 2017.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 64,630,599	\$ 48,441,497	\$ 1,239,372	\$ 1,084,218	\$ 65,869,971	\$ 49,525,715
Capital assets	21,606,575	20,176,227	758,463	725,323	22,365,038	20,901,550
Total assets	<u>86,237,174</u>	<u>68,617,724</u>	<u>1,997,835</u>	<u>1,809,541</u>	<u>88,235,009</u>	<u>70,427,265</u>
Deferred outflow s of resources	3,390,996	4,318,626	38,618	50,914	3,429,614	4,369,540
Long-term liabilities outstanding	129,310,321	89,209,903	645,281	265,595	129,955,602	89,475,498
Other liabilities	3,482,911	2,498,536	154,244	46,779	3,637,155	2,545,315
Total liabilities	<u>132,793,232</u>	<u>91,708,439</u>	<u>799,525</u>	<u>312,374</u>	<u>133,592,757</u>	<u>92,020,813</u>
Deferred inflow s of resources	2,647,110	406,457	25,429	2,378	2,672,539	408,835
Net position:						
Net investment in capital assets	21,157,156	19,639,721	758,463	725,323	21,915,619	20,365,044
Restricted	42,358,524	28,406,722	-	-	42,358,524	28,406,722
Unrestricted	(109,327,852)	(67,224,989)	453,036	820,381	(108,874,816)	(66,404,608)
Total net position	<u>\$ (45,812,172)</u>	<u>\$(19,178,546)</u>	<u>\$ 1,211,499</u>	<u>\$ 1,545,704</u>	<u>\$ (44,600,673)</u>	<u>\$ (17,632,842)</u>

The liabilities and deferred inflows of resources of Lee County exceed assets and deferred outflow of resources by (\$44,600,673) at the close of the most recent fiscal year. The County's net position decreased by \$10,936,601 for the fiscal year ended June 30, 2018. One of the largest portions of net position, \$21,915,619, reflects the County's net investment in capital assets (e.g. land, buildings, machinery and equipment). Lee County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Lee County's investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the County's net position, \$42,358,524 represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$108,874,816 is unrestricted.

As with many counties in the State of North Carolina, the County's Governmental Activities deficit in unrestricted net position is due primarily to the portion of the County's outstanding debt incurred for the Lee County Board of Education (the "schools") and Central Carolina Community College (the "community college"). Under North Carolina law, the County is responsible for providing capital funding for the school and community college systems. The County has chosen to meet its legal obligation to provide the systems capital funding by using a mixture of County funds, general obligation debt, and installment financings. The assets funded by the County; however, are titled to, and utilized by the school and community college systems. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. As of June 30, 2018, approximately \$88.9 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 99.21 percent for real and personal property and 100.00 percent for motor vehicles.
- Continued low cost of debt due to the County's high bond ratings.
- Continued accumulation of funds into the Capital Projects Outlay Fund. The County Commissioners continued to set aside the equivalent of 0.75 cent on the tax rate to fund capital projects. Accumulated funds will be used to fund debt service for a new elementary school, courthouse complex renovations, and park improvements.
- The General Fund had budgeted fund balance appropriated of \$3,927,584 that was not used during the fiscal year.
- County departments were conservative in their spending and General Fund expenditures at June 30, 2018 were \$4,584,544 under budget.

**Governmental Activities.** Governmental activities decreased the County's net position by \$10,691,678. The key factor in the decrease is the expenditure of bond proceeds on construction projects for Central Carolina Community College that are not assets of the County.

Key factors that help offset the decrease are as follows:

- Maintenance of the County's high tax collection rate of 99.21%
- Increased property tax revenues due to growth and an increased tax rate
- Growth in the County's economy as reflected in an increase in sales tax revenue.

The County implemented Governmental Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the County to record beginning net OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the County related to OPEB (fiscal year ending June 30, 2017). As a result net position for the governmental activities decreased \$15,941,948.

**Business-type Activities.** Business-type activities decreased the County's net position by \$244,923. The key factor in this decrease is the construction of a waterline that was transferred to the City of Sanford. The business-type activities saw a decrease of \$89,282 in net position due to the implementation of GASB Statement No. 75.

### Lee County's Changes in Net Position Figure 3

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 3,449,072	\$ 3,567,583	\$ 1,310,715	\$ 1,248,521	\$ 4,759,787	\$ 4,816,104
Operating grants and contributions	7,077,467	8,003,691	-	-	7,077,467	8,003,691
Capital grants and contributions	-	866,763	-	-	-	866,763
General revenues:						
Property taxes	45,297,237	44,219,111	-	-	45,297,237	44,219,111
Other taxes	14,993,373	14,377,282	-	-	14,993,373	14,377,282
Grants and contributions not restricted to specific programs	703,051	749,057	140,904	126,078	843,955	875,135
Investment earnings	608,155	284,213	14,625	8,373	622,780	292,586
Other	392,692	502,139	-	-	392,692	502,139
Loss on disposal of assets	-	-	-	(60,298)	-	(60,298)
Total revenues	<u>72,521,047</u>	<u>72,569,839</u>	<u>1,466,244</u>	<u>1,322,674</u>	<u>73,987,291</u>	<u>73,892,513</u>
Expenses:						
General government	8,894,682	8,826,883	-	-	8,894,682	8,826,883
Public safety	13,533,239	13,457,188	-	-	13,533,239	13,457,188
Economic and physical development	1,788,613	2,063,986	-	-	1,788,613	2,063,986
Human services	12,943,413	14,880,653	-	-	12,943,413	14,880,653
Cultural and recreation	1,591,557	1,985,585	-	-	1,591,557	1,985,585
Education	41,564,924	24,612,382	-	-	41,564,924	24,612,382
Interest on long-term debt	2,896,297	2,135,487	-	-	2,896,297	2,135,487
Water and sewer	-	-	320,325	3,069	320,325	3,069
Landfill	-	-	1,390,842	1,360,857	1,390,842	1,360,857
Total expenses	<u>83,212,725</u>	<u>67,962,164</u>	<u>1,711,167</u>	<u>1,363,926</u>	<u>84,923,892</u>	<u>69,326,090</u>
Increase (decrease) in net position before special item	(10,691,678)	4,607,675	(244,923)	(41,252)	(10,936,601)	4,566,423
Net position, beginning	(19,178,546)	(22,978,838)	1,545,704	1,586,956	(17,632,842)	(21,391,882)
Net position, beginning, restated	(35,120,494)	(23,786,221)	1,456,422	1,586,956	(33,664,072)	(22,199,265)
Net position, ending	<u>\$ (45,812,172)</u>	<u>\$ (19,178,546)</u>	<u>\$ 1,211,499</u>	<u>\$ 1,545,704</u>	<u>\$ (44,600,673)</u>	<u>\$ (17,632,842)</u>

### Financial Analysis of the County's Funds

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

**Governmental Funds.** The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County's financing requirements. Specifically, 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.

At June 30, 2018, the governmental funds of the County reported a combined fund balance of \$60,965,858, a \$15,441,306 increase over the prior year. The majority of the increase is due to the proceeds from a \$30,095,000 bond issue for a new elementary school, courthouse complex renovations and park improvements.

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 \$14,670,340, while total fund balance reached \$20,591,514. 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 16 percent of the General Fund expenditures at the end of each fiscal year; however, the County will strive

to reach a target of 24 percent. The County currently has an available fund balance of 21.34 percent of general fund expenditures, while total fund balance represents 29.95 percent of that same amount.

The fund balance of the County's General Fund increased by \$732,693 during the current fiscal year. The key factors in the increase are an increased property tax base, the County's continued diligence in collecting property taxes, increased sales tax collections, and the ongoing effort of County departments to control spending.

**General Fund Budgetary Highlights.** During the fiscal year, the County revised the budget on several occasions. Generally, the budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund's budget amounted to an increase of \$2,126,739.

Major budget increases during the year include:

- Funding for the purchase of land and buildings adjacent to the courthouse complex – \$1,100,000.
- Funding for the purchase of land and buildings to enhance the County's park system - \$93,615.
- Funding for two new environmental health specialist - \$107,000.
- Homeland Security Grant funds for a remotely operated underwater vehicle - \$100,259.

At year end, *actual* general fund revenues and other financing sources were more than *final amended budget* numbers by \$75,733. *Actual* general fund expenditures and transfers out were less than *final budgetary* figures by \$4,584,544 increasing fund balance by \$732,693.

**Proprietary Funds.** Lee County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position for the Water and Sewer District # 1 Fund at the end of the fiscal year amounted to \$(320,971). The decrease in net position of \$320,325 in this fund is due to the costs related to a waterline extension that will be transferred to the City of Sanford when complete so no asset is recorded. The unrestricted net position of the Solid Waste Management Fund equaled \$774,007. The increase in net position in this fund was \$75,402.

### **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, 2018, totals \$22,365,038 (net of accumulated

depreciation). These assets include land, buildings, machinery and equipment, improvements, and construction in progress.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,120,818	\$ 3,365,033	\$ 260,425	\$ 260,425	\$ 4,381,243	\$ 3,625,458
Land improvements	2,449,555	2,449,555	135,796	135,796	2,585,351	2,585,351
Buildings	8,794,919	6,451,261	230,237	238,650	9,025,156	6,689,911
Roads	2,059,796	2,133,360	-	-	2,059,796	2,133,360
Equipment	4,117,120	4,031,177	132,005	90,452	4,249,125	4,121,629
Construction in progress	64,367	1,745,841	-	-	64,367	1,745,841
<b>Totals</b>	<b>\$ 21,606,575</b>	<b>\$ 20,176,227</b>	<b>\$ 758,463</b>	<b>\$ 725,323</b>	<b>\$ 22,365,038</b>	<b>\$ 20,901,550</b>

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

**Long-term Debt.** As of June 30, 2018, Lee County had total bonded debt outstanding of \$23,457,668 all of which is debt backed by the full faith and credit of the County. In addition, the County had installment purchase debt of \$13,288,354, limited obligation bond debt of \$33,212,129 and certificates of participation debt of \$28,727,000, for total debt burden outstanding of \$98,685,151.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 23,457,668	\$ 24,692,282	\$ -	\$ -	\$ 23,457,668	\$ 24,692,282
Limited Obligation Bonds	33,212,129	-	-	-	33,212,129	-
Certificates of Participation	28,727,000	32,138,000	-	-	28,727,000	32,138,000
Installment Notes	13,288,354	15,326,549	-	-	13,288,354	15,326,549
Note Payable	-	-	320,971	-	320,971	-
Compensated Absences	1,754,452	1,766,520	16,382	18,905	1,770,834	1,785,425
Net Pension liability (LIGERS)	3,610,894	5,046,925	43,114	60,262	3,654,008	5,107,187
Total Pension Liability (LEOSSA)	1,229,784	1,162,685	-	-	1,229,784	1,162,685
Net OPEB liability	24,030,040	9,076,942	264,814	186,428	24,294,854	9,263,370
<b>Totals</b>	<b>\$ 129,310,321</b>	<b>\$ 89,209,903</b>	<b>\$ 645,281</b>	<b>\$ 267,612</b>	<b>\$ 129,955,602</b>	<b>\$ 89,475,498</b>

Lee County's total debt increased by \$26,528,320 during the past fiscal year, primarily due to the \$30,095,000 limited obligation bonds issued for an elementary school, courthouse complex renovations, and park improvements.

As mentioned in the financial highlights section of this document, Lee County maintained its Aa2 rating Moody's Investor Service and its AA rating from Standard and Poor's Corporation during the fiscal year. 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 \$329,422,744.

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

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

The County has approved a \$75,164,491 budget for fiscal year 2019, which represents a 5.57 percent increase from the FY 2018 adopted budget. The County revalued property as of January 1, 2013. The tax rate of 79.5 cents per \$100 of assessed value is maintained in the fiscal year 2019 budget.

The following factors were considered when developing the 2019 budget:

- A 2.32 percent growth in the property tax base.
- The County experienced around a 5.0 percent increase in sales tax revenues in fiscal year 2018. A 3 percent growth is projected in fiscal year 2019.
- Lee County's unemployment rate has decreased from 5.1 percent at the end of June 2017 to 4.7 percent at the end of June 2018. The County's rate was just slightly higher than the state average of 4.2 percent.
- The May 2018 sale of \$30,095,000 in limited obligation bonds for the construction of a new elementary school, courthouse complex renovations, and park improvements.

### **Budget Highlights for the Fiscal Year Ending June 30, 2019**

**Governmental Activities.** The Board of County Commissioners maintained the tax rate of 79.5 cents for the fiscal year 2019 budget. Growth in the property tax base will lead to increased property tax revenues. That along with increased sales tax revenues will allow the following increases in budget:

- The addition of a Deputy Register of Deeds position and the addition of two positions in the Department of Social Services.
- The operation of an employee health clinic for a full year.

The Board's preplanning for debt service issuances allowed the County to absorb an increase of \$1,973,222 in debt service without a tax increase in the fiscal year 2019 budget.

**Business-type Activities.** The FY 2019 Solid Waste Fund budget totals \$1,595,995 which represents an increase of 3.27 percent from the adopted FY 2018 budget. The increase is due to the costs of a roadside litter control crew and the addition of a Solid Waste Enforcement Officer to allow a more proactive ordinance enforcement to deal with litter issues in the County.

## **Requests for Information**

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Lee County, 106 Hillcrest Drive, P.O. Box 1968, Sanford, NC 27330. You can also visit our website at [www.leecountync.gov](http://www.leecountync.gov).

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## **BASIC FINANCIAL STATEMENTS**

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**LEE COUNTY, NORTH CAROLINA**  
**Statement of Net Position**  
**June 30, 2018**

**Exhibit 1**

	Primary Government		
	Governmental Activities	Business- type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 22,391,310	\$ 1,032,163	\$ 23,423,473
Taxes receivable - net	456,271	-	456,271
Accounts receivable - net	5,856,154	204,960	6,061,114
Accrued interest receivable	91,101	2,249	93,350
Restricted assets:			
Temporarily restricted:			
Cash and investments	35,739,632	-	35,739,632
Net pension asset	96,131	-	96,131
Capital assets:			
Land, improvements, and construction in progress	6,634,740	396,221	7,030,961
Other capital assets, net of depreciation	14,971,835	362,242	15,334,077
Total capital assets	<u>21,606,575</u>	<u>758,463</u>	<u>22,365,038</u>
Total assets	<u>86,237,174</u>	<u>1,997,835</u>	<u>88,235,009</u>
<b>Deferred outflow of Resources</b>	3,390,996	38,618	3,429,614
<b>Liabilities</b>			
Accounts payable and accrued liabilities	1,253,644	154,244	1,407,888
Accrued interest payable	686,627	-	686,627
Liabilities to be paid from restricted assets	1,542,640	-	148,308
Long-term liabilities			
Due within one year	9,368,859	15,000	9,383,859
Due in more than one year	119,941,462	630,281	120,571,743
Total long-term liabilities	<u>129,310,321</u>	<u>645,281</u>	<u>129,955,602</u>
Total liabilities	<u>132,793,232</u>	<u>799,525</u>	<u>132,198,425</u>
<b>Deferred Inflows of Resources</b>	2,647,110	25,429	2,672,539
<b>Net Position</b>			
Net investment in capital assets	21,157,156	758,463	21,915,619
Restricted for:			
Stabilization by State Statute	6,063,587	-	6,063,587
Public Safety	3,770,723	-	3,770,723
Economic and Physical Development	2,805,261	-	2,805,261
Education	29,324,559	-	29,324,559
Register of Deeds	266,939	-	266,939
Register of Deeds' pension plan	127,455	-	127,455
Unrestricted	<u>(109,327,852)</u>	<u>453,036</u>	<u>(108,874,816)</u>
Total net position	<u>\$ (45,812,172)</u>	<u>\$ 1,211,499</u>	<u>\$ (44,600,673)</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, 2018**

Exhibit 2

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Change in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
<b>Government activities:</b>							
General government	\$ 8,894,682	\$ 649,749	\$ -	\$ -	\$ (8,244,933)	\$ -	\$ (8,244,933)
Public safety	13,533,239	724,041	235,817	-	(12,573,381)	-	(12,573,381)
Economic and physical development	1,788,613	-	30,017	-	(1,758,596)	-	(1,758,596)
Human services	12,943,413	1,721,992	6,695,999	-	(4,525,422)	-	(4,525,422)
Cultural and recreation	1,591,557	353,290	115,634	-	(1,122,633)	-	(1,122,633)
Education	41,564,924	-	-	-	(41,564,924)	-	(41,564,924)
Interest on long-term debt	2,896,297	-	-	-	(2,896,297)	-	(2,896,297)
Total governmental activities	83,212,725	3,449,072	7,077,467	-	(72,686,186)	-	(72,686,186)
<b>Business-type activities:</b>							
Water & Sewer	320,325	-	-	-	-	(320,325)	(320,325)
Solid Waste Management Fund	1,390,842	1,310,715	-	-	(80,127)	-	(80,127)
Total business-type activities	1,711,167	1,310,715	-	-	(400,452)	-	(400,452)
<b>Total primary government</b>	<b>\$ 84,923,892</b>	<b>\$ 4,759,787</b>	<b>\$ 7,077,467</b>	<b>\$ -</b>	<b>(72,686,186)</b>	<b>(400,452)</b>	<b>(73,086,638)</b>
General revenues:							
Ad valorem taxes					45,297,237	-	45,297,237
Sales taxes					13,889,956	-	13,889,956
Other taxes					1,103,417	-	1,103,417
Grants and contributions not restricted to specific programs					703,051	140,904	843,955
Investment earnings					608,155	14,625	622,780
Miscellaneous					392,692	-	392,692
Total general revenues					61,994,508	155,529	62,150,037
Change in net position					(10,691,678)	(244,923)	(10,936,601)
Net position, beginning, previously reported					(19,178,546)	1,545,704	(17,632,842)
Restatement					(15,941,948)	(89,282)	(16,031,230)
Net position, beginning, restated					(35,120,494)	1,456,422	(33,664,072)
Net position, ending					(45,812,172)	1,211,499	(44,600,673)

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

**LEE COUNTY, NORTH CAROLINA**  
**Balance Sheet - Governmental Funds**  
**June 30, 2018**

**Exhibit 3**

	Major Funds				Total Governmental Funds
	General Fund	CCCC Health Sciences Center Fund	Elementary School Facility Fund	Non-major Governmental Funds	
<b>Assets</b>					
Assets:					
Cash and investments	\$ 16,340,100	\$ -	\$ -	\$ 6,051,210	\$ 22,391,310
Taxes receivable - net	387,698	-	-	68,573	456,271
Accounts receivable - net	5,715,700	-	1,436	85,825	5,802,961
Accrued interest receivable	35,949	-	34,899	20,253	91,101
Cash and investments - restricted	-	1,584,071	24,520,177	9,635,384	35,739,632
	<u>\$ 22,479,447</u>	<u>\$ 1,584,071</u>	<u>\$ 24,556,512</u>	<u>\$ 15,861,245</u>	<u>\$ 64,481,275</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,237,373	\$ -	\$ -	\$ 16,271	\$ 1,253,644
Liabilities to be paid from restricted assets	-	379,939	825,633	337,068	1,542,640
Total liabilities	<u>1,237,373</u>	<u>379,939</u>	<u>825,633</u>	<u>353,339</u>	<u>2,796,284</u>
<b>Deferred Inflows of Resources</b>	<u>650,560</u>	<u>-</u>	<u>-</u>	<u>68,573</u>	<u>719,133</u>
Fund Balances:					
Restricted:					
Stabilization by State Statute	5,921,174	-	36,335	106,078	6,063,587
Public Safety	-	-	-	3,770,723	3,770,723
Economic and Physical Development	-	-	-	2,805,261	2,805,261
Education	-	1,204,132	23,694,544	4,425,883	29,324,559
Register of Deeds	266,939	-	-	-	266,939
Committed:					
Economic and Physical Development	-	-	-	254,783	254,783
Public Safety	103,749	-	-	-	103,749
Human Services	703,695	-	-	-	703,695
LEO Special Separation Allowance	4,250	-	-	-	4,250
Assigned:					
Subsequent year's expenditures	1,943,085	-	-	-	1,943,085
Capital	-	-	-	4,076,605	4,076,605
Unassigned:	<u>11,648,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,648,622</u>
	<u>20,591,514</u>	<u>1,204,132</u>	<u>23,730,879</u>	<u>15,439,333</u>	<u>60,965,858</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,479,447</u>	<u>\$ 1,584,071</u>	<u>\$ 24,556,512</u>	<u>\$ 15,861,245</u>	<u>\$ 64,481,275</u>

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

**LEE COUNTY, NORTH CAROLINA**  
**Balance Sheet - Governmental Funds**  
**June 30, 2018**

**Exhibit 3**  
**(cont.)**

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balance, Governmental Funds	\$ 60,965,858
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	21,606,575
Net pension asset	96,131
Contributions to pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	1,166,716
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	22,124
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	432,874
Net pension liability	(3,610,894)
Net OPEB liability	(24,030,040)
Total pension liability	(1,229,784)
Deferred inflows of resources for taxes and other receivables	514,967
Pension related deferrals	1,564,275
OPEB related deferrals	(2,184,744)
Compensated absences not expected to be materially liquidated with expendable available resources	(1,754,453)
Some liabilities, including bonds payable and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(99,371,777)</u>
Net position of governmental activities	<u>\$ (45,812,172)</u>

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*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, 2018**

Exhibit 4

	Major Fund				Total Governmental Funds
	General Fund	CCCC Health Sciences Center Fund	Elementary School Facility Fund	Non-major Governmental Funds	
<b>Revenues:</b>					
Ad valorem taxes	\$ 42,348,656	\$ -	\$ -	\$ 3,044,241	\$ 45,392,897
Local option sales taxes	13,889,956	-	-	-	13,889,956
Other taxes and licenses	516,781	-	-	586,636	1,103,417
Unrestricted intergovernmental	707,311	-	-	-	707,311
Restricted intergovernmental	7,444,489	-	-	63,767	7,508,256
Permits and fees	263,101	-	-	-	263,101
Sales and services	2,859,950	-	-	-	2,859,950
Investment earnings	274,592	70,439	60,150	202,974	608,155
Miscellaneous	499,461	-	-	-	499,461
Total revenues	<u>68,804,297</u>	<u>70,439</u>	<u>60,150</u>	<u>3,897,618</u>	<u>72,832,504</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	10,023,025	-	-	-	10,023,025
Public safety	10,289,582	-	-	3,006,576	13,296,158
Economic and physical development	1,195,095	-	-	475,797	1,670,892
Human services	12,595,757	-	-	-	12,595,757
Education	22,106,644	7,176,714	4,095,505	8,186,061	41,564,924
Cultural and recreational	2,079,370	-	-	-	2,079,370
<b>Debt service:</b>					
Principal retirement	6,599,195	-	-	-	6,599,195
Interest and fees	2,774,006	-	-	-	2,774,006
Total expenditures	<u>67,662,674</u>	<u>7,176,714</u>	<u>4,095,505</u>	<u>11,668,434</u>	<u>90,603,327</u>
Revenues over (under) expenditures	<u>1,141,623</u>	<u>(7,106,275)</u>	<u>(4,035,355)</u>	<u>(7,770,816)</u>	<u>(17,770,823)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	667,899	-	-	728,183	1,396,082
Transfers to other funds	(1,076,829)	-	-	(319,253)	(1,396,082)
Limited obligation bonds issued	-	-	25,500,000	4,595,000	30,095,000
Original issuance premium	-	-	2,640,085	477,044	3,117,129
Total other financing sources (uses)	<u>(408,930)</u>	<u>-</u>	<u>28,140,085</u>	<u>5,480,974</u>	<u>33,212,129</u>
Net change in fund balances	732,693	(7,106,275)	24,104,730	(2,289,842)	15,441,306
Fund balances, beginning of year	<u>19,858,821</u>	<u>8,310,407</u>	<u>(373,851)</u>	<u>17,729,175</u>	<u>45,524,552</u>
Fund balances, end of year	<u>\$ 20,591,514</u>	<u>\$ 1,204,132</u>	<u>\$ 23,730,879</u>	<u>\$ 15,439,333</u>	<u>\$ 60,965,858</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, 2018**

