

**LEE COUNTY**

**NORTH CAROLINA**

*Committed Today for a Better Tomorrow*

# **Comprehensive Annual Financial Report**

**Lee County  
North Carolina**

**For the Fiscal Year Ended  
June 30, 2015**

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

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



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## **INTRODUCTORY SECTION**

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November 3, 2015

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, 2015.

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, 2015, 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, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

### **Profile of the Government**

Lee County, founded in 1907, is located on the fall line dividing the Piedmont and Coastal Plains regions of the state. It has a land area of 255 square miles and a population of 59,662. There are two municipalities within the County, the largest being the City of Sanford, which serves as the County seat.

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

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

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

comparisons are provided in this report for each individual governmental fund and proprietary funds for which an appropriated annual budget has been adopted.

### **Factors Affecting Financial Condition**

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

**Local economy.** Lee County is geographically located at the southern base of the Research Triangle Region, including the cities of Raleigh, Durham, and Chapel Hill. Major industries located within the government's boundaries or in close proximity include manufacturers of pharmaceuticals, automobile components, cosmetics, plumbing fixtures, electronics and brick. Lee County's unemployment rate has decreased slightly from 8.3 percent in June 2014 to 7.9 percent in June 2015. The State's non-seasonally adjusted unemployment rate for June 2015 was 6.1 percent.

The County continues to work 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) began operations January 1, 2015, and is a combination of the previous Lee County Economic Development Corporation and the Sanford Area Chamber of Commerce that is now responsible for retail, commercial, industrial recruitment and retention, as well as visitor center operations. SAGA came about as part of a yearlong effort by the County to develop an economic strategic plan. The strategic plan highlights Lee County's many strengths to market to businesses and industries including a strong network of highways, rail lines, and airports giving easy access to Fayetteville, Raleigh, Research Triangle Park (RTP) and the Piedmont Triad region. Other economic strengths include a skilled manufacturing based workforce, training opportunities through nationally recognized Central Carolina Community College (CCCC), and researchers being educated at Duke University, University of North Carolina at Chapel Hill and North Carolina State University, all world-renowned institutions less than an hour's drive from Sanford.

Expansions of local industry continue to lead economic development news. Automotive component manufacturers, Magneti Marelli, GKN, and Edelbrock, have added significantly to their local workforce. Caterpillar's local plant, a Building Products Division facility, makes the entire world's supply of skid steer machines. Caterpillar's employment during 2010 had dropped to just under 300 employees. Today, the plant employs nearly 1,500 people working multiple shifts. Coty USA's Sanford facility is the company's largest worldwide plant, employing nearly 1,200 during peak production. The company recently announced a new product line for the Sanford location which will employ 150 additional workers. Pfizer's Sanford location is a state-of-the-art drug substance manufacturing facility and service center for select contract manufacturing opportunities both in and out of the Pfizer family of companies. The company recently announced an additional 50 professional job openings at the Sanford campus in research and QC/QA. Frontier, one of the nation's largest yarn producers, recently announced a \$30 million dollar expansion and 15 new jobs.

Expansion in the small business sector is also worth noting. Mertek, a small automation and robotics maker, has grown from 9 people in 2013 to over 45 employees. Rodeco, a metal finishing equipment and supplies company with 20 employees, is doubling the size

of its office space with a recently announced \$400,000 addition. Wind Solutions, LLC, a maker of wind turbine replacement parts, has recently purchased an 8,000 square foot building for expansion of warehouse and manufacturing space. Wilson's Machine, a contract tool and die shop, recently added 7,500 square feet of space for additional capability. STI Polymers is adding 12,000 square feet to its manufacturing plant, which produces industrial adhesives.

**Long-term financial planning.** The County prepares a five year capital improvements program and updates it each year. At June 30, 2015, general fund projects estimated at \$34.2 million were planned over the next five years. The program also includes \$52.6 million in projects for Lee County Schools and Central Carolina Community College. However, future projects may be impacted by future economic conditions. To assist in the funding of the County's capital improvements program, the Board of Commissioners placed a referendum on the ballot in November 2009 for the levy of an additional ¼ percent sales tax. The referendum was approved, and the levy began on July 1, 2010. On November 4, 2014, the citizens of Lee County approved general obligation bond referendums totaling \$23,000,000 for projects for Central Carolina Community College.