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Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net changes in fund balances - total governmental funds (Exhibit 4) \$ 15,441,306

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	2,743,633
Depreciation	(1,192,142)
Basis of assets disposed	(121,143)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities. 1,166,716

Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position 44,180

Contributions and pension administration costs for OPEB are deferred outflows on the Statement of Net Position 432,874

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (97,892)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of 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. (26,723,157)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not required as expenditures in governmental funds. (2,386,053)

Change in net position of governmental activities \$ (10,691,678)

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*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, 2018**

Exhibit 5

	Budget		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 42,101,861	\$ 42,101,861	\$ 42,348,656	\$ 246,795
Local option sales taxes	13,669,336	13,669,336	13,889,956	220,620
Other taxes and licenses	424,400	424,400	516,781	92,381
Unrestricted intergovernmental	753,230	753,230	707,311	(45,919)
Restricted intergovernmental	8,224,076	8,285,478	7,444,489	(840,989)
Permits and fees	260,025	260,025	263,101	3,076
Sales and services	2,773,908	2,778,928	2,859,950	81,022
Investment earnings	75,000	75,000	274,592	199,592
Miscellaneous	343,496	380,306	499,461	119,155
Total revenues	<u>68,625,332</u>	<u>68,728,564</u>	<u>68,804,297</u>	<u>75,733</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	9,678,225	11,153,688	10,023,025	1,130,663
Public safety	10,565,034	10,725,352	10,289,582	435,770
Economic and physical development	1,296,251	1,296,251	1,195,095	101,156
Human services	14,034,961	14,365,304	12,595,757	1,769,547
Education	22,791,644	22,791,644	22,106,644	685,000
Cultural and recreational	2,380,415	2,541,030	2,079,370	461,660
<b>Debt service:</b>				
Principal retirement	6,599,196	6,599,196	6,599,195	1
Interest and fees	2,774,753	2,774,753	2,774,006	747
Total expenditures	<u>70,120,479</u>	<u>72,247,218</u>	<u>67,662,674</u>	<u>4,584,544</u>
Revenues over (under) expenditures	<u>(1,495,147)</u>	<u>(3,518,654)</u>	<u>1,141,623</u>	<u>4,660,277</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	667,899	667,899	667,899	-
Transfers to other funds	(1,076,829)	(1,076,829)	(1,076,829)	-
Total other financing sources (uses)	<u>(408,930)</u>	<u>(408,930)</u>	<u>(408,930)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,904,077)	(3,927,584)	732,693	4,660,277
Appropriated fund balance	<u>1,904,077</u>	<u>3,927,584</u>	<u>-</u>	<u>(3,927,584)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	732,693	<u>\$ 732,693</u>
Fund balance, beginning of year			<u>19,858,821</u>	
Fund balance, end of year			<u>\$ 20,591,514</u>	

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

**LEE COUNTY, NORTH CAROLINA**  
**Statement of Fund Net Position - Proprietary Funds**  
**June 30, 2018**

**Exhibit 6**

	<u>Major Fund</u> Solid Waste Management Fund	<u>Major</u> Water and Sewer District #1 Fund	<u>Total</u> Business-type Activities Enterprise
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 1,032,163	\$ -	\$ 1,032,163
Accounts receivable - net	95,213	109,747	204,960
Accrued interest receivable	2,249	-	2,249
Total current assets	<u>1,129,625</u>	<u>109,747</u>	<u>1,239,372</u>
Non-current assets:			
Land, improvements, and construction in progress	396,221	-	396,221
Other capital assets, net of accumulated depreciation	362,242	-	362,242
Total non-current assets	<u>758,463</u>	<u>-</u>	<u>758,463</u>
Total assets	<u>1,888,088</u>	<u>109,747</u>	<u>1,997,835</u>
<b>Deferred outflows of resources</b>	38,618	-	38,618
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	20,484	109,747	130,231
Compensated absences payable	15,000	-	15,000
Accrued landfill closure costs	24,013	-	24,013
Total current liabilities	<u>59,497</u>	<u>109,747</u>	<u>169,244</u>
Non-current liabilities:			
Compensated absences payable	1,382	-	1,382
Loan payable	-	320,971	320,971
Net pension liability	43,114	-	43,114
OPEB liability payable	264,814	-	264,814
Total non-current liabilities	<u>309,310</u>	<u>320,971</u>	<u>630,281</u>
Total liabilities	<u>368,807</u>	<u>430,718</u>	<u>799,525</u>
<b>Deferred inflows of resources</b>	25,429	-	25,429
<b>Net Position</b>			
Net Investment in capital assets	758,463	-	758,463
Unrestricted	774,007	(320,971)	453,036
Total net position	<u>\$ 1,532,470</u>	<u>\$ (320,971)</u>	<u>\$ 1,211,499</u>

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

**LEE COUNTY, NORTH CAROLINA**  
**Statement of Revenues, Expenses, and Changes in Fund**  
**Net Position - Proprietary Funds**  
**For The Year Ended June 30, 2018**

**Exhibit 7**

	Major Fund Solid Waste Management Fund	Major Water and Sewer District #1 Fund	Total Business-type Activities Enterprise
Operating revenues:			
Charges for services	\$ 1,288,354	\$ -	\$ 1,288,354
Other miscellaneous revenues	22,361	-	22,361
Total operating revenues	<u>1,310,715</u>	<u>-</u>	<u>1,310,715</u>
Operating expenses:			
Cost of service and administration	1,374,819	-	1,374,819
Depreciation	16,023	-	16,023
Total operating expenses	<u>1,390,842</u>	<u>-</u>	<u>1,390,842</u>
Operating income (loss)	<u>(80,127)</u>	<u>-</u>	<u>(80,127)</u>
Non-operating revenues (expenses):			
Solid waste disposal tax	23,847	-	23,847
Scrap tire disposal tax	79,129	-	79,129
White goods disposal tax	37,928	-	37,928
Investment earnings	14,625	-	14,625
Water/Sewer extension	-	(320,325)	(320,325)
Non-operating revenues (expenses)	<u>155,529</u>	<u>(320,325)</u>	<u>(164,796)</u>
Change in net position	75,402	(320,325)	(244,923)
Net position, beginning	1,546,350	(646)	1,545,704
Restatement	(89,282)	-	(89,282)
Net position, beginning, restated	<u>1,457,068</u>	<u>(646)</u>	<u>1,456,422</u>
Net position, ending	<u>\$ 1,532,470</u>	<u>\$ (320,971)</u>	<u>\$ 1,211,499</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, 2018**

**Exhibit 8**

	Major Fund Solid Waste Management Fund	Major Water and Sewer District #1 Fund	Total Business-type Activities Enterprise
Cash flows from operating activities:			
Receipts from customers	\$ 1,278,657	\$ -	\$ 1,278,657
Payments to suppliers for goods and services	(859,572)	-	(859,572)
Payments to or on behalf of employees	(507,919)	-	(507,919)
Other operating revenues	22,361	-	22,361
Net cash provided (used) by operating activities	(66,473)	-	(66,473)
Cash flows from noncapital and related financing activities:			
Tax receipts	135,524	-	135,524
Loan proceeds	-	320,971	320,971
Water/sewer extension	-	(323,394)	(323,394)
Net cash provided (used) by noncapital and related financing activities	135,524	(2,423)	133,101
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(49,163)	-	(49,163)
Cash flows from investing activities -			
Interest on investments	13,407	-	13,407
Net increase (decrease) in cash and cash equivalents	33,295	(2,423)	30,872
Cash and cash equivalents, beginning of year	998,868	2,423	1,001,291
Cash and cash equivalents, end of year	\$ 1,032,163	\$ -	\$ 1,032,163
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (80,127)	\$ -	\$ (80,127)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation	16,023	-	16,023
Changes in assets, liabilities, and deferred outflows and inflows of resources:			
(Increase) decrease in accounts receivable	(7,936)	-	(7,936)
(Increase) in deferred outflows of resources - pension	17,066	-	17,066
(Increase) in deferred outflows of resources - OPEB	(4,770)	-	(4,770)
Increase in net pension liability	(17,148)	-	(17,148)
(Decrease) in net OPEB liability	(10,897)	-	(10,897)
Increase (decrease) in accounts payable and accrued expenses	(1,735)	-	-
(Decrease) in deferred inflows of resources - pensions	(1,025)	-	(1,025)
(Decrease) in deferred inflows of resources - OPEB	24,076	-	24,076
Net cash provided (used) by operating activities	\$ (66,473)	\$ -	\$ (66,473)

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

**LEE COUNTY, NORTH CAROLINA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

**Exhibit 9**

	Kenneth Brown Bequest Fund	Agency Funds
<b>Assets</b>		
Cash and investments	\$ 11,967	\$ 97,231
Taxes receivable - net	-	347,346
Accounts receivable	-	140,500
Accrued interest receivable	26	-
Total assets	11,993	585,077
<b>Liabilities</b>		
Other liabilities	-	51,479
Due to other governmental units	-	533,598
Total liabilities	-	585,077
<b>Net Position</b>		
Held in trust for the Library	11,993	-
Total net position	\$ 11,993	\$ -

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

**LEE COUNTY, NORTH CAROLINA**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2018**

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**Exhibit 10**

	<u>Kenneth Brown Bequest Fund</u>
Additions:	
Investment earnings	\$ <u>149</u>
Deductions:	
Library expenses	<u>-</u>
Change in net position	149
Net position, beginning of year	<u>11,844</u>
Net position, end of year	<u>\$ 11,993</u>

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

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Lee County and its component units conform to generally accepted accounting principles (GAAP) 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. The County has operational responsibility for the District.	None issued.
Lee County Industrial Facility and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board that is appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued.
Lee County Development Corporation	Discrete	The Corporation has a three-member board of directors who are established through the by-laws of the Articles of Incorporation.	None issued.

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

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

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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**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.

CCCC Health Sciences Center Fund accounts for the costs associated with building and furnishing a Health Sciences Center on the Central Carolina Community College (CCCC) campus.

Elementary School Facility Fund accounts for the costs associated with building and furnishing a new elementary school facility.

The County reports the following major enterprise funds:

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

Water and Sewer District #1 Fund accounts for the operations of the County's water system.

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:

*Private-purpose trust fund.* The County maintains one private-purpose trust fund: the Kenneth Brown Bequest Fund. Private-purpose trust funds are 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.

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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**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 collected on behalf of the City of Sanford for room occupancy tax; 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; 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.

Non-major funds. The County maintains several legally budgeted funds. The Fire Protection Fund, Room Occupancy Tax Fund, Emergency Telephone System Fund, Airport Tax Revenue Fund, Drug Seizure Fund, and Revolving Loan Fund are reported as non-major special revenue funds. The Capital Projects Outlay Fund, San-Lee Park Nature Center Fund, CCCC Veterinary Medical Technology Facility Fund, CCCC Civic Center Project Fund, CCCC Main Campus and Emergency Services Training Center Renovations Fund, Courthouse Complex Renovations Fund, and Park Improvements Funds are reported as non-major capital project funds.

**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**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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**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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Since September 1, 2013, the State of North Carolina has been responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. These property taxes are due when vehicles are registered. Motor vehicle property tax revenues are applicable to the fiscal year in which they are received. Uncollected taxes that were billed by the County for periods prior to September 1, 2013 or those for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

**D. Budgetary Data**

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

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. The County Manager is authorized to transfer appropriations between departments within a fund up to \$5,000; however, any revisions that alter the total expenditures of any fund or exceed \$5,000 between departments must be approved by the governing board. The manager must also approve intradepartmental transactions. During the year, amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

**E. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity**

**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 majority of the County's investments are carried at fair value. Non-participating interest earnings investment contracts are reported are accounted for at cost. The NC Capital Management Trust Government Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

**Cash and Cash Equivalents**

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

**Restricted Assets**

The unexpended bond proceeds of the Central Carolina Community College project funds are classified as restricted assets because their use is restricted to those projects. The unexpended bond proceeds of the Series 2018 Limited Obligation Bonds are classified as restricted assets within the Elementary School Facility Fund, the Courthouse Complex Renovations Fund, and the Park Improvements Fund. 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.

		Restricted Assets	
Governmental Activities:			
CCCC Health Sciences Center Fund	Unexpended bond proceeds	\$	1,584,071
CCCC Veterinary Medical Technology Facility Fund	Unexpended bond proceeds		1,333,395
CCCC Civic Center Project Fund	Unexpended bond proceeds		1,843,193
CCCC Main Campus and Emergency Services Training Center Renovations Fund	Unexpended bond proceeds		1,445,961
Elementary School Facility Fund	Unexpended bond proceeds		24,520,117
Courthouse Complex Renovations Fund	Unexpended bond proceeds		3,006,157
Park Improvements Fund	Unexpended bond proceeds		<u>2,006,678</u>
Total Governmental Activities			<u>\$ 35,739,632</u>

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

**E. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity (Continued)**

**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, 2017.

**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.

**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.

**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 received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. 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

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

***E. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity (Continued)***

**Deferred Outflows/Inflows of Resources**

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

**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 on the statements of net position.

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

**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.

**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.

**Net Position/Fund Balances**

*Net Position*

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

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

***E. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity (Continued)***

**Net Position/Fund Balances (Continued)**

*Fund Balances*

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

The governmental fund types classify fund balance as follows:

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

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

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

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

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

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

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

**Committed Fund Balance** – Portion of fund balance that can only be used for specific purposes imposed by majority vote of Lee County's Governing Board. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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.

Committed for LEO pension obligation – portion of fund balance that will be used for the Law Enforcement Officers' Special Separation Allowance obligations.

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

**E. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity (Continued)**

**Net Position/Fund Balances (Continued)**

Assigned Fund Balance – portion of fund balance that the Lee County Board of Commissioners intends to use for specific purposes. The County’s governing body has the authority to assign fund balance.

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 purpose. The general fund should be the only fund to report a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative fund balance.

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 Finance Officer has the authority to deviate from this policy if it is in the best interest of the County.

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 16% of budgeted expenditures. The County’s financial policy also directs management to strive to reach an available fund balance level of 24% of budgeted expenditures. Amounts in excess of that will be transferred to a capital reserve fund to provide equity resources to fund the County’s capital improvement plan.

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

Total fund balance – General Fund	\$ 20,591,514
Less:	
Stabilization by State Statute	<u>5,921,174</u>
Available Fund Balance	<u>\$ 14,670,340</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, 2018 were as follows:

General Fund	\$ 175,028
Elementary School Facility Fund	21,931,545

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

***E. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity (Continued)***

**Defined Benefit Pension Plans**

The county participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"), and one other postemployment benefit plan (OPEB), the Healthcare Benefits Plan (HCB). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCB and additions to/deductions from the HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***F. Reconciliation of Government-wide and Fund Financial Statements***

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(106,778,030) consists of several elements as follows:

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

**Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position (Continued)**

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)	\$ 50,798,516
Less accumulated depreciation	<u>(29,191,941)</u>
Net capital assets	<u>21,606,575</u>
Net pension asset	96,131
Contributions to the pension plan in the current fiscal year	1,166,716
Benefit payments and pension administration costs for LEOSSA	22,124
Contributions to OPEB plan in the current fiscal year	432,874
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds	
Accrued interest rebate	53,193
Deferred inflows of resources for taxes and other receivables	461,774
Pension related deferrals	1,564,275
OPEB related deferrals	(2,184,744)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(98,685,150)
Compensated absences	(1,754,453)
Net OPEB liability	(24,030,040)
Net pension liability	(3,610,894)
Total Pension liability	(1,229,784)
Accrued interest payable	<u>(686,627)</u>
Total adjustment	<u>\$ (106,778,030)</u>

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

**Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the government-wide Statement of Activities**

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. The net adjustment of \$(26,132,984) consists of several elements as follows:

Capital outlay expenditures recorded in the funds statements but capitalized as assets in the Statement of Activities	\$ 2,743,633
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.	(1,192,142)
Costs of disposed capital assets not recorded in fund statements	(121,143)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	6,599,195
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,166,716
Benefit payments and administration costs for LEOSA are deferred outflows of resources on the Statement of Net Position	44,180
Contributions to the OPEB plan are deferred outflows of resources on the Statement of Net Position	432,874
Premiums from the issuance of debt and the issuance of debt are recorded as source of funds in the fun financial statements; they have no effect on the Statement of Activities. They affect only the government-wide Statement of Net Assets.	(33,212,129)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Increase in deferred inflows of resources – taxes receivable	(95,660)
Change in health department receivable at end of year	2,028
Accrued interest rebate not recorded on fund statements	(4,260)
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)	(206,905)
Compensated absences	12,068
OPEB expense	(1,195,894)
Pension expense	(1,190,159)
Premium amortization	<u>84,614</u>
Total adjustment	<u>\$ (26,132,984)</u>

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Deficit Fund Balance or Net Position of Individual Funds**

The Water and Sewer District #1 Fund had a deficit net position at June 30, 2018. The County has entered an interlocal agreement with the City of Sanford to borrow funds to extend a water line. Repayment of the loan is dependent on the County receiving Coal Ash Funds which has not incurred at this time.

**B. Excess of Expenditures over Appropriations**

The following budget variance is not in compliance with legal budgetary control. Appropriations for the Juvenile Detention department are based on historical costs. An unanticipated increase in the number of juveniles incarcerated resulted in excess expenditures for the year of \$762, which was invoiced after June 30. Continued refinement of estimates may preclude future overages for this department.

**III. DETAIL NOTES ON ALL FUNDS**

**A. Deposits and Investments**

*Deposits*

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

At June 30, 2018, the carrying amount of the County's bank deposits (including fiduciary funds) was \$3,232,578 the bank balance was \$3,393,548. There was \$29,799,461 in escrow accounts with financial institutions. Sufficient collateral was maintained at June 30, 2018 to secure the County's deposits. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$2,893,548 was collateralized under the Pooling Method.

At June 30, 2018, the County had \$2,505 cash on hand.

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

*Investments*

At June 30, 2018, the County had the following investments and maturities:

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months
Commercial Paper	Fair Value-Level 2	\$ 7,923,918	\$ 7,923,918
NC Capital Management Trust – Government Portfolio	Amortized Cost	2,794,979	N/A
NC Capital Management Trust – Term Portfolio	Fair Value-Level 1	15,518,862	15,518,862
Total		\$ 26,237,759	\$ 23,442,780

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**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, 2018, 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 Government Portfolio carried a credit rating of AAA by Standard & Poor's as of June 30, 2018. The County's investments in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high-grade money market instruments as permitted under North Carolina General Statute 159-30 as amended.

**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.

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The County's informal policy indicates that the County shall utilize a third party custodial agent for book entry transactions, all of which shall be a trust department authorized to do trust work in North Carolina who has an account with the Federal Reserve. At June 30, 2018, all of the County's investments were in the County's name.

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

**B. Property Tax - Use-Value Assessment on Certain Lands**

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

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,937,079	\$ 111,382	\$ 2,048,461
2016	1,931,091	284,836	2,215,927
2015	1,911,901	454,076	2,365,977
2014	<u>1,694,367</u>	<u>554,905</u>	<u>2,249,272</u>
Total	<u>\$ 7,474,438</u>	<u>\$ 1,405,199</u>	<u>\$ 8,879,637</u>

**C. Receivables**

Receivables at the government-wide level at June 30, 2018 were as follows:

	<u>Taxes Receivable- Net</u>	<u>Accounts Receivable-Net</u>		
		<u>Accounts</u>	<u>Due from Other Government</u>	<u>Total</u>
Governmental activities:				
General	\$ 1,090,768	\$ 2,129,359	\$ 3,862,085	\$ 5,991,444
Other governmental	<u>99,702</u>	<u>52,739</u>	<u>34,524</u>	<u>87,263</u>
Total receivables	1,190,470	2,182,098	3,896,609	6,078,707
Allowance for doubtful accounts	<u>(734,199)</u>	<u>(222,553)</u>	<u>-</u>	<u>(222,553)</u>
Total governmental activities	<u>\$ 456,271</u>	<u>\$ 1,959,545</u>	<u>\$ 3,896,609</u>	<u>\$ 5,856,154</u>
Business-type activities:				
Solid waste management	-	\$ 92,730	\$ 2,483	\$ 95,213
Water and Sewer District #1 Fund	<u>-</u>	<u>-</u>	<u>109,747</u>	<u>109,747</u>
Total receivables	-	92,730	112,230	204,960
Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ -</u>	<u>\$ 92,730</u>	<u>\$ 112,230</u>	<u>\$ 204,960</u>
Local option sales tax			\$ 3,604,300	
Sales tax			216,979	
Various federal, state and local grants			<u>187,560</u>	
			<u>\$ 4,008,839</u>	

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

Governmental activities by type:

	June 30, 2017	Transfers In/ Additions	Transfers Out/ Disposals	June 30, 2018
Non-depreciable assets:				
Land	\$ 3,365,033	\$ 755,785	\$ -	\$ 4,120,818
Land Improvements	2,449,555	-	-	2,449,555
Construction in progress	1,745,841	64,365	(1,745,839)	64,367
	7,560,429	820,150	(1,745,839)	6,634,740
Depreciable assets:				
Buildings	28,844,870	2,691,737	-	31,536,607
Roads	2,424,872	-	-	2,424,872
Equipment	9,870,547	977,585	(645,835)	10,202,297
	41,140,289	3,669,322	(645,835)	44,163,776
Less accumulated depreciation and amortization for:				
Buildings	22,393,609	348,079	-	22,741,688
Roads	291,512	73,564	-	365,076
Equipment	5,839,370	770,499	(524,692)	6,085,177
	28,524,491	\$ 1,192,142	\$ (524,692)	29,191,941
Depreciable assets - net	12,615,798			14,971,835
Total Governmental Activities Capital Assets - net	\$ 20,176,227			\$ 21,606,575

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

General government	\$ 272,649
Public safety	427,847
Human services	201,985
Economic & physical development	158,114
Cultural & recreational	131,547
	\$ 1,192,142

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

**D. Capital Assets (Continued)**

Business-type activities by type:

	June 30, 2017	Transfers In/ Additions	Transfers Out/ Disposals	June 30, 2018
Non-depreciable assets:				
Land	\$ 260,425	\$ -	\$ -	\$ 260,425
Land improvements	<u>135,796</u>	<u>-</u>	<u>-</u>	<u>135,796</u>
	<u>396,221</u>	<u>-</u>	<u>-</u>	<u>396,221</u>
Depreciable assets:				
Buildings	741,258	-	-	741,258
Equipment	<u>672,996</u>	<u>49,163</u>	<u>-</u>	<u>722,159</u>
	<u>1,414,254</u>	<u>49,163</u>	<u>-</u>	<u>1,463,417</u>
Less accumulated depreciation and amortization for:				
Buildings	502,608	8,413	-	511,021
Equipment	<u>582,544</u>	<u>7,610</u>	<u>-</u>	<u>590,154</u>
	<u>1,085,152</u>	<u>\$ 16,023</u>	<u>\$ -</u>	<u>1,101,175</u>
Depreciable assets - net	<u>329,102</u>			<u>362,242</u>
Total Business Activities Capital Assets - net	<u>\$ 725,323</u>			<u>\$ 758,463</u>

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

Solid waste	<u>\$ 16,023</u>
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**Construction commitments**

The government has active construction projects as of June 30, 2018. The projects include new construction, renovation, and repairs for Central Carolina Community College, construction of an elementary school facility, courthouse complex renovations, park improvements and a waterline extension. At June 30, 2018, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Elementary School Facility	\$ 768,135	\$ 21,163,409
Water line extension	56,405	1,826

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

***E. Liabilities***

Payables

Payables at the government-wide level at June 30, 2018 were as follows:

	<u>Vendors</u>
Governmental activities:	
General	\$ 1,237,373
Other governmental	<u>16,271</u>
Total governmental activities	<u>\$ 1,253,644</u>
Business-type activities:	
Solid waste management	\$ 44,497
Water and Sewer District #1	<u>109,747</u>
Total business-type activities	<u>\$ 154,244</u>

***F. Pension Plan and Other Post-Employment Obligations***

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

Plan Description

The County is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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, or at [www.osc.nc.gov](http://www.osc.nc.gov).

Benefits Provided

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

**1. Local Governmental Employees' Retirement System (Continued)**

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

**Contributions**

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$1,175,323 for the year ended June 30, 2018.

**Refunds of Contributions**

County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LEGERS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the county reported a liability of \$3,654,008 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the County's proportion was .239%, which was a decrease of .002% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018. The County recognized pension expense of \$1,081,555. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

**1. Local Governmental Employees' Retirement System (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differenced between expected and actual experience	\$ 210,505	\$ 103,433
Change of assumptions	521,843	-
Net difference between projected and actual earnings on pension plan investments	887,197	-
Changes in proportion and differences between County contributions and proportionate share of contributions	73,478	11,228
County contributions subsequent to the measurement date	<u>1,175,323</u>	<u>-</u>
Total governmental activities	<u>\$ 2,868,346</u>	<u>\$ 114,661</u>

\$1,175,323 reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 213,868
2020	1,086,989
2021	543,532
2022	(266,027)
2023	-
Thereafter	-

**Actuarial assumptions**

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

**1. Local Governmental Employees' Retirement System (Continued)**

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimated of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at the statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payment of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate

The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.20%, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

**1. Local Governmental Employees' Retirement System (Continued)**

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
County's proportionate share of the net pension liability (asset)	\$ 10,969,414	\$ 3,654,008	\$ (2,452,047)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

**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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2015, 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>66</u>
Total	<u><u>69</u></u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

**Basis of Accounting.** The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

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

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates are based on the following:

Deaths after retirement (healthy): RP-2014 Health Annuitant base rate projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths before retirement: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths after retirement (beneficiary): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

Deaths after retirement (disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

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 on a pay as you go basis through appropriations made in the General Fund operating budget. 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 County paid \$42,610 as benefits came due for the reporting period.

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the County reported a total pension liability of \$1,229,784. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$106,916.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 69,448
Change of assumptions	68,420	20,493
County benefit payments and plan administrative expenses made subsequent to the measurement date	<u>22,124</u>	<u>-</u>
Total governmental activities	<u>\$ 90,544</u>	<u>\$ 89,941</u>

\$22,124 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ (4,768)
2020	(4,768)
2021	(4,768)
2022	(4,768)
2023	(2,391)
Thereafter	(58)

\$22,124 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

**Sensitivity of the County's total pension liability to changes in the discount rate**

The following presents the County's total pension liability calculated using the discount rate of 3.16%, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate.

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 1,342,022	\$ 1,229,784	\$ 1,127,538

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

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

Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance

	2018
Beginning balance	\$ 1,162,685
Service cost	66,874
Interest	44,057
Change in benefit terms	-
Difference between expected and actuarial experience	(82,551)
Changes of assumptions and other inputs	81,329
Benefit payments	(42,610)
Other changes	-
Ending balance of total pension liability	\$ 1,229,784

*Changes of assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate from 3.86% at December 31, 2016 to 3.16% at December 31, 2017. The assumed inflation rate has been reduced from 3.00% to 2.50% and assumed wage inflation has been increased from 0.5% to 1.0%.

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

**3. Supplemental Retirement Income Plan for Law Enforcement Officers**

**Plan Description**

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

**Funding Policy**

Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2018 were \$192,058, which consisted of \$148,713 from the County and \$43,345 from the law enforcement officers. No amounts were forfeited.

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

**4 Supplemental Retirement Income Plan of North Carolina 401(k)**

Plan Description

The County contributes to the Supplemental Retirement Income Plan of North Carolina 401(k) (Plan), a defined contribution plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to all regular employees not engaged in law enforcement. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy

The County contributes each month an amount equal to five percent (5.0%). Also, the employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2018 were \$793,059, which consisted of \$614,867 from the County and \$178,192 from employees.

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

Plan Description

The County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a non-contributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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 Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

Benefits Provided

An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions

Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$5,262 for the year ended June 30, 2018.

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
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**III. DETAIL NOTES ON ALL FUNDS (Continued)**

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

**5. Registers of Deeds' Supplemental Pension Fund (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the County reported an asset of \$96,131 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing updated procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODDPF employers. At June 30, 2017, the County's proportion was .563%, which was a decrease of .012% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$14,453. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differenced between expected and actual experience	\$ 1,650	\$ 310
Change of assumptions	16,220	-
Net difference between projected and actual earnings on pension plan investments	8,171	-
Changes in proportion and differences between County contributions and proportionate share of contributions	1,777	1,447
County contributions subsequent to the measurement date	<u>5,262</u>	<u>-</u>
Total governmental activities	<u>\$ 33,080</u>	<u>\$ 1,757</u>

\$5,262 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 14,713
2020	8,330
2021	935
2022	2,084
2023	-
Thereafter	-

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

**5. Registers of Deeds' Supplemental Pension Fund (Continued)**

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100 percent in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as June 30, 2017 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount Rate

The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

**5. Registers of Deeds' Supplemental Pension Fund (Continued)**

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate

The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75%, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate.

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ (75,558)	\$ (96,131)	\$ (113,432)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

**6. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability for LGERS and ROD was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2017, with an actuarial valuation date of December 31, 2016. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 3,654,008	\$ (96,131)	\$ -	\$ 3,557,877
Proportion of the Net pension Liability (Asset)	0.23918%	0.56319%	N/A	
Total Pension Liability	-	-	\$ 1,229,784	\$ 1,229,784
Pension Expense	\$ 1,081,555	\$ 14,453	\$ 106,916	\$ 1,202,924

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

**6. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
<b><u>Deferred Outflows of Resources</u></b>				
Differences between expected and actual experience	\$ 210,505	\$ 1,650	\$ -	\$212,155
Change of Assumptions	521,843	16,220	68,420	606,483
Net difference between projected and actual earnings on pension plan investments	887,197	8,171	-	895,368
Changes in proportion and differences between County contributions and proportionate share of contributions	73,478	1,777	-	75,255
County contributions (LGERS, ROD/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	1,175,323	5,262	22,124	1,202,709
<b><u>Deferred Inflows of Resources</u></b>				
Differences between expected and actual experience	\$ 103,433	\$ 310	\$ 69,448	\$ 173,191
Changes in Assumptions	-	-	20,493	20,493
Changes in proportion and differences between County contributions and proportionate share of contributions	11,228	1,447	-	12,675

**7. Other Post-Employment Benefits (OPEB) – Healthcare Benefits**

Plan Description

According to County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (HCB Plan). The Board of Commissioners has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

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

Benefits Provided

THE HCB Plan provides healthcare benefits for 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. Retirees who were hired prior to March 1, 2010 select from two pre-65 health plan options; a HSA plan (basic plan) that is fully paid for by the County and also includes an annual contribution to the retirees' Health Spending Account, or a PPO plan that requires monthly contributions from retirees. Once the retiree becomes covered by Medicare, the retiree is moved to a Medicare Advantage Prescription Drug Plan (MA-PD) fully subsidized by the County. Retirees who were hired after March 1, 2010 are able to select from two pre-65 health plan options; a HSA plan (basic plan) that is fully paid for by the County and also includes an annual contribution to the retirees' Health Spending Account, or a PPO plan that requires monthly contributions from retirees. Coverage ends at the earlier of a retiree reaching age 65, 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.

Membership of the plan consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

Retirees receiving benefits	99
Active plan members	<u>358</u>
Total	<u>457</u>

Total OPEB Liability

The County's total OPEB liability of \$24,294,854 was measured as of June 30, 2017 and was determined by an actuarial valuation as of June 30, 2016.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurements unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent – 7.75 percent
Discount rate	
Prior measurement date	3.01 percent
Measurement date	3.56 percent
Healthcare cost trend rates	
Pre-Medicare	7.75% for 2016 decreasing to an ultimate rate of 5.00% by 2022
Medicare	5.75% for 2016 decreasing to an ultimate rate of 5.00% by 2019

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

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

Changes in the Total OPEB Liability

<b>Total OPEB Liability as of June 30, 2016</b>	\$ 25,770,979
<b>Changes for the year:</b>	
Service cost	822,631
Interest	768,590
Change in benefit terms	-
Difference between expected and actual experience	(64,367)
Changes of assumptions or other inputs	(2,526,601)
Benefit payments and implicit subsidy credit	(476,378)
Other	-
<b>Net changes</b>	<u>\$ (1,476,125)</u>
<b>Total OPEB Liability as of June 30, 2017</b>	<u>\$ 24,294,854</u>

The total OPEB liability is based upon an actuarial valuation performed as of the Valuation Date, June 30, 2016. An expected total OPEB liability is determined as of June 30, 2017, the Measurement Date, using standard roll forward techniques. The roll forward calculation begins with the total OPEB liability, as of the Valuation Date, June 30, 2016, adds the annual Normal Cost (also called the Service Cost), and subtracts expected benefit payments with interest at the Discount Rate for the year.

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56% due to a change in the Municipal Bond Rate.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by LGERS.

The remaining actuarial assumption (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.56 percent) or 1-percentage point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	\$ 29,168,676	\$ 24,294,854	\$ 20,492,858

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

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

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 20,034,428	\$ 24,294,854	\$ 29,868,783

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the County recognized OPEB expense of \$1,209,072. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 54,873
Change of assumptions	-	2,153,948
County benefit payments and plan administrative expenses made subsequent to the measurement date	<u>437,644</u>	<u>-</u>
Total governmental activities	<u>\$ 437,644</u>	<u>\$ 2,208,821</u>

\$437,644 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease in the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ (382,149)
2020	(382,149)
2021	(382,149)
2022	(382,149)
2023	- (382,149)
Thereafter	(298,074)

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

**G. Deferred Compensation Plan**

The County offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans available to all County employees permit 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. Participation in the plan is at the option of the employee.

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. In accordance with GASB Statement 32, *Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans*, the County's Deferred Compensation Plans are not reported as County agency funds.

**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. 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. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

For the fiscal year ended June 30, 2018, the County made contributions to the State for death benefits of \$8,626. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.07% and 0.00% of covered payroll, respectively.

The County has also elected to provide enrollment in additional term life and accidental death and dismemberment insurance to employees. The plan, which is available to all County employees who work 40 hours or more per week, is valued at \$50,000. Employees may elect to purchase additional coverage for themselves or their dependents at additional cost. Any benefit elections purchased in excess of \$50,000 are considered taxable to the employee as a fringe benefit.

**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

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

**I. Closure Costs - Lee County Landfill Facility (continued)**

estimated to be \$712,946; \$688,933 has been incurred as of June 30, 2018 and the remaining \$24,013 is reported as liability within the Solid Waste Management Fund at June 30, 2018. 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.

**J. Deferred Outflows and Inflows of Resources**

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
(Pensions, OPEB) – difference between expected and actual experience	\$ 212,155	\$ 228,064
Pensions – difference between projected and actual investment earnings	895,368	-
Pensions – change in proportion and differences between employer contributions and proportionate share of contributions	75,255	12,675
(Pensions, OPEB) – change in assumptions	606,483	2,174,441
Contributions to pension plan subsequent to measurement date (LGERS, ROD)	1,180,585	-
Benefit payments for the OPEB plan paid subsequent to measurement date	437,644	-
Benefit payments/administration costs paid subsequent to the measurement date	22,124	-
Prepaid taxes not earned (General)	-	257,359
Taxes receivable, net (General)	-	387,698
Taxes receivable, net (Special Revenue)	-	68,573
Accounts receivable, net (General)	-	5,503
Total	<u>\$ 3,429,614</u>	<u>\$ 3,134,313</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.

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

**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 participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners Joint Risk Management Agency. Through these pools, the County obtains property coverage equal to the replacement cost of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability coverage of \$2 million per occurrence; auto physical damage coverage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to the statutory limits. All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000, up to a \$2 million limit for liability coverage, and single occurrence losses in excess of \$750,000 for workers' compensation. Through the captive, the Liability and Property Pool is reinsured for

\$2,000,000 of annual aggregate losses in excess of \$250,000 per occurrence for property, auto physical damage and crime coverage, with additional limits of \$498 million purchased through a group of commercial carriers through the multi-state public entity captive.

The County carries flood insurance for non-flood zones with a \$10,000,000 annual aggregate limit.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more of the County's funds at any given time are performance bonded through a commercial surety bond. The Finance Director and Tax Collector are each individually bonded for \$100,000 each. The remaining employees who have access to funds are bonded under a blanket bond for \$250,000.

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

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

**M. Long-Term Obligations**

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

**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, 2018:

Compensated absences, net pension liability, total pension liability and net other postemployment liability for governmental activities are all typically have been liquidated in the General Fund.

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Current portion of balance
Governmental activities:					
General obligation debt	\$ 23,000,000	\$ -	\$ 1,150,000	\$ 21,850,000	\$ 1,150,000
Plus: Premium on issuance	1,692,282	-	84,614	1,607,668	N/A
Total general obligation bonds payable	24,692,282	-	1,234,614	23,457,668	1,150,000
Limited obligation bonds	-	30,095,000	-	30,095,000	1,125,000
Plus: Premium on issuance	-	3,117,129	-	3,117,129	N/A
Total limited obligation bonds payable	-	33,212,129	-	33,212,129	1,125,000
Certificates of participation	32,138,000	-	3,411,000	28,727,000	3,506,000
Installment notes payable	15,326,549	-	2,038,195	13,288,354	1,837,859
Net pension liability (LGERS)	5,046,925	-	1,436,031	3,610,894	-
Total pension obligation (LEOSSA)	1,162,685	67,099	-	1,229,784	-
Other postemployment benefits	9,076,942	-	9,076,942	-	-
Net OPEB liability	25,490,075	-	1,460,035	24,030,040	-
Compensated absences	1,766,520	1,798,769	1,810,837	1,754,452	1,750,000
<b>Total governmental activities</b>	<b>\$ 114,699,978</b>	<b>\$ 35,077,997</b>	<b>\$ 20,467,654</b>	<b>\$ 129,310,321</b>	<b>\$ 9,368,859</b>
Business-type activities:					
Note payable	\$ -	\$ 320,971	\$ -	\$ 320,971	\$ -
Net pension liability (LGERS)	60,262	-	17,148	43,114	-
Other postemployment benefits	186,428	-	186,428	-	-
Net OPEB liability	280,904	-	16,090	264,814	-
Compensated absences	18,905	19,177	21,700	16,382	15,000
<b>Total business-type activities</b>	<b>\$ 546,499</b>	<b>\$ 340,148</b>	<b>\$ 241,366</b>	<b>\$ 645,281</b>	<b>\$ 15,000</b>

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

**2. Certificates of Participation and Limited Obligation Bonds**

The certificates of participation and limited obligation bonds reported in Governmental Activities are supported by annual budgetary appropriation of debt service, unlike general obligation bonds which are collateralized by the full faith, credit, and taxing power of the County. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

A summary of the County's Certificates of Participation and Limited Obligation Bonds is as follows:

Original Issue		Payment Information			Outstanding	Purpose and Collateral
Amount	Date	Rate	Period	Amount	Balance	
				\$312,000 -		Advanced Refunding Certificates of Participation refunded 2004 COPS used to construct high school and Emergency Service Training Facility; secured by real estate
\$ 17,022,000	May 2012	2.80%	Annual	1,969,000	\$ 10,420,000	
				\$1,329,000 -		Advanced Refunding Certificates of Participation refunded 2006 COPS used to construct middle school, renovations and repairs for community college; and park constructoin; secured by real estate
22,675,000	Jan 2016	2.79%	Annual	2,267,000	18,307,000	
		3.375% -		\$1,125,000-		Limited Obligation Bonds used to construct and renovate an elementary school, renovate courthouse complex, and park renovations
30,095,000	May 2018	5.000%	Annual	1,710,000	<u>30,095,000</u>	
Total certificates of participation					<u>\$ 58,822,000</u>	

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 4,631,000	\$ 2,042,992
2020	4,496,000	1,939,070
2021	4,497,000	1,809,245
2022	4,442,000	1,667,892
2023	4,371,000	1,527,818
2024-2028	19,285,000	5,604,966
2029-2033	8,550,000	2,663,325
2034-2038	<u>8,550,000</u>	<u>964,013</u>
Total	<u>\$ 58,822,000</u>	<u>\$ 18,219,321</u>

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

**3. General Obligation Bonds**

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.

The County's general obligation bonds payable at June 30, 2018 is comprised of the following issue:

*Serviced by the General Fund:*

2017 Community College Bonds due in periodic installments of \$1,150,000 beginning April 1, 2018 through April 1, 2037; interest at 3.00% to 5.00%

\$ 21,850,000

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>
2019	\$ 1,150,000	\$ 863,937
2020	1,150,000	806,438
2021	1,150,000	748,937
2022	1,150,000	691,438
2023	1,150,000	633,937
2024-2028	5,750,000	2,307,188
2029-2033	5,750,000	1,214,687
2034-2037	<u>4,600,000</u>	<u>350,750</u>
Total	<u>\$ 21,850,000</u>	<u>\$ 7,617,312</u>

**4. Installment Notes Payable**

Installment notes payable at June 30, 2018 are comprised of the following:

<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>	
\$ 1,622,021	August 2008	0.00%	Annual	115,859	\$ 579,293	School QZAB
12,000,000	May 2010	6.40%	Annual	Principal	2,031,000	RZEDB - Lee County High School
6,678,064	May 2010	6.40%	Annual	Principal	6,678,061	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>\$ 13,288,354</u>	

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

**M. Long-Term Obligations (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>
2019	\$ 1,837,858	\$ 813,380
2020	1,896,858	703,172
2021	1,832,858	589,188
2022	1,808,858	479,300
2023	1,808,858	370,948
2024-2028	<u>4,103,064</u>	<u>408,328</u>
Total	<u>\$ 13,288,354</u>	<u>\$ 3,364,316</u>

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, 2018, Lee County has a legal debt margin of \$329,422,744.

**Debt Related to Capital Activities** – Of the total Governmental Activities debt listed only \$449,419 relates to assets the County holds title.

**Net Investment in Capital Assets**

	<u>Governmental</u>	<u>Business-type</u>
Capital Assets	\$ 21,606,575	\$ 758,463
less: long-term debt	<u>449,419</u>	<u>-</u>
Net investment in capital assets	<u>\$ 21,157,156</u>	<u>\$ 758,463</u>

**N. Joint Ventures**

The County, in conjunction with eight other county governments (Anson, Guilford, Harnett, Hoke, Montgomery, Moore, Randolph, and Richmond) participates in a joint venture to operate The Sandhills Center for Mental Health, Developmental Disabilities, and Substance Abuse Services (Center). The Center operates units in each of the counties to provide services to residents who are in need of assistance for either mental health, developmental disabilities, or alcohol or drug-related problems. Each participating government appoints members to the Center's twenty-five-member governing board, with Lee County appointing two. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. The County contributed \$240,000 to the Center during the fiscal year ended June 30, 2018. 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, 2018. Complete financial statements for the Center can be obtained from the Center's office in West End, North Carolina 27376.

The County, in conjunction with the City of Sanford, participates in the Sanford-Lee County Regional Airport Authority. Each participating government appoints three members of the six-member board. The Airport Authority is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. The County has an ongoing financial responsibility for the Airport because it and the City are legally obligated under the intergovernmental agreement that created the Airport to honor any deficiencies in the event that proceeds from other default remedies are insufficient. Financing sources for the annual operating budget of the airport are provided by the County and the City of Sanford. The construction costs for airport improvement projects that are not funded by federal and State grants are financed by the County and the City equally. The County did not contribute any funds to the Airport for operations during the fiscal year ended June 30, 2018. On October 29, 2015, the County loaned the Airport Authority \$650,000 which

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

***N. Joint Ventures (Continued)***

will be paid in semi-annual installments over a period of 15 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, 2018. 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 and the State each appoint four members of the seventeen-member board of trustees of the community college. The Boards of Education for Chatham, Harnett and Lee jointly appoint four members to the board of trustees. 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 \$2,907,860 to the community college for operating purposes and \$290,000 for capital outlay purposes during the fiscal year ended June 30, 2018. In addition, the County contributed \$49,000 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, 2018. 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, the Town of Broadway, and the Sanford Chamber of Commerce, participates in the Sanford-Lee County Partnership for Prosperity, Inc. Lee County appoints three members to the twenty-nine-member board. The Partnership for Prosperity 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 \$270,000 to the Partnership during the fiscal year ended June 30, 2018. None of the participating governments has any equity interest in the Corporation, so no equity interest has been reflected in the financial statements at June 30, 2018. Financial reports for the Corporation can be obtained from the Corporation's administrative office at 115 Chatham 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 \$11,264 to the Council during the fiscal year ended June 30, 2018.