During the year, the County engaged in several initiatives to ensure its ability to continue to meet long-term expectations. From a budgetary standpoint, several actions were taken to counter the effects of the economic downturn. Those actions resulted in the Board adopting a budget totaling \$69,370,883 which was approximately 6.51 percent above the budget for FY 2014-15. The County increased its property tax rate from \$0.72 per \$100 of assessed value to \$0.795 per \$100 of assessed value.

The County's available fund balance in the general fund at June 30, 2015, (18.3 percent of total general fund expenditures) is within the policy guidelines set by the Board of Commissioners for budgetary and planning purposes (i.e., between 14 and 18 percent of total general fund expenditures).

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Lee, North Carolina, for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. This was the nineteenth 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*

Lisa G. Minter  
Assistant County Manager/Finance Director

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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, 2014**

Executive Director/CEO

**COUNTY OF LEE, NORTH CAROLINA**

**LIST OF PRINCIPAL OFFICIALS**

**June 30, 2015**

**BOARD OF COUNTY COMMISSIONERS**

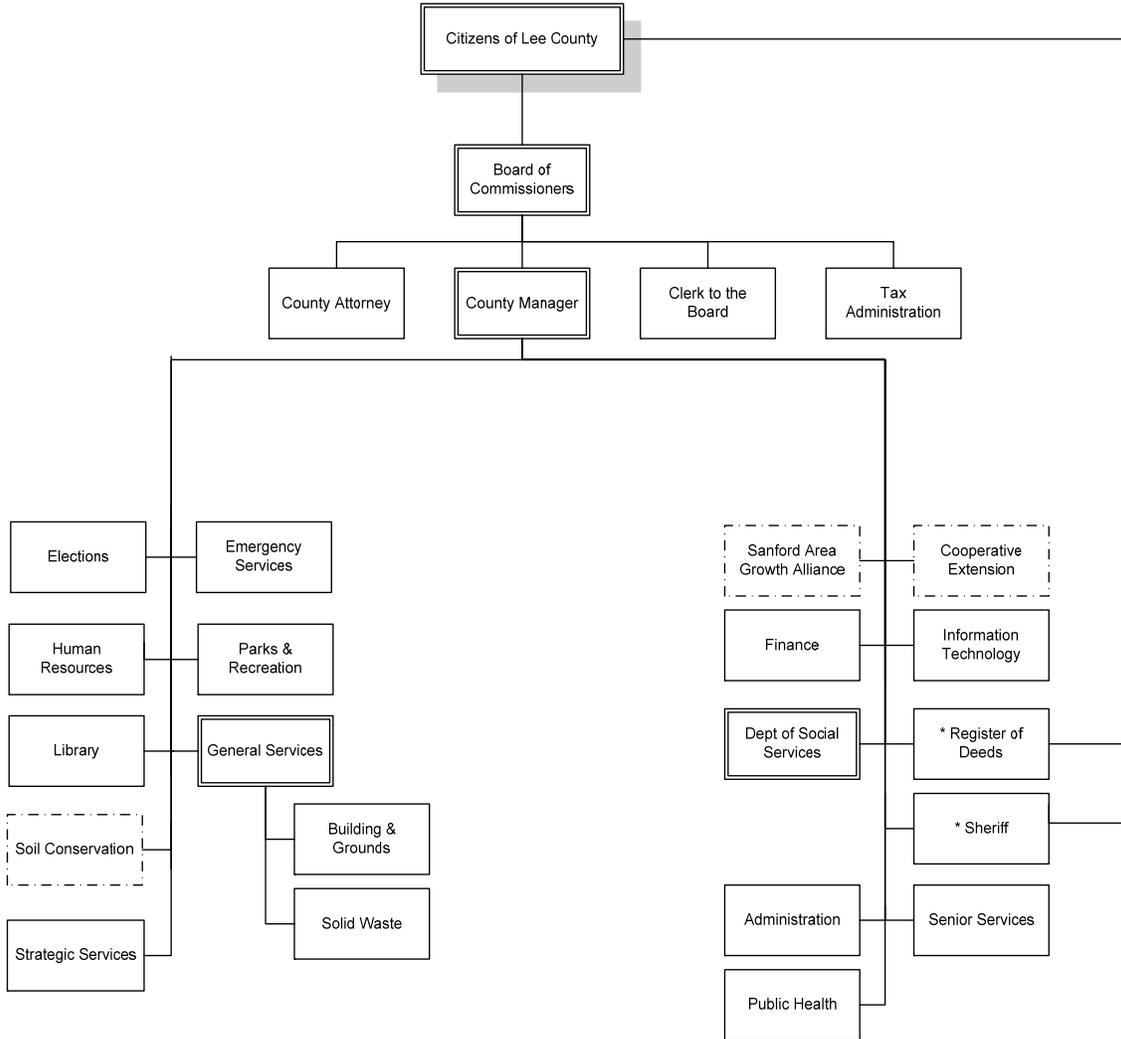
|                       |               |
|-----------------------|---------------|
| Amy M. Dalrymple      | Chair         |
| Dr. Ricky D. Frazier  | Vice Chairman |
| Dr. Andre Knecht      | Commissioner  |
| Larry C. "Doc" Oldham | Commissioner  |
| Robert T. Reives      | Commissioner  |
| Timothy S. Sloan      | Commissioner  |
| Kirk D. Smith         | Commissioner  |

**COUNTY OFFICIALS**

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

# COUNTY OF LEE, NORTH CAROLINA

## ORGANIZATIONAL CHART



\* Elected Officials  
 - - - - - Liaison Relationship

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## **FINANCIAL SECTION**

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*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, 2015, 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.

## *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, 2015, 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, the Law Enforcement Officers' Special Separation Allowance, the other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Asset and County Contributions, and 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 4 through 15, 64 through 65, 66 through 67, 68 through 69, and 70 through 71 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Implementation Act* 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 November 4, 2015 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  
November 4, 2015

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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, 2015. 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.

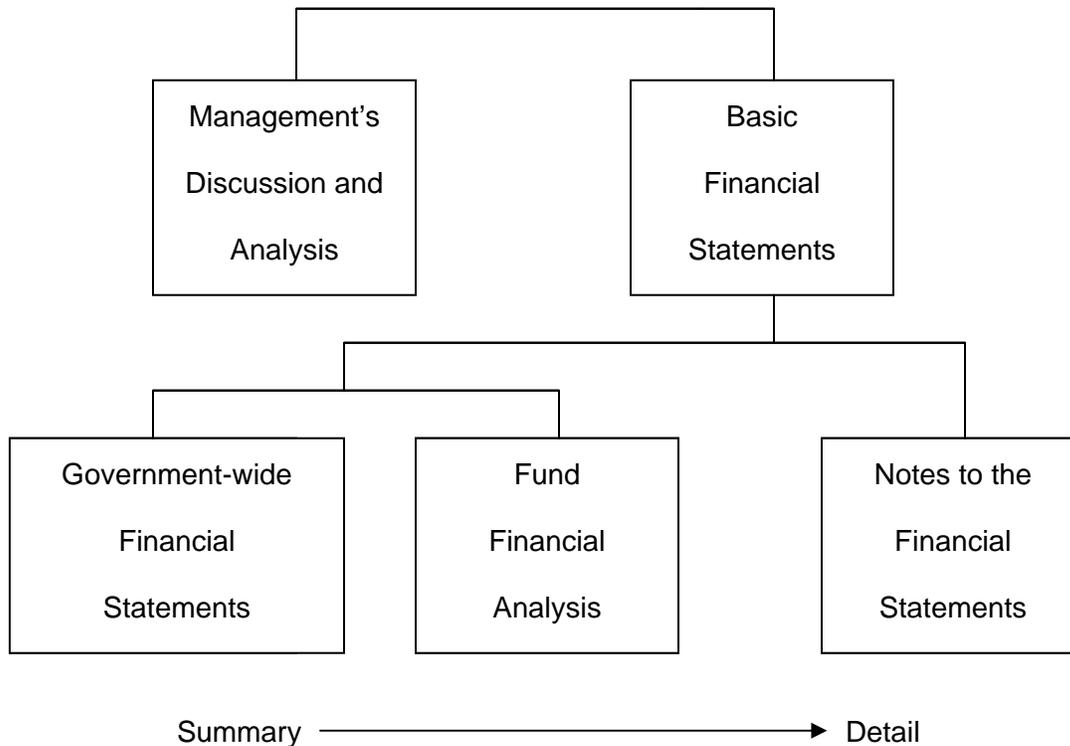
### Financial Highlights

- 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 (\$26,529,866) (*net position*).
- The total net position of governmental activities was a deficit \$28,092,326, an increase of \$5,744,249 from the prior year's deficit amount of \$33,836,575 (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 \$20,713,895, an increase of \$1,894,902 from the prior year. Approximately 36.2 percent of this total amount or \$7,493,750 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,197,066 or 14.45 percent of total General Fund expenditures for the fiscal year.
- Lee County's total debt decreased by \$4,479,516 or 6.3 percent during the current fiscal year.
- The County maintained its A1 bond rating from Moody's Investor Services and its AA- bond rating from Standard & Poor's.

### Overview of the Financial Statements

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

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



**Basic Financial Statements**

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

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County’s 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 plans.

## **Government-wide Financial Statements**

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

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

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

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

## **Fund Financial Statements**

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

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

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

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

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County has nine fiduciary funds: a Pension Trust Fund, the Brown Bequest Trust Fund, and seven 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 64 of this report.

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

As noted earlier, net position over time may serve as a useful indicator of a government's financial condition. The figure below depicts the County's net position for fiscal year 2015 and provides comparative data from fiscal year 2014.

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

|                                   | Governmental           |                       | Business-type       |                     | Total                  |                        |