***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, 2018, 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.

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

**Q. Additional Support by Others**

*Benefit Payments Issued by the State*

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

	Federal	State
Medicaid	\$ 57,418,578	\$ 29,137,903
State Children's Insurance Program	1,896,058	2,935
TANF	190,598	47,998
WIC	1,788,781	-
Title IV-E, Foster Care	108,409	30,780
Adoption Assistance	246,218	59,651
Family Reunification	19,258	-
Energy Assistance	172,500	-
State Foster Care Benefits Program	-	33,381
State/County Special Assistance	-	<u>376,727</u>
	\$ 61,840,400	\$ 29,689,375

**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, 2018. The original issue amount of such bonds totaled \$15,650,000. The amount of conduit debt outstanding at June 30, 2018 was not determinable and could not be reasonably estimated.

**S. Interfund Balances and Activity**

Transfers From / To Other Funds

Transfers to/from other funds at June 30, 2018 consist of the following:

From the General Fund to the Capital Projects Outlay Fund to accumulate resources for future capital projects	\$ (1,076,829)
From the Capital Projects Outlay fund to the General Fund for debt service	348,646
From the Fire Districts Fund to the General Fund to cover Fire Marshal operating expenses	<u>319,253</u>
General Fund transfers, net	<u>\$ (408,930)</u>

**LEE COUNTY, NORTH CAROLINA**  
**Note to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

***U. Change in Accounting Principles/Restatement***

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the County to record beginning net OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the County related to OPEB (fiscal year ending June 30, 2017). As a result, net position for the governmental activities decreased \$15,941,948 and \$89,282 for the business-type activities.

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**REQUIRED SUPPLEMENTAL  
FINANCIAL DATA**

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

- Schedule of County's Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of County Contributions to Local Government Employees' Retirement System
- Schedule of County's Proportionate Share of Net Pension Asset for Register of Deeds' Supplemental Pension Fund
- Schedule of County Contributions to Register of Deeds' Supplemental Pension Fund
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll
- Schedule of Changes in Total OPEB Liability and Related Ratios

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**LEE COUNTY, NORTH CAROLINA**  
**Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)**  
**Local Government Employees' Retirement System**  
**Last Five Fiscal Years\***

	2018	2017	2016	2015	2014
County's portion of the net pension liability (asset)%	0.239%	0.241%	0.235%	0.227%	0.236%
County's proportionate share of the net pension liability (asset) \$	\$ 3,654,008	\$ 5,107,187	\$ 1,056,641	\$ (1,337,839)	\$ 2,843,501
County's covered-employee payroll	\$ 15,515,091	\$ 14,457,420	\$ 14,309,148	\$ 14,066,454	\$ 13,252,581
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	23.55%	35.33%	7.38%	-9.51%	21.46%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**LEE COUNTY, NORTH CAROLINA**  
**Schedule of County Contributions**  
**Local Government Employees' Retirement System**  
**Last Five Fiscal Years**

	2018	2017	2016	2015	2014
Contractually required contributions	\$ 1,141,657	\$ 972,446	\$ 984,785	\$ 986,078	\$ 947,987
Contributions in relation to the contractually required contribution	<u>1,141,657</u>	<u>972,446</u>	<u>984,785</u>	<u>986,078</u>	<u>947,987</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 15,262,029	\$ 15,515,091	\$ 14,457,420	\$ 14,309,148	\$ 14,066,454
Contributions as a percentage of covered-employee payroll	7.48%	6.27%	6.81%	6.89%	6.74%

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**LEE COUNTY, NORTH CAROLINA**  
**Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)**  
**Register of Deeds' Supplemental Pension Fund**  
**Last Five Fiscal Years\***

	2018	2017	2016	2015	2014
County's portion of the net pension liability (asset)%	0.563%	0.575%	0.560%	5.580%	5.320%
County's proportionate share of the net pension liability (asset) \$	\$ (96,131)	\$ (107,416)	\$ (129,798)	\$ (126,388)	\$ (113,731)
County's covered-employee payroll	\$ 61,683	\$ 56,849	\$ 59,704	\$ 70,665	\$ 69,613
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-155.85%	-188.95%	-217.40%	-178.86%	-163.38%
Plan fiduciary net position as a percentage of the total pension liability	153.77%	160.17%	197.29%	193.88%	190.50%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**LEE COUNTY, NORTH CAROLINA**  
**Schedule of County Contributions**  
**Register of Deeds' Supplemental Pension Fund**  
**Last Five Fiscal Years**

	2018	2017	2016	2015	2014
Contractually required contributions	\$ 4,893	\$ 4,694	\$ 4,482	\$ 4,394	\$ 4,553
Contributions in relation to the contractually required contribution	<u>4,893</u>	<u>4,694</u>	<u>4,482</u>	<u>4,394</u>	<u>4,553</u>
Contribution deficiency (excess)	<u>\$ -</u>				
County's covered-employee payroll	\$ 59,820	\$ 61,683	\$ 56,849	\$ 59,704	\$ 70,665
Contributions as a percentage of covered-employee payroll	8.18%	7.61%	7.88%	7.36%	6.44%

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**LEE COUNTY, NORTH CAROLINA**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**For the Year Ended June 30, 2018**

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,162,685	\$ 1,126,101
Service cost	66,874	73,931
Interest on the total pension liability	44,057	39,362
Change in benefit terms	-	-
Difference between expected and actuarial experience in the measurement of the total pension liability	(82,551)	-
Changes of assumptions and other inputs	81,329	(29,641)
Benefit payments	(42,610)	(47,068)
Other changes	-	-
Ending balance of total pension liability	<u>\$ 1,229,784</u>	<u>\$ 1,162,685</u>

The amounts presented for each fiscal year were determined as of the prior December 31.

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**LEE COUNTY, NORTH CAROLINA**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**For the Year Ended June 30, 2018**

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	2018	2017
Total pension liability	\$ 1,229,784	\$ 1,162,685
Covered payroll	3,023,824	3,120,864
Total pension liability as a percent of covered payroll	40.67%	37.26%

Notes to the schedules:

Lee County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**LEE COUNTY, NORTH CAROLINA**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**Healthcare Benefits Plan**  
**For the Year Ended June 30, 2018**

	2018
<b>Total OPEB Liability</b>	
Service cost	\$ 822,631
Interest	768,590
Change in benefit terms	-
Difference between expected and actuarial experience	(64,367)
Changes of assumptions and other inputs	(2,526,601)
Benefit payments and implicit subsidy credit	(476,378)
Other changes	-
<b>Net change in Total OPEB Liability</b>	(1,476,125)
<b>Total OPEB Liability - beginning</b>	25,770,979
<b>Total OPEB Liability - ending</b>	<b>\$ 24,294,854</b>
<b>Covered-employee payroll</b>	\$ 14,692,143
<b>Total OPEB Liability as a percentage of covered-employee payroll</b>	165.36%

Notes to schedule:

The amounts presented for each fiscal year were determined as of the prior June 30.

Change of Assumptions. Change of assumptions and other inputs reflect the effects of a change in the Total OPEB Liability arising from the change in the discount rate from 3.01% on the prior measurement date to 3.56% on the measurement date.

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## **MAJOR GOVERNMENTAL FUNDS**

## **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.

## **CCCC HEALTH SCIENCES CENTER FUND**

The CCCC Health Sciences Center Fund accounts for the costs associated with building and furnishing a Health Sciences Center on the Central Carolina Community College campus.

## **ELEMENTARY SCHOOL FACILITY FUND**

The Elementary School Facility Fund accounts for the costs associated with building and furnishing a new elementary school.

**LEE COUNTY, NORTH CAROLINA**  
**General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ 42,011,861	\$ 42,189,160	\$ 177,299
Penalties and interest	90,000	159,496	69,496
	<u>42,101,861</u>	<u>42,348,656</u>	<u>246,795</u>
Local option sales taxes:			
Article 39 and 44	5,637,240	5,764,310	127,070
Article 40 one-half of one percent	3,077,281	3,082,923	5,642
Article 42 one-half of one percent	3,016,345	3,098,683	82,338
Article 46 one-quarter of one percent	1,938,470	1,944,040	5,570
	<u>13,669,336</u>	<u>13,889,956</u>	<u>220,620</u>
Other taxes and licenses:			
Deed stamp excise tax	156,400	225,904	69,504
Privilege licenses	3,000	4,076	1,076
Rental vehicle tax	60,000	89,914	29,914
Cable TV franchise tax	205,000	196,887	(8,113)
	<u>424,400</u>	<u>516,781</u>	<u>92,381</u>
Unrestricted intergovernmental:			
Beer and wine tax	63,800	63,382	(418)
Federal bond interest subsidy	689,430	643,929	(45,501)
	<u>753,230</u>	<u>707,311</u>	<u>(45,919)</u>
Restricted intergovernmental:			
Federal and state grants	7,519,113	7,357,223	(161,890)
Court facility fees	62,365	68,108	5,743
ABC bottles taxes	19,000	19,158	158
Public School Building Capital Fund-Lottery	685,000	-	(685,000)
	<u>8,285,478</u>	<u>7,444,489</u>	<u>(840,989)</u>
Permits and fees:			
Register of Deeds	260,025	263,101	3,076
	<u>260,025</u>	<u>263,101</u>	<u>3,076</u>
Sales and services:			
Rents, concessions, and fees	516,138	455,360	(60,778)
Jail fees	192,612	237,977	45,365
Vehicle tax collection fees	40,000	47,999	7,999
Health department fees	633,928	797,197	163,269
Other sales and services	1,396,250	1,321,417	(74,833)
	<u>2,778,928</u>	<u>2,859,950</u>	<u>81,022</u>
Investment earnings	75,000	274,592	199,592
Miscellaneous	380,306	499,461	119,155
Total revenues	<u>68,728,564</u>	<u>68,804,297</u>	<u>75,733</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	\$ 100,032	\$ 99,449	\$ 583
Operating expenditures	<u>154,117</u>	<u>111,988</u>	<u>42,129</u>
	<u>254,149</u>	<u>211,437</u>	<u>42,712</u>
Administration:			
Salaries and employee benefits	536,906	536,211	695
Operating expenditures	133,643	75,335	58,308
Capital outlay	<u>1,500</u>	<u>1,454</u>	<u>46</u>
	<u>672,049</u>	<u>613,000</u>	<u>59,049</u>
Human resources:			
Salaries and employee benefits	243,154	239,853	3,301
Operating expenditures	99,234	76,795	22,439
Capital outlay	<u>3,800</u>	<u>1,961</u>	<u>1,839</u>
	<u>346,188</u>	<u>318,609</u>	<u>27,579</u>
Finance:			
Salaries and employee benefits	402,650	397,619	5,031
Operating expenditures	53,245	40,050	13,195
Professional services	47,500	47,469	31
Capital outlay	<u>265</u>	<u>-</u>	<u>265</u>
	<u>503,660</u>	<u>485,138</u>	<u>18,522</u>
Internal Services:			
Operating expenditures	<u>673,373</u>	<u>613,737</u>	<u>59,636</u>
	<u>673,373</u>	<u>613,737</u>	<u>59,636</u>
Tax appraisal:			
Salaries and employee benefits	377,255	367,288	9,967
Operating expenditures	26,688	17,496	9,192
Contracted services	198,302	149,902	48,400
Capital outlay	<u>900</u>	<u>900</u>	<u>-</u>
	<u>603,145</u>	<u>535,586</u>	<u>67,559</u>
Tax collections:			
Salaries and employee benefits	343,842	313,511	30,331
Operating expenditures	79,465	58,577	20,888
Contracted services	<u>256,651</u>	<u>204,578</u>	<u>52,073</u>
	<u>679,958</u>	<u>576,666</u>	<u>103,292</u>
Tax listing:			
Salaries and employee benefits	270,206	269,322	884
Operating expenditures	36,754	23,242	13,512
Professional services	<u>58,530</u>	<u>56,428</u>	<u>2,102</u>
	<u>365,490</u>	<u>348,992</u>	<u>16,498</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, 2018**

	<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	\$ 382,793	\$ 381,924	\$ 869
Operating expenditures	33,473	30,092	3,381
Capital Outlay	<u>2,000</u>	<u>-</u>	<u>2,000</u>
	<u>418,266</u>	<u>412,016</u>	<u>6,250</u>
Pretrial release			
Salaries and employee benefits	70,301	69,374	927
Operating expenditures	<u>5,673</u>	<u>2,658</u>	<u>3,015</u>
	<u>75,974</u>	<u>72,032</u>	<u>3,942</u>
Court facilities:			
Operating expenditures	7,913	4,925	2,988
Capital outlay	<u>6,039</u>	<u>4,845</u>	<u>1,194</u>
	<u>13,952</u>	<u>9,770</u>	<u>4,182</u>
Elections:			
Salaries and employee benefits	189,146	169,548	19,598
Operating expenditures	227,286	102,825	124,461
Capital outlay	<u>184,692</u>	<u>118,195</u>	<u>66,497</u>
	<u>601,124</u>	<u>390,568</u>	<u>210,556</u>
Register of deeds:			
Salaries and employee benefits	224,057	222,385	1,672
Operating expenditures	64,583	57,792	6,791
Capital outlay	<u>2,995</u>	<u>2,859</u>	<u>136</u>
	<u>291,635</u>	<u>283,036</u>	<u>8,599</u>
Information technology:			
Salaries and employee benefits	460,118	437,611	22,507
Operating expenditures	297,643	270,194	27,449
Contracted services	279,840	258,796	21,044
Capital outlay	<u>196,307</u>	<u>182,037</u>	<u>14,270</u>
	<u>1,233,908</u>	<u>1,148,638</u>	<u>85,270</u>
Information technology - PEG channel:			
Operating expenditures	<u>25,600</u>	<u>9,474</u>	<u>16,126</u>
	<u>25,600</u>	<u>9,474</u>	<u>16,126</u>
Buildings and grounds:			
Salaries and employee benefits	1,386,836	1,385,496	1,340
Operating expenditures	1,111,336	1,020,150	91,186
Capital outlay	<u>1,897,045</u>	<u>1,588,680</u>	<u>308,365</u>
	<u>4,395,217</u>	<u>3,994,326</u>	<u>400,891</u>
Total general government	<u>11,153,688</u>	<u>10,023,025</u>	<u>1,130,663</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Expenditures: (Continued)			
Public safety:			
Sheriff :			
Salaries and employee benefits	\$ 3,761,127	\$ 3,701,548	\$ 59,579
Operating expenditures	748,078	739,624	8,454
Capital outlay	<u>262,001</u>	<u>249,827</u>	<u>12,174</u>
	<u>4,771,206</u>	<u>4,690,999</u>	<u>80,207</u>
Animal Control Enforcement			
Salaries and employee benefits	171,752	171,160	592
Operating expenditures	<u>67,832</u>	<u>52,487</u>	<u>15,345</u>
	<u>239,584</u>	<u>223,647</u>	<u>15,937</u>
School Resource Officers			
Salaries and employee benefits	896,105	855,374	40,731
Operating expenditures	123,880	82,253	41,627
Capital outlay	<u>65,099</u>	<u>61,945</u>	<u>3,154</u>
	<u>1,085,084</u>	<u>999,572</u>	<u>85,512</u>
Communications			
Salaries and employee benefits	317,404	307,107	10,297
Operating expenditures	<u>7,402</u>	<u>6,426</u>	<u>976</u>
	<u>324,806</u>	<u>313,533</u>	<u>11,273</u>
Jail:			
Salaries and employee benefits	1,393,621	1,339,137	54,484
Operating expenditures	936,806	872,634	64,172
Capital outlay	<u>40,529</u>	<u>35,563</u>	<u>4,966</u>
	<u>2,370,956</u>	<u>2,247,334</u>	<u>123,622</u>
E911 Service	<u>317,712</u>	<u>317,712</u>	<u>-</u>
State fire control contribution	<u>100,194</u>	<u>83,816</u>	<u>16,378</u>
Inspections:			
Contracted services	<u>32,253</u>	<u>-</u>	<u>32,253</u>
Medical examiner:			
Professional services	<u>70,000</u>	<u>45,300</u>	<u>24,700</u>
Juvenile detention	<u>75,000</u>	<u>75,762</u>	<u>(762)</u>
Juvenile probation	<u>500</u>	<u>455</u>	<u>45</u>
Emergency medical services:			
Contracted services	<u>662,275</u>	<u>659,519</u>	<u>2,756</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Expenditures: (Continued)			
Public safety: (Continued)			
Emergency services:			
Salaries and employee benefits	\$ 165,455	\$ 157,485	\$ 7,970
Operating expenditures	75,377	58,454	16,923
Capital outlay	<u>106,982</u>	<u>105,439</u>	<u>1,543</u>
	<u>347,814</u>	<u>321,378</u>	<u>26,436</u>
Fire Marshall:			
Salaries and employee benefits	235,308	231,640	3,668
Operating expenditures	86,040	72,604	13,436
Capital outlay	<u>6,620</u>	<u>6,311</u>	<u>309</u>
	<u>327,968</u>	<u>310,555</u>	<u>17,413</u>
Total public safety	<u>10,725,352</u>	<u>10,289,582</u>	<u>435,770</u>
Economic and physical development:			
Economic development:			
Operating expenditures	<u>496,548</u>	<u>410,889</u>	<u>85,659</u>
	<u>496,548</u>	<u>410,889</u>	<u>85,659</u>
Planning and zoning:			
Contracted services	<u>396,324</u>	<u>396,324</u>	<u>-</u>
Agricultural extension:			
Salaries and employee benefits	214,831	207,922	6,909
Operating expenditures	23,862	19,573	4,289
Capital outlay	<u>46,200</u>	<u>46,200</u>	<u>-</u>
	<u>284,893</u>	<u>273,695</u>	<u>11,198</u>
Conservation:			
Salaries and employee benefits	104,000	103,754	246
Operating expenditures	13,786	9,818	3,968
Capital outlay	<u>700</u>	<u>615</u>	<u>85</u>
	<u>118,486</u>	<u>114,187</u>	<u>4,299</u>
Total economic and physical development	<u>1,296,251</u>	<u>1,195,095</u>	<u>101,156</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Expenditures: (Continued)			
Human services:			
Health:			
Administration:			
Salaries and employee benefits	\$ 595,051	\$ 584,996	\$ 10,055
Operating expenditures	<u>69,692</u>	<u>64,383</u>	<u>5,309</u>
	<u>664,743</u>	<u>649,379</u>	<u>15,364</u>
Maternal health:			
Salaries and employee benefits	114,334	106,413	7,921
Operating expenditures	<u>95,267</u>	<u>45,327</u>	<u>49,940</u>
	<u>209,601</u>	<u>151,740</u>	<u>57,861</u>
Child health:			
Salaries and employee benefits	51,911	50,042	1,869
Operating expenditures	<u>160,003</u>	<u>156,021</u>	<u>3,982</u>
	<u>211,914</u>	<u>206,063</u>	<u>5,851</u>
Primary care:			
Salaries and employee benefits	72,121	70,453	1,668
Operating expenditures	<u>23,411</u>	<u>19,713</u>	<u>3,698</u>
	<u>95,532</u>	<u>90,166</u>	<u>5,366</u>
Health promotion:			
Salaries and employee benefits	102,906	101,537	1,369
Operating expenditures	<u>22,167</u>	<u>9,955</u>	<u>12,212</u>
	<u>125,073</u>	<u>111,492</u>	<u>13,581</u>
WIC - Client services:			
Salaries and employee benefits	237,954	227,385	10,569
Operating expenditures	11,514	11,095	419
Capital outlay	<u>2,511</u>	<u>2,466</u>	<u>45</u>
	<u>251,979</u>	<u>240,946</u>	<u>11,033</u>
Family planning:			
Salaries and employee benefits	182,761	179,137	3,624
Operating expenditures	<u>92,025</u>	<u>54,064</u>	<u>37,961</u>
	<u>274,786</u>	<u>233,201</u>	<u>41,585</u>
Animal control:			
Salaries and employee benefits	146,054	125,440	20,614
Operating expenditures	51,243	33,188	18,055
Capital outlay	<u>22,336</u>	<u>22,336</u>	<u>-</u>
	<u>219,633</u>	<u>180,964</u>	<u>38,669</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, 2018**

	Budget	Actual	Variance With Final Budget Over/(Under)
Expenditures: (Continued)			
Human services: (Continued)			
Environmental health:			
Salaries and employee benefits	\$ 488,589	\$ 345,267	\$ 143,322
Operating expenditures	49,118	27,927	21,191
Capital outlay	38,505	32,749	5,756
	<u>576,212</u>	<u>405,943</u>	<u>170,269</u>
Aids control:			
Salaries and employee benefits	42,191	41,082	1,109
Operating expenditures	576	-	576
	<u>42,767</u>	<u>41,082</u>	<u>1,685</u>
Bioterrorism:			
Salaries and employee benefits	40,462	40,079	383
Operating expenditures	1,387	388	999
	<u>41,849</u>	<u>40,467</u>	<u>1,382</u>
WIC - Breastfeeding:			
Salaries and employee benefits	63,878	61,922	1,956
Operating expenditures	7,909	5,158	2,751
	<u>71,787</u>	<u>67,080</u>	<u>4,707</u>
Child service coordinator:			
Salaries and employee benefits	138,180	134,591	3,589
Operating expenditures	19,260	4,104	15,156
Capital outlay	2,120	1,460	660
	<u>159,560</u>	<u>140,155</u>	<u>19,405</u>
Communicable diseases:			
Salaries and employee benefits	214,408	208,822	5,586
Operating expenditures	30,435	24,669	5,766
	<u>244,843</u>	<u>233,491</u>	<u>11,352</u>
Breast/cervical cancer control:			
Salaries and employee benefits	8,131	8,095	36
Operating expenditures	13,686	8,342	5,344
	<u>21,817</u>	<u>16,437</u>	<u>5,380</u>
Immunizations:			
Salaries and employee benefits	67,541	64,612	2,929
Operating expenditures	18,789	12,881	5,908
	<u>86,330</u>	<u>77,493</u>	<u>8,837</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Expenditures: (Continued)			
Human services: (Continued)			
Pregnancy Care Management:			
Salaries and employee benefits	\$ 145,169	\$ 140,356	\$ 4,813
Operating expenditures	<u>21,767</u>	<u>7,034</u>	<u>14,733</u>
	<u>166,936</u>	<u>147,390</u>	<u>19,546</u>
WIC - General administration:			
Salaries and employee benefits	8,583	8,563	20
Operating expenditures	<u>5,316</u>	<u>4,227</u>	<u>1,089</u>
	<u>13,899</u>	<u>12,790</u>	<u>1,109</u>
WIC - Nutrition education:			
Salaries and employee benefits	26,564	26,362	202
Operating expenditures	<u>5,843</u>	<u>3,754</u>	<u>2,089</u>
	<u>32,407</u>	<u>30,116</u>	<u>2,291</u>
Total health	<u>3,511,668</u>	<u>3,076,395</u>	<u>435,273</u>
Social services:			
Social services - administration:			
Salaries and employee benefits	6,077,829	5,730,023	347,806
Operating expenditures	564,521	479,174	85,347
Contracted services	53,442	41,173	12,269
Professional services	39,513	28,243	11,270
Capital outlay	<u>53,149</u>	<u>40,744</u>	<u>12,405</u>
	<u>6,788,454</u>	<u>6,319,357</u>	<u>469,097</u>
Social services - programs	<u>1,739,993</u>	<u>1,103,624</u>	<u>636,369</u>
Total social services	<u>8,528,447</u>	<u>7,422,981</u>	<u>1,105,466</u>
Mental health	<u>240,000</u>	<u>240,000</u>	<u>-</u>
Human services nonprofits	<u>34,000</u>	<u>34,000</u>	<u>-</u>
Senior services - transportation:			
Salaries and employee benefits	590,545	578,632	11,913
Operating expenditures	214,572	209,004	5,568
Capital outlay	<u>102,852</u>	<u>42,852</u>	<u>60,000</u>
	<u>907,969</u>	<u>830,488</u>	<u>77,481</u>
Senior services - general:			
Salaries and employee benefits	721,914	687,002	34,912
Operating expenditures	128,844	103,064	25,780
Contracted services	149,033	118,958	30,075
Capital outlay	<u>7,249</u>	<u>7,251</u>	<u>(2)</u>
	<u>1,007,040</u>	<u>916,275</u>	<u>90,765</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Expenditures: (Continued)			
Human services: (Continued)			
JPCPC			
Operating expenditures	\$ 86,101	\$ 75,618	\$ 10,483
	<u>86,101</u>	<u>75,618</u>	<u>10,483</u>
Emergency and contingency	<u>50,079</u>	<u>-</u>	<u>50,079</u>
Total human services	<u>14,365,304</u>	<u>12,595,757</u>	<u>1,769,547</u>
Education:			
Lee County Board of Education:			
Current appropriation	17,512,278	17,512,278	-
Capital outlay	2,032,506	1,347,506	685,000
Central Carolina Community College:			
Current appropriation	2,956,860	2,956,860	-
Capital outlay	<u>290,000</u>	<u>290,000</u>	<u>-</u>
Total education	<u>22,791,644</u>	<u>22,106,644</u>	<u>685,000</u>
Cultural and recreational:			
Parks and recreation:			
Salaries and employee benefits	941,407	855,600	85,807
Operating expenditures	379,486	299,239	80,247
Professional services	56,413	31,668	24,745
Capital outlay	<u>451,387</u>	<u>269,458</u>	<u>181,929</u>
	<u>1,828,693</u>	<u>1,455,965</u>	<u>372,728</u>
Libraries:			
Salaries and employee benefits	464,106	428,740	35,366
Operating expenditures	218,721	168,014	50,707
Capital outlay	<u>22,510</u>	<u>19,651</u>	<u>2,859</u>
	<u>705,337</u>	<u>616,405</u>	<u>88,932</u>
Cultural and recreational nonprofits	<u>7,000</u>	<u>7,000</u>	<u>-</u>
Total cultural and recreational	<u>2,541,030</u>	<u>2,079,370</u>	<u>461,660</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, 2018**