|-----------------------------------|------------------------|-----------------------|---------------------|---------------------|------------------------|------------------------|
|                                   | Activities             |                       | Activities          |                     |                        |                        |
|                                   | 2015                   | 2014                  | 2015                | 2014                | 2015                   | 2014                   |
| Current and other assets          | \$ 24,956,563          | \$ 22,765,237         | \$ 1,227,341        | \$ 1,222,224        | \$ 26,183,904          | \$ 23,987,461          |
| Capital assets                    | 18,132,629             | 19,447,274            | 588,948             | 572,790             | 18,721,577             | 20,020,064             |
| Total assets                      | <u>43,089,192</u>      | <u>42,212,511</u>     | <u>1,816,289</u>    | <u>1,795,014</u>    | <u>44,905,481</u>      | <u>44,007,525</u>      |
| Deferred outflow s of resources   | 979,986                | -                     | 11,636              | -                   | 991,622                | -                      |
| Long-term liabilities outstanding | 66,940,695             | 71,438,901            | 182,517             | 163,827             | 67,123,212             | 71,602,728             |
| Other liabilities                 | 1,806,914              | 2,716,225             | 43,939              | 59,429              | 1,850,853              | 2,775,654              |
| Total liabilities                 | <u>68,747,609</u>      | <u>74,155,126</u>     | <u>226,456</u>      | <u>223,256</u>      | <u>68,974,065</u>      | <u>74,378,382</u>      |
| Deferred inflow s of resources    | 3,413,895              | 139,090               | 39,009              | -                   | 3,452,904              | 139,090                |
| Net position:                     |                        |                       |                     |                     |                        |                        |
| Net investment in capital assets  | 17,265,494             | 18,177,941            | 588,948             | 572,790             | 17,854,442             | 18,750,731             |
| Restricted                        | 7,493,750              | 8,195,677             | -                   | -                   | 7,493,750              | 8,195,677              |
| Unrestricted                      | (52,851,570)           | (58,455,323)          | 973,512             | 998,968             | (51,878,058)           | (57,456,355)           |
| Total net position                | <u>\$ (28,092,326)</u> | <u>\$(32,081,705)</u> | <u>\$ 1,562,460</u> | <u>\$ 1,571,758</u> | <u>\$ (26,529,866)</u> | <u>\$ (30,509,947)</u> |

The liabilities and deferred inflows of resources of Lee County exceed assets and deferred outflow of resources by (\$26,529,866) at the close of the most recent fiscal year. The County's net position increased by \$5,757,318 for the fiscal year ended June 30, 2015. One of the largest portions of net position reflects the County's net investment in capital assets (e.g. land, buildings, machinery and equipment). Lee County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Lee County's investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the County's net position, \$7,493,750, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$51,878,058 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, 2015, approximately \$56.6 million of the outstanding debt on the County's financial statement was related to assets included in the school and community college systems' financial statements.