	Budget	Actual	Variance With Final Budget Over/(Under)
Expenditures: (Continued)			
Debt service:			
Principal retirement	\$ 6,336,000	\$ 6,336,000	\$ -
Interest and fees	2,772,688	2,772,343	345
Capital lease payments - principal	263,196	263,195	1
Capital lease payments - interest	2,065	1,663	402
Total debt service	9,373,949	9,373,201	748
Total expenditures	72,247,218	67,662,674	4,584,544
Revenues over (under) expenditures	(3,518,654)	1,141,623	4,660,277
Other financing sources (uses):			
Transfers from other funds:			
Special Revenue Funds	319,253	319,253	-
Capital Projects Fund	348,646	348,646	-
Transfers to other funds:			
Capital Projects Fund	(1,076,829)	(1,076,829)	-
Total net transfers	(408,930)	(408,930)	-
Total other financing sources (uses)	(408,930)	(408,930)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(3,927,584)	732,693	4,660,277
Appropriated fund balance	3,927,584	-	(3,927,584)
Net change in fund balance	\$ -	732,693	\$ 732,693
Fund balance, beginning of year		19,858,821	
Fund balance, end of year		\$ 20,591,514	

**LEE COUNTY, NORTH CAROLINA**  
**CCCC Health Sciences Center - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

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	<u>Project Budget</u>	<u>Current Year</u>	<u>Actual Prior Years</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ 93,197	\$ 70,439	\$ 30,093	\$ 100,532
Expenditures:				
Capital outlay:				
Education	\$ 9,755,394	\$ 7,176,714	\$ 1,381,883	\$ 8,558,597
Revenues over (under) expenditures	(9,662,197)	(7,106,275)	(1,351,790)	(8,458,065)
Other financing sources (uses):				
General Obligation Bonds issued	9,000,000	-	9,000,000	9,000,000
Original issuance premium	662,197	-	662,197	662,197
Total other financing sources (uses)	<u>9,662,197</u>	<u>-</u>	<u>9,662,197</u>	<u>9,662,197</u>
Net change in fund balance	<u>\$ -</u>	(7,106,275)	<u>\$ 8,310,407</u>	<u>\$ 1,204,132</u>
Fund balance, beginning of year		<u>8,310,407</u>		
Fund balance, end of year		<u>\$ 1,204,132</u>		

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**LEE COUNTY, NORTH CAROLINA**  
**Elementary School Facility - Statement of Revenues,**  
**Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

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	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ -	\$ 60,150	\$ -	\$ 60,150
Expenditures:				
Capital outlay:				
Education	\$27,750,000	\$ 4,095,505	\$ 373,851	\$ 4,469,356
Revenues over (under) expenditures	(27,750,000)	(4,035,355)	(373,851)	(4,409,206)
Other financing sources (uses):				
Limited Obligation Bonds issued	27,750,000	25,500,000	-	25,500,000
Original issuance premium	-	2,640,085	-	2,640,085
Total other financing sources (uses)	<u>27,750,000</u>	<u>28,140,085</u>	<u>-</u>	<u>28,140,085</u>
Net change in fund balance	<u>\$ -</u>	24,104,730	<u>\$ (373,851)</u>	<u>\$ 23,730,879</u>
Fund balance, beginning of year		<u>(373,851)</u>		
Fund balance, end of year		<u>\$ 23,730,879</u>		

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## **NON-MAJOR GOVERNMENTAL FUNDS**

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**LEE COUNTY, NORTH CAROLINA**  
**Combining Balance Sheet - Non-major Governmental Funds**  
**June 30, 2018**

	Total Non-major Special Revenue Funds	Total Non-major Capital Project Funds	Total Non-major Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 1,974,605	\$ 4,076,605	\$ 6,051,210
Taxes receivable - net	68,573	-	68,573
Accounts receivable - net	82,493	3,332	85,825
Accrued interest receivable	4,301	15,952	20,253
Cash and investments - restricted	-	9,635,384	9,635,384
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 2,129,972</u>	<u>\$ 13,731,273</u>	<u>\$ 15,861,245</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 16,271	\$ -	\$ 16,271
Liabilities to be paid from restricted assets	-	337,068	337,068
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>16,271</u>	<u>337,068</u>	<u>353,339</u>
Deferred Inflows of Resources			
Taxes receivable	68,573	-	68,573
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total deferred inflows of resources	<u>68,573</u>	<u>-</u>	<u>68,573</u>
Fund balances:			
Restricted:			
Stabilization by State Statute	86,794	19,284	106,078
Public Safety	764,566	3,006,157	3,770,723
Economic and Physical Development	798,583	2,006,678	2,805,261
Education	140,402	4,285,481	4,425,883
Committed:			
Economic and Physical Development	254,783	-	254,783
Assigned:			
Capital	-	4,076,605	4,076,605
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>2,045,128</u>	<u>13,394,205</u>	<u>15,439,333</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,129,972</u>	<u>\$ 13,731,273</u>	<u>\$ 15,861,245</u>

**LEE COUNTY, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Non-major Governmental Funds**  
**For the Year Ended June 30, 2018**

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	Total Non-major Special Revenue Funds	Total Non-major Capital Project Funds	Total Non-major Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues:			
Ad valorem taxes	\$ 3,044,241	\$ -	\$ 3,044,241
Other taxes and licenses	586,636	-	586,636
Restricted intergovernmental	63,767	-	63,767
Investment earnings	23,104	179,870	202,974
Total revenues	<u>3,717,748</u>	<u>179,870</u>	<u>3,897,618</u>
Expenditures:			
Current:			
Public safety	2,967,973	38,603	3,006,576
Economic and physical development	100,000	375,797	475,797
Education	220,000	7,966,061	8,186,061
Total expenditures	<u>3,287,973</u>	<u>8,380,461</u>	<u>11,668,434</u>
Revenues over (under) expenditures	<u>429,775</u>	<u>(8,200,591)</u>	<u>(7,770,816)</u>
Other financing sources (Uses):			
Transfers from other funds	-	728,183	728,183
Transfers to other funds	(319,253)	-	(319,253)
Limited obligation bonds issued	-	4,595,000	4,595,000
Original issuance premium	-	477,044	477,044
Total other financing sources (uses)	<u>(319,253)</u>	<u>5,800,227</u>	<u>5,480,974</u>
Net change in fund balances	110,522	(2,400,364)	(2,289,842)
Fund balance, beginning of year	<u>1,934,606</u>	<u>15,794,569</u>	<u>17,729,175</u>
Fund balance, end of year	<u>\$ 2,045,128</u>	<u>\$ 13,394,205</u>	<u>\$ 15,439,333</u>

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## **NON-MAJOR SPECIAL REVENUE FUNDS**

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

The following comprise the County's Special Revenue Funds:

- *Fire Protection Fund* - Accounts for the ad valorem tax levies of the nine fire districts in Lee County.
- *Room Occupancy Tax Fund* - Accounts for room occupancy tax collected in Lee County.
- *Emergency Telephone System Fund* - Accounts for the E-911 surcharge levied on all Lee County telephone subscribers.
- *Airport Tax Revenue Fund* – Accounts for the tax revenue collected on personal property located at the Sanford-Lee County Regional Airport.
- *Drug Seizure Fund* – Accounts for payments received from drug seizures.
- *Revolving Loan Fund* – Accounts for rental payments received through lease of equipment that was purchased through a Golden Leaf Foundation grant.

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**LEE COUNTY, NORTH CAROLINA**  
**Combining Balance Sheet - Non-major Special Revenue Funds**  
**June 30, 2018**

	Fire Protection Fund	Room Occupancy Tax Fund	Emergency Telephone System Fund	Airport Tax Revenue Fund	Drug Seizure Funds	Revolving Loan Fund	Totals
<b>Assets</b>							
Cash and investments	\$ 255,401	\$ 140,402	\$ 465,736	\$ 254,783	\$ 59,700	\$ 798,583	\$ 1,974,605
Taxes receivable - net	65,939	-	-	2,634	-	-	68,573
Accounts receivable	25,438	-	28,041	-	1,714	27,300	82,493
Accrued interest receivable	557	306	1,014	555	130	1,739	4,301
Total assets	<u>\$ 347,335</u>	<u>\$ 140,708</u>	<u>\$ 494,791</u>	<u>\$ 257,972</u>	<u>\$ 61,544</u>	<u>\$ 827,622</u>	<u>\$ 2,129,972</u>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 16,271	\$ -	\$ -	\$ -	\$ 16,271
Total liabilities	-	-	16,271	-	-	-	16,271
Deferred Inflows of Resources							
Taxes receivable	65,939	-	-	2,634	-	-	68,573
Total deferred inflows of resources	<u>65,939</u>	<u>-</u>	<u>-</u>	<u>2,634</u>	<u>-</u>	<u>-</u>	<u>68,573</u>
Fund balances:							
Restricted							
Stabilization by State Statute	25,995	306	29,055	555	1,844	29,039	86,794
Public Safety	255,401	-	449,465	-	59,700	-	764,566
Economic and Physical Development	-	-	-	-	-	798,583	798,583
Education	-	140,402	-	-	-	-	140,402
Committed:							
Economic and Physical Development	-	-	-	254,783	-	-	254,783
Total fund balances	<u>281,396</u>	<u>140,708</u>	<u>478,520</u>	<u>255,338</u>	<u>61,544</u>	<u>827,622</u>	<u>2,045,128</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 347,335</u>	<u>\$ 140,708</u>	<u>\$ 494,791</u>	<u>\$ 257,972</u>	<u>\$ 61,544</u>	<u>\$ 827,622</u>	<u>\$ 2,129,972</u>

**LEE COUNTY, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Non-major Special Revenue Funds**  
**For the Year Ended June 30, 2018**

	Fire Protection Fund	Room Occupancy Tax Fund	Emergency Telephone System Fund	Airport Tax Revenue Fund	Drug Seizure Fund	Revolving Loan Fund	Totals
<b>Revenues:</b>							
Ad valorem taxes	\$ 2,811,103	\$ -	\$ -	\$ 233,138	\$ -	\$ -	\$ 3,044,241
Other taxes and licenses	-	250,137	336,499	-	-	-	586,636
Restricted intergovernmental	-	-	-	-	63,767	-	63,767
Investment earnings	1,471	1,579	6,496	2,842	886	9,830	23,104
Total revenues	<u>2,812,574</u>	<u>251,716</u>	<u>342,995</u>	<u>235,980</u>	<u>64,653</u>	<u>9,830</u>	<u>3,717,748</u>
<b>Expenditures:</b>							
Current:							
General government:							
Public safety	2,492,798	-	406,767	-	68,408	-	2,967,973
Economic and physical development	-	-	-	100,000	-	-	100,000
Education	-	220,000	-	-	-	-	220,000
Total expenditures	<u>2,492,798</u>	<u>220,000</u>	<u>406,767</u>	<u>100,000</u>	<u>68,408</u>	<u>-</u>	<u>3,287,973</u>
Revenues over (under) expenditures	<u>319,776</u>	<u>31,716</u>	<u>(63,772)</u>	<u>135,980</u>	<u>(3,755)</u>	<u>9,830</u>	<u>429,775</u>
Other financing sources (uses):							
Transfers in (out):							
General Fund	(319,253)	-	-	-	-	-	(319,253)
Total other financing sources (uses)	<u>(319,253)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(319,253)</u>
Net changes in fund balances	523	31,716	(63,772)	135,980	(3,755)	9,830	110,522
Fund balances, beginning of year	<u>280,873</u>	<u>108,992</u>	<u>542,292</u>	<u>119,358</u>	<u>65,299</u>	<u>817,792</u>	<u>1,934,606</u>
Fund balances, end of year	<u>\$ 281,396</u>	<u>\$ 140,708</u>	<u>\$ 478,520</u>	<u>\$ 255,338</u>	<u>\$ 61,544</u>	<u>\$ 827,622</u>	<u>\$ 2,045,128</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 2,702,454	\$ 2,770,078	\$ 67,624
Prior years	-	41,025	41,025
Total ad valorem taxes	<u>2,702,454</u>	<u>2,811,103</u>	<u>108,649</u>
Investment earnings	-	1,471	1,471
Total revenues	<u>2,702,454</u>	<u>2,812,574</u>	<u>110,120</u>
Expenditures:			
Public safety	<u>2,494,751</u>	<u>2,492,798</u>	<u>1,953</u>
Revenues over (under) expenditures	207,703	319,776	112,073
Other financing sources (uses):			
Transfers in (out):			
General Fund	<u>(319,253)</u>	<u>(319,253)</u>	<u>-</u>
Total other financing sources (uses)	<u>(319,253)</u>	<u>(319,253)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(111,550)	523	112,073
Appropriated fund balance	<u>111,550</u>	-	<u>(111,550)</u>
Net change in fund balance	<u>\$ -</u>	523	<u>\$ 523</u>
Fund balance, beginning of year		<u>280,873</u>	
Fund balance, end of year		<u>\$ 281,396</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, 2018**

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	Budget	Actual	Variance With Final Budget Over/(Under)
Revenues:			
Other taxes and licenses:			
Room occupancy tax	\$ 220,000	\$ 250,137	\$ 30,137
Investment earnings	-	1,579	1,579
Total revenues	220,000	251,716	31,716
Expenditures:			
Education - CCCC appropriation	220,000	220,000	-
Net change in fund balance	\$ -	31,716	\$ 31,716
Fund balance, beginning of year		108,992	
Fund balance, end of year		\$ 140,708	

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**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, 2018**

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	Budget	Actual	Variance With Final Budget Over/(Under)
Revenues:			
Other taxes and licenses	\$ 336,499	\$ 336,499	\$ -
Investment earnings	-	6,496	6,496
Total revenues	336,499	342,995	6,496
Expenditures:			
Public safety	421,666	406,767	14,899
Revenues over (under) expenditures	(85,167)	(63,772)	21,395
Appropriated fund balance	85,167	-	(85,167)
Net change in fund balance	\$ -	(63,772)	\$ (63,772)
Fund balance, beginning of year		542,292	
Fund balance, end of year		\$ 478,520	

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**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, 2018**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 100,000	\$ 231,728	\$ 131,728
Prior years	<u>          -</u>	<u>      1,410</u>	<u>      1,410</u>
Total ad valorem taxes	<u>100,000</u>	<u>233,138</u>	<u>133,138</u>
Investment earnings	<u>          -</u>	<u>      2,842</u>	<u>      2,842</u>
Total revenues	<u>100,000</u>	<u>235,980</u>	<u>135,980</u>
Expenditures:			
Economic and physical development	<u>100,000</u>	<u>100,000</u>	<u>          -</u>
Net change in fund balance	<u>\$          -</u>	<u>135,980</u>	<u>\$ 135,980</u>
Fund balance, beginning of year		<u>119,358</u>	
Fund balance, end of year		<u>\$ 255,338</u>	

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**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, 2018**

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	Budget	Actual	Variance With Final Budget Over/(Under)
Revenues:			
Intergovernmental revenues	\$ -	\$ 63,767	\$ 63,767
Investment earnings	-	886	886
Total revenues	-	64,653	64,653
Expenditures:			
Public safety	71,500	68,408	3,092
Revenues over (under) expenditures	(71,500)	(3,755)	67,745
Appropriated fund balance	71,500	-	(71,500)
Net change in fund balance	\$ -	(3,755)	\$ (3,755)
Fund balance, beginning of year		65,299	
Fund balance, end of year		\$ 61,544	

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**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, 2018**

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	Budget	Actual	Variance With Final Budget Over/(Under)
Revenues:			
Investment earnings	\$ -	\$ 9,830	\$ 9,830
Total revenues	-	9,830	9,830
Net change in fund balance	\$ -	9,830	\$ 9,830
Fund balance, beginning of year		817,792	
Fund balance, end of year		\$ 827,622	

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## NON-MAJOR 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
- *San-Lee Park Nature Center Fund* – Accounts for costs associated with building a nature center for the park.
- *CCCC Veterinary Medical Technology Facility Fund* – Accounts for the costs associated with building an addition to and renovating the existing Veterinary Medical Technology Facility on the CCCC campus.
- *CCCC Civic Center Project Fund* – Accounts for the costs associated with expansion of and renovations to the civic center and the development of small business incubator.
- *CCCC Main Campus and Emergency Services Training Facility Renovations* – Accounts for the costs associated with renovations to buildings on the main campus of CCCC and renovations to the Emergency Services Training Facility.
- *Courthouse Complex Renovations Fund* – Accounts for the costs associated with renovations to building in the courthouse complex.
- *Park Improvements Fund* – Accounts for the costs associated with improvements at Kiwanis Children's Park, Horton Park, Temple Park, OT Sloan Park, and Lett Park.

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**LEE COUNTY, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances (Deficit) - Non-major Capital Project Funds**  
**For the Year Ended June 30, 2018**

	Capital Projects Outlay Fund	San-Lee Park Nature Center Fund	CCCC Veterinary Medical Technology Facility Fund	CCCC Civic Center Project Fund	CCCC Main Campus and Emergency Services Training Center Renovations Fund	Courthouse Complex Renovations Fund	Park Improvements Fund	Totals
Revenues:								
Investment earnings	\$ 43,878	\$ -	\$ 42,590	\$ 52,362	\$ 28,761	\$ 7,364	\$ 4,915	\$ 179,870
Total revenues	43,878	-	42,590	52,362	28,761	7,364	4,915	179,870
Expenditures:								
Capital outlay:								
Public Safety	-	-	-	-	-	38,603	-	38,603
Economic and physical development	-	350,036	-	-	-	-	25,761	375,797
Education	-	-	3,252,279	3,162,129	1,551,653	-	-	7,966,061
Total expenditures	-	350,036	3,252,279	3,162,129	1,551,653	38,603	25,761	8,380,461
Revenues over (under) expenditures	43,878	(350,036)	(3,209,689)	(3,109,767)	(1,522,892)	(31,239)	(20,846)	(8,200,591)
Other financing sources (uses)								
Transfers in (out):								
General Fund	728,183	-	-	-	-	-	-	728,183
Limited obligation bonds issued	-	-	-	-	-	2,755,000	1,840,000	4,595,000
Original issuance premium	-	-	-	-	-	286,668	190,376	477,044
Total other financing sources (uses)	728,183	-	-	-	-	3,041,668	2,030,376	5,800,227
Net change in fund balances	772,061	(350,036)	(3,209,689)	(3,109,767)	(1,522,892)	3,010,429	2,009,530	(2,400,364)
Fund balances (deficit), beginning of year	3,290,731	376,009	4,374,065	4,784,911	2,968,853	-	-	15,794,569
Fund balances(deficit), end of year	\$ 4,062,792	\$ 25,973	\$ 1,164,376	\$ 1,675,144	\$ 1,445,961	\$ 3,010,429	\$ 2,009,530	\$ 13,394,205

**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, 2018**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Revenues:			
Investment earnings	\$ -	\$ 43,878	\$ 43,878
Revenues over (under) expenditures	<u>-</u>	<u>43,878</u>	<u>43,878</u>
Other financing sources (uses):			
Transfers in (out):			
General Fund	348,646	1,076,829	728,183
General Fund	<u>(348,646)</u>	<u>(348,646)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>728,183</u>	<u>728,183</u>
Net change in fund balance	<u>\$ -</u>	772,061	<u>\$ 772,061</u>
Fund balance, beginning of year		<u>3,290,731</u>	
Fund balance, end of year		<u>\$ 4,062,792</u>	

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**LEE COUNTY, NORTH CAROLINA**  
**San-Lee Park Nature Center - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

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	Project Budget	Current Year	Actual Prior Years	Total to Date
Expenditures:				
Capital outlay:				
Economic and physical development	\$ 2,261,477	\$ 350,036	\$ 1,885,468	\$ 2,235,504
Revenues over (under) expenditures	(2,261,477)	(350,036)	(1,885,468)	(2,235,504)
Other financing sources (uses):				
Transfers in (out):				
General Fund	<u>2,261,477</u>	-	<u>2,261,477</u>	<u>2,261,477</u>
Total other financing sources (uses)	<u>2,261,477</u>	-	<u>2,261,477</u>	<u>2,261,477</u>
Net change in fund balance	<u>\$ -</u>	(350,036)	<u>\$ 376,009</u>	<u>\$ 25,973</u>
Fund balance, beginning of year		<u>376,009</u>		
Fund balance, end of year		<u>\$ 25,973</u>		

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**LEE COUNTY, NORTH CAROLINA**  
**CCCC Veterinary Medical Technology Facility - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

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	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ 57,210	\$ 42,590	\$ 20,599	\$ 63,189
Expenditures:				
Capital outlay:				
Education	\$ 5,425,097	\$ 3,252,279	\$ 1,014,421	\$ 4,266,700
Revenues over (under) expenditures	(5,367,887)	(3,209,689)	(993,822)	(4,203,511)
Other financing sources (uses):				
General Obligation Bonds issued	5,000,000	-	5,000,000	5,000,000
Original issuance premium	367,887	-	367,887	367,887
Total other financing sources (uses)	5,367,887	-	5,367,887	5,367,887
Net change in fund balance	\$ -	(3,209,689)	\$ 4,374,065	\$ 1,164,376
Fund balance, beginning of year		4,374,065		
Fund balance, end of year		\$ 1,164,376		

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**LEE COUNTY, NORTH CAROLINA**  
**CCCC Civic Center Project - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

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	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ 56,128	\$ 52,362	\$ 12,429	\$ 64,791
Expenditures:				
Capital outlay:				
Education	\$ 5,424,015	\$ 3,162,129	\$ 595,406	\$ 3,757,535
Revenues over (under) expenditures	(5,367,887)	(3,109,767)	(582,977)	(3,692,744)
Other financing sources (uses):				
General Obligation Bonds issued	5,000,000	-	5,000,000	5,000,000
Original issuance premium	367,887	-	367,888	367,888
Total other financing sources (uses)	5,367,887	-	5,367,888	5,367,888
Net change in fund balance	\$ -	(3,109,767)	\$ 4,784,911	\$ 1,675,144
Fund balance, beginning of year		4,784,911		
Fund balance, end of year		\$ 1,675,144		

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**LEE COUNTY, NORTH CAROLINA**  
**CCCC Main Campus and Emergency Services Training Center Renovations - Schedule of Revenues,**  
**Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

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	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ 34,423	\$ 28,761	\$ 10,801	\$ 39,562
Expenditures:				
Capital outlay:				
Education	\$ 4,328,733	\$ 1,551,653	\$ 1,336,258	\$ 2,887,911
Revenues over (under) expenditures	(4,294,310)	(1,522,892)	(1,325,457)	(2,848,349)
Other financing sources (uses):				
General Obligation Bonds issued	4,000,000	-	4,000,000	4,000,000
Original issuance premium	294,310	-	294,310	294,310
Total other financing sources (uses)	4,294,310	-	4,294,310	4,294,310
Net change in fund balance	\$ -	(1,522,892)	\$ 2,968,853	\$ 1,445,961
Fund balance, beginning of year		2,968,853		
Fund balance, end of year		\$ 1,445,961		

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**LEE COUNTY, NORTH CAROLINA**  
**Courthouse Complex Renovations - Schedule of Revenues,**  
**Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

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	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ -	\$ 7,364	\$ -	\$ 7,364
Expenditures:				
Capital outlay:				
Public safety	\$ 3,038,604	\$ 38,603	\$ -	\$ 38,603
Revenues over (under) expenditures	(3,038,604)	(31,239)	-	(31,239)
Other financing sources (uses):				
Limited Obligation Bonds issued	3,000,000	2,755,000	-	2,755,000
Original issuance premium	38,604	286,668	-	286,668
Total other financing sources (uses)	<u>3,038,604</u>	<u>3,041,668</u>	-	<u>3,041,668</u>
Net change in fund balance	<u>\$ -</u>	3,010,429	<u>\$ -</u>	<u>\$ 3,010,429</u>
Fund balance, beginning of year		-		
Fund balance, end of year		<u>\$ 3,010,429</u>		

**LEE COUNTY, NORTH CAROLINA**  
**Park Improvements - Schedule of Revenues,**  
**Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

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	Project Budget	Current Year	Actual Prior Years	Total to Date
Revenues:				
Investment earnings	\$ -	\$ 4,915	\$ -	\$ 4,915
Expenditures:				
Capital outlay:				
Economic and physical development	\$ 2,025,762	\$ 25,761	\$ -	\$ 25,761
Revenues over (under) expenditures	(2,025,762)	(20,846)	-	(20,846)
Other financing sources (uses):				
General Obligation Bonds issued	2,000,000	1,840,000	-	1,840,000
Original issuance premium	25,762	190,376	-	190,376
Total other financing sources (uses)	<u>2,025,762</u>	<u>2,030,376</u>	-	<u>2,030,376</u>
Net change in fund balance	<u>\$ -</u>	2,009,530	<u>\$ -</u>	<u>\$ 2,009,530</u>
Fund balance, beginning of year		-		
Fund balance, end of year		<u>\$ 2,009,530</u>		

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## ENTERPRISE FUNDS

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

The following comprise the County's Enterprise Funds

- *Water and Sewer District #1Fund* – Accounts for the costs associated with the operations of the County's water system.
- *Water and Sewer District #1 – Color Road Project Fund* – Accounts for the costs associated with establishing a waterline in the Colon Road area.
- *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, 2018**

---

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

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**LEE COUNTY, NORTH CAROLINA**  
**Water and Sewer District #1 - Colon Road Project Fund - Schedule of Revenues and Expenditures -**  
**Budget and Actual (non GAAP)**  
**From Inception and for the Year Ended June 30, 2018**

---

	Project Budget	Current Year	Actual Prior Years	Total to Date
Expenditures:				
Water/Sewer System	360,051	320,325	3,069	323,394
Revenues over (under) expenditures	(360,051)	(320,325)	(3,069)	(323,394)
Other financing sources (uses)				
Transfers (to) from:				
Loan proceeds	357,628	320,971	-	320,971
Transfers in (out):				
Water and Sewer District #1	2,423	(2,423)	-	2,423
Total other financing sources (uses)	360,051	318,548	-	323,394
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (1,777)	\$ (3,069)	\$ -

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**LEE COUNTY, NORTH CAROLINA**  
**Solid Waste Management Fund - Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
<b>Revenues:</b>			
Operating revenues:			
Solid waste charges	\$ 1,306,688	\$ 1,288,354	\$ (18,334)
Other operating revenues	<u>19,500</u>	<u>22,361</u>	<u>2,861</u>
Total operating revenues	<u>1,326,188</u>	<u>1,310,715</u>	<u>(15,473)</u>
Non-operating revenues:			
Solid waste disposal tax	23,000	23,847	847
Scrap tire disposal tax	75,000	79,129	4,129
White goods disposal tax	20,000	37,928	17,928
Investment earnings	<u>3,500</u>	<u>14,625</u>	<u>11,125</u>
Total non-operating revenues	<u>121,500</u>	<u>155,529</u>	<u>34,029</u>
Total revenues	<u>1,447,688</u>	<u>1,466,244</u>	<u>18,556</u>
<b>Expenditures:</b>			
Salaries and employee benefits	565,259	513,600	51,659
Other operating expenditures	914,425	849,042	65,383
Capital outlay	<u>65,841</u>	<u>54,038</u>	<u>11,803</u>
Total expenditures	<u>1,545,525</u>	<u>1,416,680</u>	<u>128,845</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(97,837)	49,564	147,401
Appropriated fund balance	<u>97,837</u>	<u>-</u>	<u>(97,837)</u>
Revenues, other financing sources, and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 49,564</u>	<u>\$ 49,564</u>
<b>Reconciliation of modified accrual basis to full accrual basis:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 49,564	
Decrease in net pension asset		-	
Decrease in deferred outflows of resources - pensions		(17,066)	
Decrease in net pension liability		17,148	
Decrease in deferred inflows of resources - pensions		1,025	
Decrease in net OPEB liability		10,897	
Increase in deferred outflows of resources - OPEB		4,770	
Increase in deferred inflows of resources - OPEB		(24,076)	
Capital outlay		49,163	
Depreciation		<u>(16,023)</u>	
Change in net position		<u>\$ 75,402</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.
- *Sanford Room Occupancy Tax Fund* – Accounts for room occupancy tax revenues collected on behalf of the City of Sanford.
- *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.
- *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, 2018**

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>TOWN OF BROADWAY</b>				
Assets:				
Cash, cash equivalents and investments	\$ 6,382	\$ 432,376	\$ 430,412	\$ 8,346
Accounts receivable	5,371	5,528	5,371	5,528
Taxes receivable	9,136	379,046	380,308	7,874
Total assets	<u>\$ 20,889</u>	<u>\$ 816,950</u>	<u>\$ 816,091</u>	<u>\$ 21,748</u>
Liabilities:				
Due to tax district	<u>\$ 20,889</u>	<u>\$ 816,950</u>	<u>\$ 816,091</u>	<u>\$ 21,748</u>
<b>CITY OF SANFORD</b>				
Assets:				
Cash, cash equivalents and investments	\$ 3,610	\$ 17,453,207	\$ 17,443,558	\$ 13,259
Accounts receivable	113,352	118,343	113,352	118,343
Taxes receivable	352,764	16,246,408	16,262,208	336,964
Total assets	<u>\$ 469,726</u>	<u>\$ 33,817,958</u>	<u>\$ 33,819,118</u>	<u>\$ 468,566</u>
Liabilities:				
Due to tax district	<u>\$ 469,726</u>	<u>\$ 33,817,958</u>	<u>\$ 33,819,118</u>	<u>\$ 468,566</u>
<b>CENTRAL BUSINESS DISTRICT</b>				
Assets:				
Cash, cash equivalents and investments	\$ 404	\$ 59,920	\$ 59,753	\$ 571
Accounts receivable	99	150	99	150
Taxes receivable	2,552	61,148	61,192	2,508
Total assets	<u>\$ 3,055</u>	<u>\$ 121,218</u>	<u>\$ 121,044</u>	<u>\$ 3,229</u>
Liabilities:				
Due to tax district	<u>\$ 3,055</u>	<u>\$ 121,218</u>	<u>\$ 121,044</u>	<u>\$ 3,229</u>
<b>SANFORD ROOM OCCUPANCY TAX FUND</b>				
Assets:				
Cash, cash equivalents and investments	<u>\$ -</u>	<u>\$ 167,980</u>	<u>\$ 144,404</u>	<u>\$ 23,576</u>
Liabilities:				
Due to tax district	<u>\$ -</u>	<u>\$ 167,980</u>	<u>\$ 144,404</u>	<u>\$ 23,576</u>
<b>FINES AND FORFEITURES</b>				
Assets:				
Intergovernmental receivable	<u>\$ 9,909</u>	<u>\$ 129,970</u>	<u>\$ 123,400</u>	<u>\$ 16,479</u>
Liabilities:				
Intergovernmental payable	<u>\$ 9,909</u>	<u>\$ 129,970</u>	<u>\$ 123,400</u>	<u>\$ 16,479</u>

**LEE COUNTY, NORTH CAROLINA**  
**Agency Funds - Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2018**

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>SOCIAL SERVICES PAYEE ACCOUNTS</b>				
Assets:				
Cash, cash equivalents and investments	\$ 32,613	\$ 309,772	\$ 318,701	\$ 23,684
Liabilities:				
Due to participants	\$ 32,613	\$ 309,772	\$ 318,701	\$ 23,684
<b>JAIL INMATE TRUST ACCOUNTS</b>				
Assets:				
Cash, cash equivalents and investments	\$ 24,321	\$ 251,556	\$ 248,082	\$ 27,795
Liabilities:				
Due to participants	\$ 24,321	\$ 251,556	\$ 248,082	\$ 27,795
<b>MENTAL HEALTH INSURANCE</b>				
Assets:				
Cash, cash equivalents and investments	\$ 47,268	\$ 34	\$ 47,302	\$ -
Accrued interest receivable	49	-	49	-
Total assets	\$ 47,317	\$ 34	\$ 47,351	\$ -
Liabilities:				
Due to participants	\$ 47,317	\$ 34	\$ 47,351	\$ -
<b>COMBINING TOTALS</b>				
Assets:				
Cash and investments	\$ 114,598	\$ 18,674,845	\$ 18,692,212	\$ 97,231
Accounts receivable	128,731	253,991	242,222	140,500
Taxes receivable	364,452	16,686,602	16,703,708	347,346
Accrued interest receivable	49	-	49	-
Total assets	\$ 607,830	\$ 35,615,438	\$ 35,638,191	\$ 585,077
Liabilities:				
Due to participants	\$ 104,251	\$ 561,362	\$ 614,134	\$ 51,479
Intergovernmental payable	9,909	129,970	123,400	16,479
Due to tax district	493,670	34,924,106	34,900,657	517,119
Total liabilities	\$ 607,830	\$ 35,615,438	\$ 35,638,191	\$ 585,077

## **OTHER SCHEDULES**

This section includes additional information on property taxes.

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**LEE COUNTY, NORTH CAROLINA**  
**Schedule of Ad Valorem Taxes Receivable - General Fund**  
**June 30, 2018**

Fiscal Year	Uncollected Balance June 30, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2016-17	\$ -	\$ 42,164,227	\$ 41,830,217	\$ 334,010
2015-16	345,828	-	223,604	122,224
2014-15	124,893	-	59,243	65,650
2013-14	58,903	-	13,588	45,315
2012-13	63,438	-	12,786	50,652
2011-12	72,619	-	12,759	59,860
2010-11	71,246	-	14,905	56,341
2009-10	59,699	-	4,522	55,177
2008-09	236,462	-	2,231	234,231
2007-08	70,009	-	2,701	67,308
2006-07	71,286	-	71,286	-
<b>Total</b>	<b>\$ 1,174,383</b>	<b>\$ 42,164,227</b>	<b>\$ 42,247,842</b>	<b>1,090,768</b>
Less allowance for uncollected taxes receivable				<u>(703,070)</u>
Ad valorem taxes receivable (net)				<u>\$ 387,698</u>
Reconciliation with revenues:				
Ad valorem collections and credits				\$ 42,247,842
Penalties and interest				159,496
Advertisement and collection fees				39,532
Taxes written off				(68,761)
Releases				(29,771)
Adjustments				<u>318</u>
Total ad valorem collections and credits				<u>\$ 42,348,656</u>

**LEE COUNTY, NORTH CAROLINA**  
**Analysis of Current Tax Levy - County-Wide Levy**  
**For the Fiscal Year Ended June 30, 2018**

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current year's rate	\$ 5,281,008,490	\$ 0.795	\$ 41,976,993	\$ 38,179,032	\$ 3,797,961
Penalties	-		93,208	93,208	-
Total	<u>5,281,008,490</u>		<u>42,070,201</u>	<u>38,272,240</u>	<u>3,797,961</u>
Discoveries:					
Current year taxes	14,625,153		115,368	115,368	-
Penalties	-		6,020	6,020	-
Total	<u>14,625,153</u>		<u>121,388</u>	<u>121,388</u>	<u>-</u>
Abatements	<u>(3,344,884)</u>		<u>(27,362)</u>	<u>(27,362)</u>	<u>-</u>
Total property valuation	<u>\$ 5,292,288,759</u>				
Net levy			42,164,227	38,366,266	3,797,961
Less uncollected taxes at June 30, 2018			<u>334,010</u>	<u>334,010</u>	<u>-</u>
Current year's taxes collected			<u>\$ 41,830,217</u>	<u>\$ 38,032,256</u>	<u>\$ 3,797,961</u>
Current levy collection percentage			<u>99.21%</u>	<u>99.13%</u>	<u>100.00%</u>

## STATISTICAL SECTION

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

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

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

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

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

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

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

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

- Demographic and Economic Statistics
- Principal Employers

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

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

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities</b>										
Net investment in capital assets	\$ 15,942,735	\$ 16,934,589	\$ 16,604,704	\$ 16,682,007	\$ 17,390,002	\$ 18,177,941	\$ 17,265,494	\$ 18,251,252	\$ 19,639,721	\$ 21,157,156
Restricted	5,861,444	24,602,272	16,287,232	8,545,563	6,865,388	8,195,677	7,493,750	7,843,197	28,406,722	42,358,524
Unrestricted	(45,568,414)	(65,372,458)	(68,466,530)	(65,501,706)	(62,897,286)	(58,455,323)	(52,851,570)	(49,073,287)	(67,224,989)	(109,327,852)
<b>Total Governmental activities net position</b>	<b>\$ (23,764,235)</b>	<b>\$ (23,835,597)</b>	<b>\$ (35,574,594)</b>	<b>\$ (40,274,136)</b>	<b>\$ (38,641,896)</b>	<b>\$ (32,081,705)</b>	<b>\$ (28,092,326)</b>	<b>\$ (22,978,838)</b>	<b>\$ (19,178,546)</b>	<b>\$ (45,812,172)</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 603,465	\$ 555,393	\$ 528,993	\$ 632,259	\$ 614,282	\$ 572,790	\$ 588,948	\$ 626,698	\$ 725,323	\$ 758,463
Unrestricted	717,262	780,287	1,213,741	823,128	906,162	998,968	973,512	960,258	820,381	453,036
<b>Total business-type activities net position</b>	<b>\$ 1,320,727</b>	<b>\$ 1,335,680</b>	<b>\$ 1,742,734</b>	<b>\$ 1,455,387</b>	<b>\$ 1,520,444</b>	<b>\$ 1,571,758</b>	<b>\$ 1,562,460</b>	<b>\$ 1,586,956</b>	<b>\$ 1,545,704</b>	<b>\$ 1,211,499</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 16,546,200	\$ 17,489,982	\$ 17,133,697	\$ 17,314,266	\$ 18,004,284	\$ 18,750,731	\$ 17,854,442	\$ 18,877,950	\$ 20,365,044	\$ 21,915,619
Restricted	5,861,444	24,602,272	16,287,232	8,545,563	6,865,388	8,195,677	7,493,750	7,843,197	28,406,722	42,358,524
Unrestricted	(44,851,152)	(64,592,171)	(67,252,789)	(64,678,578)	(61,991,124)	(57,456,355)	(51,878,058)	(48,113,029)	(66,404,608)	(108,874,816)
<b>Total primary government net position</b>	<b>\$ (22,443,508)</b>	<b>\$ (22,499,917)</b>	<b>\$ (33,831,860)</b>	<b>\$ (36,818,749)</b>	<b>\$ (37,121,452)</b>	<b>\$ (30,509,947)</b>	<b>\$ (26,529,866)</b>	<b>\$ (21,391,882)</b>	<b>\$ (17,632,842)</b>	<b>\$ (44,600,673)</b>

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities:										
General government	\$ 7,841,687	\$ 7,118,954	\$ 6,641,567	\$ 6,932,677	\$ 6,790,426	\$ 7,876,229	\$ 9,938,237	\$ 8,422,884	\$ 8,826,883	\$ 8,894,682
Public safety	10,404,645	10,362,318	11,531,800	11,803,023	11,947,065	11,952,806	10,081,361	12,805,684	13,457,188	13,533,239
Economic and physical development	3,223,747	2,514,333	5,132,274	2,059,885	1,772,585	1,656,954	1,484,068	1,739,707	2,063,986	1,788,613
Human services	16,220,585	14,919,267	14,537,884	14,269,531	14,442,568	14,040,325	14,391,192	15,076,902	14,880,653	12,943,413
Cultural and recreation	1,477,550	1,373,943	1,196,701	1,902,627	1,949,369	1,950,048	1,863,284	1,978,857	1,985,585	1,591,557
Education	25,315,120	21,757,882	33,185,635	26,376,671	21,186,425	19,340,979	19,247,541	23,083,490	24,612,382	41,564,924
Interest on long-term debt	2,392,606	2,895,420	3,963,967	5,018,211	3,061,821	2,892,500	2,651,952	2,960,290	2,135,487	2,896,297
Total governmental activities expenses	\$ 66,875,940	\$ 60,942,117	\$ 76,189,828	\$ 68,362,625	\$ 61,150,259	\$ 59,709,841	\$ 59,657,635	\$ 66,067,814	\$ 67,962,164	\$ 83,212,725
Business-type activities:										
Water & Sewer	-	-	87,333	-	-	-	-	-	3,069	320,325
Solid Waste Management Fund	1,285,805	1,203,132	1,912,516	1,504,714	1,237,744	1,263,931	1,296,841	1,373,422	1,360,857	1,390,842
Total business-type activities	1,285,805	1,203,132	1,999,849	1,504,714	1,237,744	1,263,931	1,296,841	1,373,422	1,363,926	1,711,167
<b>Total primary government expenses</b>	\$ 68,161,745	\$ 62,145,249	\$ 78,189,677	\$ 69,867,339	\$ 62,388,003	\$ 60,973,772	\$ 60,954,476	\$ 67,441,236	\$ 69,326,090	\$ 84,923,892
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 520,029	\$ 633,416	\$ 576,595	\$ 602,571	\$ 565,921	\$ 603,302	\$ 602,554	\$ 253,368	\$ 740,599	\$ 649,749
Public safety	440,824	357,693	421,370	601,510	407,380	465,132	690,851	646,930	723,670	724,041
Economic and physical development	-	-	-	531,299	37,102	93,218	93,703	83,666	-	-
Human services	1,765,932	1,444,210	1,376,086	1,816,357	1,803,849	1,567,324	1,549,894	1,729,018	1,750,098	1,721,992
Culture and recreation	282,423	292,032	302,387	327,216	377,259	364,711	351,984	369,116	353,216	353,290
Operating grants and contributions:										
General government	1,167	27,020	-	133,542	27,162	5,225	-	-	-	-
Public safety	192,922	470,652	1,181,312	265,945	172,022	158,622	154,869	131,298	178,151	235,817
Economic and physical development	5,232	15,756	539,489	46,162	38,887	28,676	30,063	30,064	30,506	30,017
Human services	8,166,703	8,328,997	8,168,364	8,074,593	7,598,300	7,809,089	8,415,978	8,648,718	7,682,817	6,695,999
Culture and recreation	410,360	108,007	107,862	136,190	118,130	133,987	143,948	156,786	112,217	115,634
Capital grants and contributions:										
Economic and physical development	15,721	236,587	147,692	-	128,823	1,077,388	415,278	-	-	-
Human services	-	-	-	-	-	-	-	-	4,093	-
Education	1,610,205	1,308,937	1,076,802	845,602	832,354	398,834	176,571	642,674	862,670	-
Total governmental activities program revenues	\$ 13,411,518	\$ 13,223,307	\$ 13,897,959	\$ 13,380,987	\$ 12,107,189	\$ 12,705,508	\$ 12,625,693	\$ 12,691,638	\$ 12,438,037	\$ 10,526,539

(Continued)

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Program Revenues (continued)</b>										
Business-type activities (continued)										
Charges for services:										
Water & Sewer										
Solid Waste Management Fund	1,189,675	1,211,244	1,231,441	1,378,793	1,282,794	1,281,492	1,289,725	1,359,065	1,248,521	1,310,715
Operating grants and contributions:										
Solid Waste Management Fund	-	-	1,086,446	(163,590)	6,271	-	-	-	-	-
Capital grants and contributions:										
Water & Sewer	23,090	-	84,481	-	9,408	31,794	17,619	34,394	-	-
Solid Waste Management Fund	1,212,765	1,211,244	2,402,368	1,215,203	1,298,473	1,313,286	1,307,344	1,393,459	1,248,521	1,310,715
Total business-type activities program revenues	\$ 14,624,283	\$ 14,434,551	\$ 16,300,327	\$ 14,596,190	\$ 13,405,662	\$ 14,018,794	\$ 13,933,037	\$ 14,085,097	\$ 13,686,558	\$ 11,837,254
Total primary governmental program revenues										
Net (expense)/revenue	\$ (53,464,422)	\$ (47,718,810)	\$ (62,291,869)	\$ (54,981,638)	\$ (49,043,070)	\$ (47,004,333)	\$ (47,031,942)	\$ (53,376,176)	\$ (55,524,127)	\$ (72,686,186)
Governmental activities	(73,040)	8,112	402,519	(289,511)	60,729	49,355	10,503	20,037	(115,405)	(400,452)
Business-type activities	\$ (53,537,462)	\$ (47,710,698)	\$ (61,889,350)	\$ (55,271,149)	\$ (48,982,341)	\$ (46,954,978)	\$ (47,021,439)	\$ (53,356,139)	\$ (55,639,532)	\$ (73,086,638)
Total primary governmental net (expense)/revenue										
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Ad valorem taxes	\$ 38,085,136	\$ 38,461,492	\$ 39,041,333	\$ 38,262,524	\$ 38,746,149	\$ 39,881,877	\$ 39,031,800	\$ 43,247,833	\$ 44,219,111	\$ 45,297,237
Sales taxes	8,998,757	7,428,181	8,835,342	9,349,289	9,616,974	10,914,491	11,460,940	12,221,875	13,261,165	13,889,956
Other taxes	1,038,496	995,663	1,011,763	862,624	957,636	993,713	980,747	1,034,535	1,116,117	1,103,417
Unrestricted grants and contributions	61,237	19,829	1,039,083	986,463	923,478	868,772	836,002	793,989	749,057	703,051
Investment earnings	551,572	194,719	140,549	99,881	79,463	53,938	51,102	103,555	284,213	608,155
Miscellaneous	642,441	547,564	484,803	721,314	891,799	851,733	918,628	1,083,724	502,139	392,692
Special item - loss on disposal of capital asset	-	-	-	-	-	-	(503,028)	-	-	-
Total governmental activities	49,377,639	47,647,448	50,552,873	50,282,095	51,215,499	53,564,524	52,776,191	58,485,511	60,131,802	61,994,508
Business-type activities:										
Unrestricted grants and contributions	-	-	-	-	-	-	-	-	126,078	140,904
Investment earnings	22,087	6,841	4,535	2,164	4,328	1,959	2,566	4,459	8,373	14,625
Miscellaneous	(58,737)	-	-	-	-	-	-	-	(60,298)	-
Gsin (Loss) on disposal of capital assets	(36,650)	6,841	4,535	2,164	4,328	1,959	2,566	4,459	74,153	155,529
Total business-type activities	\$ 49,340,989	\$ 47,654,289	\$ 50,557,408	\$ 50,284,259	\$ 51,219,827	\$ 53,566,483	\$ 52,778,757	\$ 58,489,970	\$ 60,205,955	\$ 62,150,037
Total primary government										
<b>Change in Net Position</b>										
Governmental activities	\$ (4,086,783)	\$ (71,362)	\$ (11,738,996)	\$ (4,699,543)	\$ 2,172,429	\$ 6,560,191	\$ 5,744,249	\$ 5,109,335	\$ 4,607,675	\$ (10,691,678)
Business-type activities	(109,690)	14,953	407,054	(287,347)	65,057	51,314	13,069	24,496	(41,252)	(244,923)
Total primary government	\$ (4,196,473)	\$ (56,409)	\$ (11,331,942)	\$ (4,986,890)	\$ 2,237,486	\$ 6,611,505	\$ 5,757,318	\$ 5,133,831	\$ 4,566,423	\$ (10,936,601)

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Fund</b>										
Reserved	\$ 4,770,633	\$ 4,065,649	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated	1,625,099	2,692,973	-	-	-	-	-	-	-	-
Undesignated	9,327,392	9,412,184	-	-	-	-	-	-	-	-
Restricted	-	-	5,739,619	5,031,218	5,098,201	5,348,139	5,700,629	5,989,554	5,997,230	6,188,113
Committed	-	-	571,788	83,165	91,504	104,088	195,217	444,308	434,917	811,694
Assigned	-	-	3,319,880	2,780,915	2,900,506	2,596,759	1,644,812	1,559,961	1,904,077	1,943,085
Unassigned	-	-	6,199,709	7,555,399	6,367,601	8,233,005	9,197,066	9,953,712	11,522,597	11,648,622
<b>Total General Fund</b>	<b>\$ 15,723,124</b>	<b>\$ 16,170,806</b>	<b>\$ 15,830,996</b>	<b>\$ 15,450,697</b>	<b>\$ 14,457,812</b>	<b>\$ 16,281,991</b>	<b>\$ 16,737,724</b>	<b>\$ 17,947,535</b>	<b>\$ 19,858,821</b>	<b>\$ 20,591,514</b>
<b>All Other Governmental Funds</b>										
Reserved	\$ 1,148,006	\$ 20,368,705	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	725,620	962,853	-	-	-	-	-	-	-	-
Capital projects funds	5,838,954	5,800,570	-	-	-	-	-	-	-	-
Restricted in special revenue funds	-	-	1,657,138	1,192,762	1,344,671	1,759,187	1,784,859	1,850,509	1,815,371	1,790,345
Restricted in capital project funds	-	-	8,890,475	1,595,831	422,516	1,088,351	8,261	3,134	20,457,476	34,252,611
Committed in special revenue funds	-	-	626,256	499,100	145,530	89,124	54,655	88,103	119,235	254,783
Committed in capital project funds	-	-	793,544	793,133	-	-	-	-	-	-
Assigned in capital project funds	-	-	834,821	839,183	636,557	653,590	2,215,788	3,015,180	3,647,500	4,076,605
Unassigned in capital project funds	-	-	(1,758,384)	(678,992)	(138,467)	(1,053,250)	(87,392)	(1,829,638)	(373,851)	-
<b>Total all other governmental funds</b>	<b>\$ 7,712,580</b>	<b>\$ 27,132,128</b>	<b>\$ 11,043,850</b>	<b>\$ 4,241,017</b>	<b>\$ 2,410,807</b>	<b>\$ 2,537,002</b>	<b>\$ 3,976,171</b>	<b>\$ 3,127,288</b>	<b>\$ 25,665,731</b>	<b>\$ 40,374,344</b>

Note: Change in display of fund balance is due to the implementation of GASB 54.

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Ad valorem taxes	\$ 38,378,263	\$ 38,461,649	\$ 38,903,106	\$ 38,360,223	\$ 38,543,096	\$ 40,322,964	\$ 39,312,777	\$ 43,530,742	\$ 44,531,098	\$ 45,392,897
Local option sales taxes	8,998,757	7,428,181	8,835,342	9,349,289	9,616,974	10,914,491	11,460,940	12,221,875	13,261,165	13,889,956
Other taxes and licenses	1,038,496	995,663	1,011,763	862,624	957,636	993,713	980,747	1,034,535	1,116,117	1,103,417
Unrestricted intergovernmental	61,237	19,829	1,039,083	986,463	926,594	872,122	839,576	798,119	753,187	707,311
Restricted intergovernmental	11,070,408	10,888,163	11,833,613	10,771,349	9,516,406	10,019,358	9,868,897	10,180,104	9,470,808	7,508,256
Permits and fees	257,674	247,270	245,800	260,112	274,388	247,840	245,761	350,004	391,230	263,101
Sales and services	2,241,257	2,138,255	2,042,916	2,711,531	2,698,461	2,697,581	2,732,181	2,919,078	2,664,593	2,859,950
Investment earnings	551,572	194,719	140,549	99,881	79,463	53,938	51,102	103,555	284,213	608,155
Miscellaneous	599,013	499,379	401,048	469,048	481,208	702,389	795,310	422,837	614,589	499,461
<b>Total revenues</b>	<b>63,196,677</b>	<b>60,873,108</b>	<b>64,453,220</b>	<b>63,870,520</b>	<b>63,094,226</b>	<b>66,824,396</b>	<b>66,287,291</b>	<b>71,560,849</b>	<b>73,087,000</b>	<b>72,832,504</b>
<b>Expenditures</b>										
General government	7,209,472	6,588,680	7,214,203	7,168,476	7,963,598	7,835,545	7,643,351	8,844,246	8,637,508	10,023,025
Public safety	9,531,085	9,551,377	10,900,640	11,045,336	10,556,249	11,380,817	12,143,555	12,574,255	12,885,626	13,257,555
Economic and physical development	1,895,074	1,705,337	3,124,604	1,938,528	1,684,090	1,544,676	1,238,614	1,259,179	1,773,241	1,295,095
Human services	15,557,648	14,110,098	13,980,608	13,842,381	13,854,907	13,721,163	14,356,332	15,087,385	14,174,122	12,595,757
Education	20,590,862	19,782,743	19,564,162	20,133,096	20,489,694	19,060,363	19,167,781	21,568,559	21,740,841	22,326,644
Cultural and recreational	1,879,941	1,767,244	1,847,347	1,888,518	1,752,726	1,747,045	1,793,665	2,045,494	1,963,491	2,079,370
Capital outlay	5,782,341	2,988,719	15,715,193	6,339,325	1,691,124	1,163,021	660,198	1,928,066	4,569,932	19,652,680
Debt service										
Principal	4,306,705	4,437,974	4,392,526	4,881,527	5,420,857	5,405,279	5,414,565	5,442,068	5,608,793	6,599,195
Interest and fees	2,934,144	2,751,770	4,142,025	5,398,465	3,179,076	3,016,113	2,774,328	3,529,822	1,975,999	2,774,006
<b>Total expenditures</b>	<b>69,687,272</b>	<b>63,683,942</b>	<b>80,881,308</b>	<b>72,635,652</b>	<b>66,592,321</b>	<b>64,874,022</b>	<b>65,192,389</b>	<b>72,279,074</b>	<b>73,329,553</b>	<b>90,603,327</b>
Excess of revenues over (under) expenditures	(6,490,595)	(2,810,834)	(16,428,088)	(8,765,132)	(3,498,095)	1,950,374	1,094,902	(718,225)	(242,553)	(17,770,823)
<b>Other financing sources (uses)</b>										
Transfers in	5,411,207	7,404,416	2,968,428	1,847,550	1,818,131	1,200,043	2,610,209	1,981,656	2,664,932	1,396,082
Transfers out	(5,411,207)	(7,404,416)	(2,968,428)	(1,847,550)	(1,818,131)	(1,200,043)	(2,610,209)	(1,981,656)	(2,664,932)	(1,396,082)
Bonds issued	-	-	-	-	-	-	-	-	23,000,000	-
Installment purchase issued	-	-	-	-	675,000	-	-	-	-	-
Limited obligation bonds issued	-	-	-	-	-	-	-	-	-	-
Original issuance premium	-	-	-	-	-	-	-	-	1,692,282	-
Qualified Zone Academy Bonds issued	1,622,021	4,000,000	-	-	-	-	-	-	-	-
Qualified School Constructors Bonds issued	-	6,678,064	-	-	-	-	-	-	-	-
Recovery Zone Economic Development	-	-	-	-	-	-	-	-	-	-
Bonds issued	-	12,000,000	-	-	-	-	-	-	-	-
Refunding certificates of participation issued	-	-	-	17,022,000	-	-	-	22,675,000	-	-
Payment to refunding escrow agent	-	-	-	(15,440,000)	-	-	-	(21,600,000)	-	-
Sale of county assets	-	-	-	-	-	-	800,000	-	-	-
Total other financing sources (uses)	1,622,021	22,678,064	-	1,582,000	675,000	-	800,000	1,075,000	24,692,282	33,212,129
<b>Net change in fund balances</b>	<b>(4,868,574)</b>	<b>19,867,230</b>	<b>(16,428,088)</b>	<b>(7,183,132)</b>	<b>(2,823,095)</b>	<b>1,950,374</b>	<b>1,894,902</b>	<b>356,775</b>	<b>24,449,729</b>	<b>15,441,306</b>
Debt services as a percentage of noncapital expenditures	10.6%	11.5%	10.9%	14.4%	13.4%	13.3%	12.8%	12.8%	10.7%	10.7%

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						
2009	2,594,275,359	833,399,480	124,458,265	39,991,203	4,717,379,879	0.750	5,021,694,570	93.94%
2010	2,622,808,977	850,781,880	123,366,900	44,209,446	4,747,984,361	0.750	4,957,694,853	95.77%
2011	2,634,380,868	873,830,200	119,918,246	49,289,686	4,777,631,569	0.750	4,945,788,374	96.60%
2012	2,646,993,567	894,794,400	117,865,942	52,295,319	4,767,120,184	0.750	4,839,715,923	98.50%
2013	2,681,678,503	904,231,950	116,632,096	53,493,927	4,829,272,382	0.750	4,909,293,872	98.37%
2014	2,694,946,922	1,038,649,500	114,024,251	54,524,152	5,131,931,946	0.720	5,166,547,816	99.33%
2015	2,710,869,570	1,046,605,800	112,327,319	55,834,498	5,042,548,673	0.720	5,093,483,508	99.00%
2016	2,727,421,080	1,054,477,500	128,584,786	54,316,610	5,084,832,172	0.795	5,188,604,257	98.00%
2017	2,732,225,485	1,065,034,400	131,814,026	55,539,050	5,182,395,669	0.795	5,295,724,166	97.86%
2018	2,755,025,988	1,103,412,700	130,019,424	56,427,400	5,292,288,759	0.795	5,458,781,598	96.95%

Source: Lee County Tax Office

Notes:

- (1) Public service companies valuations are provided to the County by the North Carolina Department of Revenue. These amounts include both real and personal property.
- (2) Per \$100 of value.
- (3) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the State Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year.
- (4) Property in Lee County is reassessed every four years. The last reassessment was on January 1, 2013. The next reassessment was delay until January 1, 2019.

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

	2009	2010	2011	2012	2013	2014 (1)	2015	2016	2017	2018
<b>County:</b>										
Lee	\$ 0.750	\$ 0.750	\$ 0.750	\$ 0.750	\$ 0.750	\$ 0.720	\$ 0.720	\$ 0.795	\$ 0.795	\$ 0.795
<b>Municipalities:</b>										
Town of Broadway	0.440	0.440	0.440	0.440	0.440	0.440	0.440	0.440	0.490	0.490
City of Sanford	0.540	0.540	0.540	0.540	0.540	0.540	0.600	0.600	0.600	0.600
<b>Fire Districts</b>										
Cameron	0.085	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Cape Fear	0.076	0.076	0.086	0.092	0.092	0.100	0.100	0.100	0.100	0.102
Carolina Trace	0.070	0.070	0.067	0.067	0.075	0.081	0.086	0.091	0.097	0.097
Clearwater	NA	NA	NA	0.186	0.186	0.186	0.186	0.187	0.187	0.187
Deep River	0.100	0.100	0.104	0.104	0.113	0.113	0.118	0.125	0.125	0.125
Lemon Springs	0.083	0.083	0.084	0.086	0.091	0.096	0.096	0.096	0.096	0.096
Northview	0.081	0.081	0.081	0.081	0.081	0.094	0.087	0.087	0.087	0.087
Northwest Pocket	0.118	0.118	0.118	0.124	0.129	0.129	0.129	0.129	0.145	0.145
Tramway	0.081	0.081	0.080	0.078	0.079	0.089	0.089	0.089	0.089	0.093
West Sanford	0.109	0.109	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
<b>Other Districts: (3)</b>										
Central Business District	0.130	0.130	0.130	0.130	0.130	0.110	0.110	0.110	0.110	0.110
Lee County Water & Sewer District #1	NA									
Total Maximum Rate - Fire District	0.868	0.868	0.868	0.936	0.936	0.906	0.906	0.982	0.982	0.982
Total Maximum Rate - Municipalities	1.420	1.420	1.420	1.420	1.420	1.370	1.430	1.395	1.395	1.395

**Notes:**

- (1) Property in Lee County is reassessed every four years. The last reassessment was on January 1, 2013. The next reassessment has been delay until January 1, 2019,
- (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, 2018.
- (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 2018				Fiscal Year 2009			
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		
Pfizer	Pharmaceuticals	\$ 183,740,887	1	3.5%	\$ 250,685,364	1	5.3%		
Coty, Inc.	Cosmetics	114,788,461	2	2.2%	70,204,443	2	1.5%		
Frontier Spinning Mills LLC	Textiles	89,678,230	3	1.7%	42,554,021	7	0.9%		
Caterpillar	Manufacturing	62,838,246	4	1.2%	-				
Donald R. Simpson	Real Estate	61,163,254	5	1.2%	67,113,092	3	1.4%		
GKN Automotive Components, Inc.	Automotive Parts	55,063,533	6	1.0%	43,508,156	5	0.9%		
Duke Energy Progress Inc.	Utility	53,751,687	7	1.0%	45,236,772	4	1.0%		
Magneti Marelli, Inc.	Automotive Parts	42,621,015	8	0.8%	30,755,939	10	0.7%		
Moen, Inc.	Plumbing fixtures	38,159,107	9	0.7%	30,920,119	9	0.7%		
Static Control	Remanufactured printer cartridges	35,533,418	10	0.7%	-				
Windstream Inc.	Utility	-		0.0%	43,431,896	6	0.9%		
Lee Brick	Brick Manufacturing	-		0.0%	36,774,328	8	0.8%		
Totals		\$ 737,337,838		14.2%	\$ 661,184,130		14.1%		

Source: Lee County Tax Department

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

Fiscal Year Ended June 30	Total Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy
2009	35,560,801	34,701,417	97.6%	795,170		35,496,587	99.8%
2010	35,774,486	34,900,196	97.6%	643,802		35,543,998	99.4%
2011	36,431,441	35,580,416	97.7%	778,047		36,358,463	99.8%
2012	35,810,080	34,992,878	97.7%	747,066		35,739,944	99.8%
2013	36,257,156	35,175,722	97.0%	961,255		36,136,977	99.7%
2014	37,033,563	36,508,688	98.6%	360,618		36,869,306	99.6%
2015	36,363,858	35,935,577	98.8%	364,199		36,299,776	99.8%
2016	40,362,332	39,983,957	99.1%	310,805		40,294,762	99.8%
2017	41,240,994	40,895,166	99.2%	208,313		41,103,479	99.7%
2018	42,164,227	41,830,217	99.2%	-		41,830,217	99.2%

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	Bond Anticipation Notes	Certificates of Participation	Limited Obligation Bonds	Installment Loans	General Obligation Bonds	Installment Loans					
2009	7,885,000	-	51,475,000	-	3,098,070	-	-	-	62,458,070	3.38%	1,057	
2010	5,085,000	-	51,454,983	-	25,448,160	-	-	-	81,988,143	4.46%	1,356	
2011	2,285,000	-	50,062,080	-	25,165,634	-	-	-	77,512,714	4.10%	1,340	
2012	735,000	-	48,723,047	-	24,314,110	-	-	-	73,772,157	3.91%	1,256	
2013	485,000	-	45,123,160	-	23,335,253	-	-	-	68,943,413	3.54%	1,155	
2014	235,000	-	41,693,273	-	21,526,974	-	-	-	63,455,247	3.26%	1,053	
2015	-	-	38,337,386	-	19,620,409	-	-	-	57,957,795	2.80%	971	
2016	-	5,000,000	35,597,000	-	17,476,344	-	-	-	58,073,344	2.73%	973	
2017	24,692,282	-	32,138,000	-	15,326,549	-	-	-	72,156,831	3.24%	1,210	
2018	23,457,668	-	28,727,000	33,212,129	13,288,354	-	-	-	98,685,151	*	1,633	

\* 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 2017 personal income not available to calculate fiscal year 2018.

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)
2009	7,885,000	-	7,885,000	0.43%	0.17%	133
2010	5,085,000	-	5,085,000	0.28%	0.11%	84
2011	2,285,000	-	2,285,000	0.12%	0.05%	39
2012	735,000	-	735,000	0.04%	0.02%	13
2013	485,000	-	485,000	0.02%	0.01%	8
2014	235,000	-	235,000	0.01%	0.00%	4
2015	-	-	-	0.00%	0.00%	-
2016	-	-	-	0.00%	0.00%	-
2017	24,692,282	-	24,692,282	1.11%	0.48%	414
2018	23,457,668	-	23,457,668	*	0.44%	388.18

\* 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.

(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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assesses Value of Property	\$ 4,717,380	\$ 4,747,984	\$ 4,777,631	\$ 4,767,120	\$ 4,829,272	\$ 5,131,932	\$ 5,042,549	\$ 5,084,832	\$ 5,182,395	\$ 5,292,289
Debt Limit, 8% of Assessed Value Statutory Limitation	377,390	379,839	382,210	381,370	386,342	410,555	403,404	406,787	414,592	423,383
Amount of Debt Applicable to Limit	62,458	80,698	76,306	73,006	68,260	62,855	57,440	53,073	76,073	93,960
Gross debt	-	-	-	-	-	-	-	-	-	-
Less: Debt outstanding for water and sewer purposes	62,458	80,698	76,306	73,006	68,260	62,855	57,440	53,073	76,073	93,960
Total net debt applicable to limit	\$ 314,932	\$ 299,141	\$ 305,904	\$ 308,364	\$ 318,082	\$ 347,700	\$ 345,964	\$ 353,714	\$ 338,519	\$ 329,423
Legal debt margin	16.55%	21.25%	19.96%	19.14%	17.67%	15.31%	14.24%	13.05%	18.35%	22.19%
Total net debt applicable to the limit as a percentage of debt limit										

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**  
**As of June 30, 2018**

<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	\$ 98,685,151	100%	\$ 98,685,151
Total direct debt	<u>98,685,151</u>		<u>98,685,151</u>
Underlying Debt:			
City of Sanford	59,009,314	100%	59,009,314
Town of Broadway	<u>861,000</u>	100%	<u>861,000</u>
Total underlying debt	<u>59,870,314</u>		<u>59,870,314</u>
Total direct and overlapping debt	<u>\$ 158,555,465</u>		<u>\$ 158,555,465</u>

Note:  
Percentage of overlap based on assessed property values.

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

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<b>Fiscal Year</b>	<b>Population (1,4)</b>	<b>Personal Income (1) (amounts expressed in thousands)</b>	<b>Per Capita Personal Income (1)</b>	<b>Public School Enrollment (2)</b>	<b>Unemployment Rate (3)</b>
2009	59,091	1,850,584	33,152	9,592	14.80%
2010	60,477	1,838,867	32,059	9,603	12.70%
2011	57,866	1,890,857	32,655	9,602	12.60%
2012	58,752	1,885,190	32,188	9,707	11.40%
2013	59,715	1,946,444	32,670	9,809	10.50%
2014	60,266	1,943,657	32,251	10,012	8.30%
2015	59,662	2,067,150	34,648	10,062	7.90%
2016	59,660	2,127,162	35,655	10,054	5.90%
2017	59,616	2,226,406	37,346	10,022	4.80%
2018	60,430	*	*	9,936	4.70%

\* 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
- (4) US Census Bureau

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

Employer	Fiscal Year 2018 (1)			Fiscal Year 2008		
	Approximate Number of Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Lee County Schools	1000-1500	1	4.67%	1000-1500	1	5.38%
Pilgrims Pride Corporation	500-999	2	2.80%	500-999	4	3.23%
Caterpillar, Inc.	500-999	3	2.80%	-	-	0.00%
Coty, LLC	500-999	4	2.80%	500-999	3	3.23%
Pentair Pool Products	500-999	5	2.80%	500-999	8	3.23%
Static Control Components, Inc.	500-999	6	2.80%	500-999	5	3.23%
Central Carolina Community College	500-999	7	2.80%	500-999	9	3.23%
Central Carolina Hospital	500-999	8	2.80%	500-999	7	3.23%
Frontier Spinning Mills	500-999	9	2.80%	-	-	0.00%
Belcan Staffing Services	500-999	10	2.80%	-	-	0.00%
Pfizer, Inc.	-	-	0.00%	1000-1500	2	5.38%
The Pantry Inc.	-	-	0.00%	500-999	6	3.23%
Tyson Mexican Original Inc.	-	-	0.00%	500-999	10	3.23%
<b>Total</b>			<u>29.88%</u>			<u>36.60%</u>

Source: NC Employment Security Commission; total county employment

Notes:

(1) Based on March 2018 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	76	71	72	70	68	72	72	72	72	73
Public safety	90	86	87	90	92	108	110	110	110	111
Economic and physical development	4	4	4	4	4	2	2	2	2	2
Human Services	185	176	176	174	174	167	148	157	157	158
Cultural and recreational	36	32	32	31	31	31	31	31	31	31
Total	391	369	371	369	369	380	363	372	372	375

Source: Lee County Finance Department

Note: The schedule represents the number of approved permanent FTE's as of June 30, 2017.

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sheriff										
Civil papers issued	10,483	10,939	11,456	10,539	4,153	7,211	7,053	6,948	6,457	5,976
Criminal papers issued	4,088	4,498	2,177	3,191	2,709	2,278	2,553	2,184	1,735	1,714
COLTS (County of Lee Transit System)										
Passenger Trips	62,454	61,763	63,579	67,138	57,786	54,542	63,228	59,169	59,057	63,569
Senior Services										
Diners club meals served	18,551	16,801	17,212	17,449	16,727	16,996	17,289	17,390	18,741	17,394
Home delivered meals served	6,844	5,631	5,249	5,569	6,489	6,185	5,861	6,249	6,913	6,269
Unduplicated persons served using Senior Center Outreach Grant	3,900	N/A								
Unduplicated persons served using Senior Center General Purpose Grant	3,750	3,950	3,800	4,200	N/A	N/A	2,372	494	662	1,467
Library										
Patron visits	175,192	157,267	147,818	137,434	143,230	135,924	138,746	115,109	195,884	143,523
Children participating in library programs	8,813	8,292	6,892	6,560	4,710	4,792	5,621	5,512	6,715	10,440
Seniors in outreach program	70	75	48	70	70	51	40	113	100	27
Materials in collection	147,798	146,702	148,310	137,411	135,744	121,928	130,028	119,417	112,834	112,286
Materials circulation	135,817	125,964	123,996	115,883	103,746	96,116	97,947	119,078	105,590	112,118
Parks and Recreation										
Youth recreation:										
Sports teams	110	138	126	125	110	129	117	114	117	91
Participants	1,316	1,615	1,600	1,521	1,343	1,551	1,513	1,621	1,604	1,121
Adult recreation:										
Sports teams	40	52	47	32	31	10	6	6	-	-
Participants	573	710	705	482	500	152	72	75	-	-
Gymnastics:										
Participants	1,350	1,350	1,518	1,546	2,055	1,838	2,055	2,021	1,809	1,637
San-Lee Park Summer Camps:										
Participants	114	145	183	221	244	329	161	158	197	105
Solid Waste:										
Waste collected (tons)	8,633	7,654	7,736	8,134	7,682	8,067	6,634	5,354	7,238	8,848
Ratio of recyclable to total waste received	26%	20%	20%	24%	21%	34%	23%	25%	24%	35%

Sources: Various County departments

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

Function	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Sheriff Protection:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	20	23	21	21	20	20	20	20	20	21
Jail										
Correctional facility capacity	126	126	126	126	126	126	126	126	126	126
Cultural and recreational										
Number of parks	12	12	12	12	12	12	12	12	12	12
Park acreage	337	343	343	343	343	343	343	343	343	343
Swimming pools	2	2	2	2	2	2	2	2	2	2
Libraries (branches)	3	3	3	3	3	3	3	3	3	3
Solid Waste										
Landfills	1	1 (closed)								
Convenience Centers	6	6	6	6	6	6	6	6	6	6
Education										
Schools	15	15	16	16	16	16	16	16	16	16
Teachers	623	599	612	614	618	625	613	621	631	640
Students	9,592	9,603	9,602	9,707	9,809	10,012	10,062	10,054	10,022	9,936

Sources: Various County departments. Lee County Board of Education

## COMPLIANCE SECTION

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**CERTIFIED PUBLIC ACCOUNTANTS  
CONSULTANTS AND TAX ADVISORS**

**Report On Internal Control Over Financial Reporting And On Compliance and  
Other Matters Based On An Audit Of Financial Statements Performed In Accordance With  
*Government Auditing Standards***

**Independent Auditors' Report**

To the Board of County Commissioners  
Lee County, North Carolina

We have audited, in accordance with the 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lee County, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Lee County basic financial statements, and have issued our report thereon dated October 31, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lee County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lee County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Thompson, Price, Scott, Adams & Co., P.A.*

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Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, NC  
October 31, 2018



Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
Gregory S. Adams, CPA

Report On Compliance With Requirements Applicable To Each Major Federal  
Program And Internal Control Over Compliance In Accordance With OMB  
Uniform Guidance and the State Single Audit Implementation Act

Independent Auditors' Report

To the Board of County Commissioners  
Lee County, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Lee County, North Carolina's, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Lee County's major federal programs for the year ended June 30, 2018. Lee County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Lee County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. We performed our audit with governance. We obtained, on a test basis, evidence about Lee County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lee County's compliance.

## Opinion on Each Major Federal Program

In our opinion, Lee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

Management of Lee County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Lee County internal control over compliance with the types of requirements that could have direct and material effect on major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as 2018-01 that we consider to be a significant deficiency.

Lee County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Thompson, Price, Scott, Adams & Co., P.A.*

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Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, NC  
October 31, 2018



CERTIFIED PUBLIC ACCOUNTANTS  
CONSULTANTS AND TAX ADVISORS

Report On Compliance With Requirements Applicable To Each Major State  
Program And Internal Control Over Compliance In Accordance With OMB  
Uniform Guidance and the State Single Audit Implementation Act

Independent Auditors' Report

To the Board of County Commissioners  
Lee County, North Carolina

**Report on Compliance for Each Major State Program**

We have audited Lee County, North Carolina's, compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of Lee County's major state programs for the year ended June 30, 2018. Lee County's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Lee County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and applicable sections of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could with governance. material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Lee County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Lee County's compliance.

### **Opinion on Each Major State Program**

In our opinion, Lee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

Management of Lee County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lee County's internal control over compliance with the types of requirements that could have and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Thompson, Price, Scott, Adams & Co., P.A.*

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Thompson, Price, Scott, Adams & Co., P.A.

Whiteville, NC

October 31, 2018



LEE COUNTY, NORTH CAROLINA  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

**Section I - Summary of Auditors' Results (continued)**

State Awards

Internal control over major State programs:

- Material weakness(es) identified?                    \_\_\_ yes                     X  no
- Significant deficiency(ies) identified that are  
not considered to be material weaknesses                    \_\_\_ yes                     X  none reported
- Noncompliance material to State awards                    \_\_\_ yes                     X  no

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act                    \_\_\_ yes                     X  no

Identification of major State programs:

- Program Name
- Medical Assistance Program
- Rural Infrastructure Grant
- School Nurse Funding Initiative
- 90% State Funds - In-Home Services

LEE COUNTY, NORTH CAROLINA  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

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**Section II - Financial Statement Findings**

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None Reported.

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**Section III - Federal Award Findings and Questioned Costs**

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US Department of Health and Human Service  
Passed through the NC Dept of Health and Human Services  
Program Names: Medical Assistance Program  
CFDA #s: 93.778 (Medicaid)

SIGNIFICANT DEFICIENCY  
CONTROL DEFICIENCY

Criteria: Medicaid for Aged, Blind, and Disabled case records should contain documentation supporting the eligibility determination. The auditor should ensure that all information entered into the system was appropriately used to determine eligibility, and re-determine eligibility, in a timely manner.

Condition: Proof of review documentation was not complete.

Questioned Costs: \$0

Context: There were 96 adult Medicaid files reviewed. One sample item consisted of a case that was originally on SSI. The case came off of the SSI list in January, and was due for a review for eligibility within the time frame of 4 months. As of September 2018 when the testing was performed, the review had still not been documented. Eligibility for May and June is uncertain.

Effect: A recipient could be receiving benefits, but the recertification process could have potentially deemed them ineligible.

Cause: Case review process was ineffective. Adequate documentation was not available in the file to verify proper recertification procedures had been performed.

Recommendation: Files should be reviewed internally to ensure proper documentation is in place to verify eligibility. Workers should have continuous training to update them as to the significance of adequate documentation in each case file.

Views of Responsible officials: This was an oversight. The County has recommended policies in place, and will continue to provide training to employees on the significance of adequate documentation in the case files. Second party reviews will continue to be completed by Medicaid Supervisors/Leads as well as the Quality Assurance Supervisor according to Medicaid policy requirements.

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**Section IV - State Award Findings and Questioned Costs**

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None Reported.

# LEE COUNTY

NORTH CAROLINA

*Committed Today for a Better Tomorrow*

Corrective Action Plan  
For the Year Ended June 30, 2018

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## Section II - Financial Statement Findings

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None Reported.

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## Section III - Federal Award Findings and Questioned Costs

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Finding 2018-01

Name of contact person: Angelina Noel, DSS Director

Corrective Action: The County has recommended policies in place, and will continue to provide training to employees on the significance of adequate documentation in the case files. The County has incorporated new procedure to ensure all SSI exparte reviews are completed timely. Timely completion will be tracked by the Adult Medicaid Supervisor/Lead. Supervisors and Leads will continue to conduct second party reviews on all Medicaid recertifications/applications according to policy.

Proposed completion date: Immediately

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## Section IV - State Award Findings and Questioned Costs

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None Reported.

LEE COUNTY, NORTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2018

NONE REPORTED.

**LEE COUNTY, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2018**

<b>Grantor/Pass-through Grantor/Program title</b>	<b>Federal CFDA Number</b>	<b>State/ Pass-through Grantor's Number</b>	<b>Federal Expenditures</b>	<b>State Expenditures</b>	<b>Passed-through to Subrecipients</b>	<b>Local Expenditures</b>
<b>FEDERAL AWARDS</b>						
<b>U.S. Department of Agriculture</b>						
<b>Food and Nutrition Service</b>						
<b>Passed through N. C. Department of Health and Human Services</b>						
<b>Division of Social Services:</b>						
<b>Administration:</b>						
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 559,511	\$ -	\$ -	\$ 559,511
<b>Division of Public Health</b>						
<b>Administration:</b>						
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		362,017	-	-	-
Total US Department of Agriculture			921,528	-	-	559,511
<b>U.S. Department of Justice</b>						
Equitable Sharing Program	16.922		24,210	-	-	-
Total U.S. Department of Justice			24,210	-	-	-
<b>U.S. Department of Health and Human Services</b>						
<b>Centers for Disease Control and Prevention</b>						
<b>Passed through N. C. Department of Health and Human Services</b>						
<b>Division of Public Health</b>						
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP)						
Aligned Cooperative Agreements	93.074		41,395	-	-	-
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094		5,540	-	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		50	-	-	-
Family Planning Services	93.217		30,616	-	-	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539		17,314	-	-	-
Temporary Assistance for Needy Families	93.558		7,618	-	-	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758		39,984	-	-	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		4,845	-	-	-
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977		692	-	-	-
Maternal and Child Health Services Block Grant	93.994		33,412	25,062	-	-

(Continued)

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

Grantor/Pass-through <u>Grantor/Program title</u>	Federal CFDA <u>Number</u>	State/ Pass-through	Federal <u>Expenditures</u>	State <u>Expenditures</u>	Passed-through	Local <u>Expenditures</u>
		Grantor's <u>Number</u>			to <u>Subrecipients</u>	
<b>FEDERAL AWARDS (Continued)</b>						
<b>U.S. Department of Health and Human Services (Continued)</b>						
<b>Administration for Children and Families</b>						
<b>Passed through N. C. Department of Health and Human Services</b>						
<b>Division of Social Services</b>						
Foster Care and Adoption Cluster:						
Foster Care - Title IV-E	93.658		\$ 257,061	\$ 59,267	\$ -	\$ 145,960
Adoption Assistance	93.659		20,762	-	-	20,762
Foster Care	N/A		67,028			6,473
Total Foster Care and Adoption Cluster			<u>344,851</u>	<u>59,267</u>	<u>-</u>	<u>173,195</u>
Temporary Assistance for Needy Families Cluster:						
Temporary Assistance for Needy Families (TANF)/Work First	93.558		<u>384,666</u>	<u>-</u>	<u>-</u>	<u>658,007</u>
Total TANF Cluster			<u>384,666</u>	<u>-</u>	<u>-</u>	<u>658,007</u>
AFDC Payment & Penalties	93.560		<u>(183)</u>	<u>(49)</u>		<u>(57)</u>
Child Support Enforcement	93.563		523,428	(3)	-	269,648
Refugee and Entrant Assistance - State Administered Program	93.566		256			
Low-Income Home Energy Assistance						
Administration	93.568		40,661	-	-	31,600
Energy Assistance Payments - Direct						
Benefit Payments	93.568		172,500	-	-	-
Crisis Intervention Program	93.568		<u>247,499</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Low-Income Home Energy Assistance			<u>460,660</u>	<u>-</u>	<u>-</u>	<u>31,600</u>
Stephanie Tubbs Jones Child Welfare Services Program						
Permanency Planning - Families for Kids	93.645		20,495	-	-	6,832
SSBG - Other Service and Training	93.667		334,785	25,985	-	85,186
Chafee Foster Care Independence Program	93.674		7,572	1,423	-	-
<b>Division of Child Development and Early Education</b>						
Subsidized Child Care						
Child Care Development Fund Cluster:						
Division of Social Services						
Childcare Development Mandatory and Match Fund - Administration						
	93.596		92,713	-	-	-
Division of Child Development						
Child Care and Development Block Grant	93.575		319	-	-	-
Child Care and Development Fund - Mandatory	93.596		<u>64</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Child Care Development Fund Cluster			<u>93,096</u>	<u>-</u>	<u>-</u>	<u>-</u>
Temporary Assistance for Needy Families	93.558		29		-	
State Funds:						
Maintenance of Effort			<u>-</u>	<u>10</u>	<u>-</u>	<u>-</u>
Total Subsidized Child Care			<u>93,125</u>	<u>10</u>	<u>-</u>	<u>-</u>

(Continued)

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

Grantor/Pass-through <u>Grantor/Program title</u>	Federal CFDA <u>Number</u>	State/ Pass-through Grantor's <u>Number</u>	Federal <u>Expenditures</u>	State <u>Expenditures</u>	Passed-through to <u>Subrecipients</u>	Local <u>Expenditures</u>
<b>FEDERAL AWARDS (Continued)</b>						
<b>U.S. Department of Health and Human Services (Continued)</b>						
<b>Administration for Children and Families (Continued)</b>						
<b>Passed through N. C. Department of Health and Human Services (Continued)</b>						
<b>Division of Child Development (Continued)</b>						
<b>Passed through Triangle J Council of Governments</b>						
Special Programs for the Aging - Title III-F Disease Prevention & Health Promotion Services	93.043		\$ 3,437	\$ 202	\$ -	\$ 1,316
National Family Caregiver Support	93.052		36,172	2,411	-	-
Aging Cluster:						
Special Programs for the Aging - Title III B, Grants for Supportive Services and Senior Centers	93.044		115,688	6,805	-	8,897
Special Programs for the Aging - Title III C - Nutrition Service	93.045		67,794	3,988	-	142,281
Nutrition Services Incentive Program	93.053		<u>17,577</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Aging Cluster			<u>201,059</u>	<u>10,793</u>	<u>-</u>	<u>151,178</u>
Social Services Block Grant (SSBG) - In Home Services	93.667		10,816	309	-	11,829
<b>Centers for Medicare and Medicaid Services</b>						
<b>Passed through NC Department of Insurance</b>						
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779		11,043	-	-	-
<b>Passed through N. C. Department of Health and Human Services</b>						
<b>Division of Medical Assistance</b>						
<b>Division of Social Services</b>						
<b>Administration:</b>						
Medical Assistance Program	93.778		<u>1,491,616</u>	<u>6,037</u>	<u>-</u>	<u>582,569</u>
Total Medical Assistance Program			<u>1,491,616</u>	<u>6,037</u>	<u>-</u>	<u>582,569</u>
<b>Division of Social Services</b>						
<b>Administration:</b>						
State Children's Insurance Program - N.C. Health Choice	93.767		<u>57,725</u>	<u>17</u>	<u>-</u>	<u>-</u>
Total State Children's Insurance Program			<u>57,725</u>	<u>17</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>4,162,989</u>	<u>131,464</u>	<u>-</u>	<u>1,971,303</u>

(Continued)

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

Grantor/Pass-through Grantor/Program title	Federal CFDA Number	State/ Pass-through Grantor's Number	Passed-through			
			Federal Expenditures	State Expenditures	to Subrecipients	Local Expenditures
<b>FEDERAL AWARDS (Continued)</b>						
<b>U.S. Department of Homeland Security</b>						
<b>Passed through N.C. Department of Public Safety</b>						
<b>Division of Emergency Management:</b>						
Emergency Management - Performance						
Grants	97.042		\$ 38,642	\$ -	\$ -	\$ -
Homeland Security Grant Program	97.067		99,829	-	-	-
Total U.S. Department of Homeland Security			138,471	-	-	-
<b>U.S. Department of Transportation</b>						
<b>Passed through N.C. Department of Transportation:</b>						
Nonurbanized Area Formula Program	20.509	18-CT-061				
		WBS #36233.65.19.1	116,780	7,299	-	21,899
Nonurbanized Area Formula Program	20.509	17-CT-061				
		WBS #36233.65.18.1	31,800	1,987	-	5,964
Nonurbanized Area Formula Program	20.509	17-CT-061				
		WBS. #36233.65.18.3	42,720	5,340	-	5,341
Nonurbanized Area Formula Program	20.509	17-CT-061				
		WBS. #36233.65.18.4	345	44	-	44
Transit Services Programs Cluster:						
Elderly and Elderly with Disabilities - Operating	20.513	17-ED-061				
		WBS #51001.11.5.4	345	44	-	44
Elderly and Elderly with Disabilities - Operating	20.513	17-ED-061				
		WBS #51001.11.5.3	42,720	5,340	-	5,341
Total Transit Services Programs Cluster			43,065	5,384	-	5,385
Total U.S. Department of Transportation			234,710	20,054	-	38,633
<b>STATE AWARDS</b>						
<b>N.C. Department of Health and Human Services</b>						
<b>Division of Aging</b>						
<b>Passed through Triangle J Council of Governments:</b>						
90% State Funds - Home Delivered Meals			-	8,218	-	29,343
90% State Funds - Access			-	37,374	-	56,039
90% State Funds - In-Home Services			-	116,605	-	123,977
Senior Center Grant			-	10,939	-	3,657

(Continued)

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

Grantor/Pass-through Grantor/Program title	Federal	State/ Pass-through	Passed-through		Local Expenditures
	CFDA Number	Grantor's Number	Federal Expenditures	State Expenditures	
<b>STATE AWARDS (Continued)</b>					
<b>STATE AWARDS (Continued)</b>					
<b>N.C. Department of Transportation</b>					
Rural Operating Assistance Program (ROAP) Cluster					
ROAP Elderly and Disabled Transportation Assistance Program			\$ -	\$ 67,905	\$ -
ROAP Rural General Public Program			-	88,855	-
ROAP Work First Transitional - Employment			-	16,021	-
Total ROAP Cluster			-	172,781	-
Administrative			-	4,383	487
<b>N.C. Department of Commerce</b>					
Rural infrastructure Grant			-	369,003	-
<b>N.C. Department of Cultural and Natural Resources</b>					
<b>Division of State Library</b>					
State Aid to Libraries			-	114,800	-
<b>N.C. Department of Justice</b>					
Safe Roads Act			-	3,111	-
<b>N.C. Division of Veterans' Affairs</b>					
Veterans' Services			-	2,176	65,814
<b>N.C. Department of Health and Human Services</b>					
<b>Division of Public Health</b>					
Food and Lodging Fees			-	21,375	-
General Aid to Counties			-	88,990	-
General Communicable Disease Control			-	3,464	-
TB Control			-	10,038	-
Maternal Health			-	11,512	-
Women's Health Service Fund			-	7,703	-
Breast and Cervical Cancer Program			-	1,530	-
Child Health			-	5,039	-
Family Planning - State			-	12,735	-
HIV/State			-	500	-
Gonorrhea Partner Services			-	444	-
School Nurse Funding Initiative			-	139,011	-
Electronic Health Record				2,017	
<b>Administration and Services:</b>					
CP&L Energy Program			-	6,407	-
<b>Division of Social Services</b>					
ST Child Welfare/CPS/CS LD				51,085	
State Foster Home				33,381	33,381

(Continued)

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

Grantor/Pass-through <u>Grantor/Program title</u>	Federal	State/ Pass-through	Federal	State	Passed-through	Local
	CFDA <u>Number</u>	Grantor's <u>Number</u>	<u>Expenditures</u>	<u>Expenditures</u>	to <u>Subrecipients</u>	<u>Expenditures</u>
<b>STATE GRANTS (Continued)</b>						
<b>N.C. Department of Public Safety</b>						
JCPC Funding			\$ -	\$ 86,101	\$ -	\$ -
Tier II Non Competitive Grant			-	878	-	-
Hurricane Maria EMAC to Puerto Rico			-	13,928	-	-
Volcano EMAC to Hawaii			-	5,308	-	-
			<u>-</u>	<u>5,308</u>	<u>-</u>	<u>-</u>
Total Assistance			<u>\$ 5,481,908</u>	<u>\$ 1,492,354</u>	<u>\$ -</u>	<u>\$ 2,882,145</u>

**Notes to the Preceding Schedule:**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Lee County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Lee County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Lee County.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3: Indirect Cost Rate**

Lee County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 4: Cluster of Programs**

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