The impact of the inclusion of the school system and community college debt without the corresponding assets was offset by the following positive factors:

- Continued diligence in the collection of current year property taxes by maintaining a collection percentage of 98.71 percent for real and personal property and 99.98 percent for motor vehicles.
- Continued low cost of debt due to the County's high bond rating.
- The General Fund had budgeted fund balance appropriated of \$4,872,642 that was not used during the fiscal year.
- County departments were conservative in their spending and General Fund expenditures at June 30, 2015 were \$4,469,192 under budget.

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

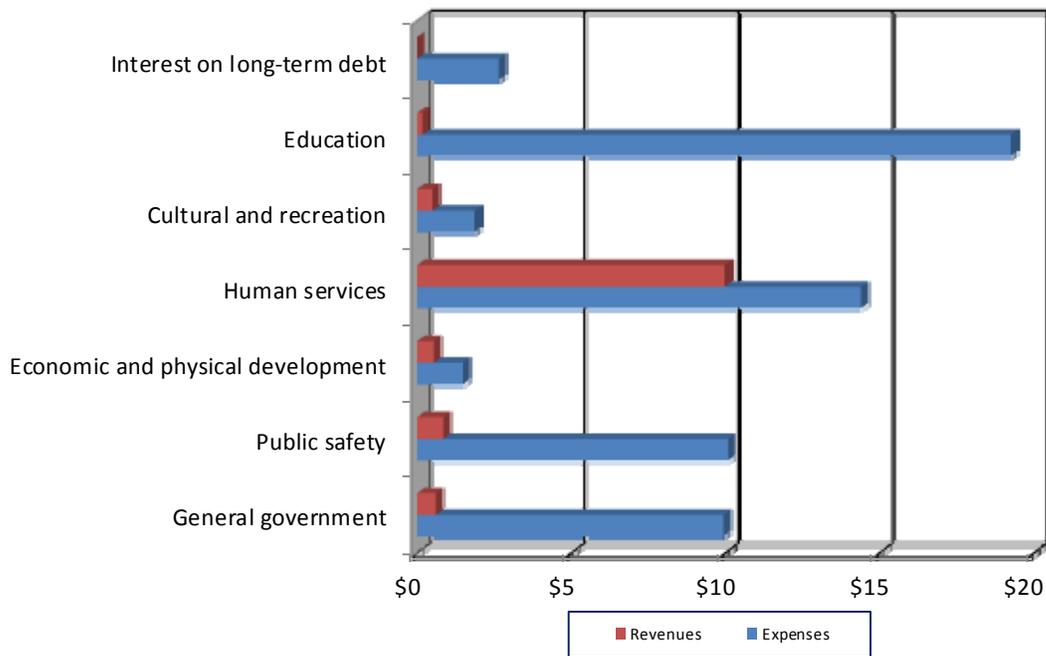
|  | Governmental<br>Activities |                       | Business-type<br>Activities |                     | Total                 |                       |
|--|----------------------------|-----------------------|-----------------------------|---------------------|-----------------------|-----------------------|
|  | 2015                       | 2014                  | 2015                        | 2014                | 2015                  | 2014                  |
| <b>Revenues:</b>   |                            |                       |                             |                     |                       |                       |
| Program revenues:  |                            |                       |                             |                     |                       |                       |
| Charges for services   | \$ 3,288,986               | \$ 3,093,687          | \$ 1,289,725                | \$ 1,277,500        | \$ 4,578,711          | \$ 4,371,187          |
| Operating grants and contributions                           | 8,744,858                  | 8,135,599             | -                           | -                   | 8,744,858             | 8,135,599             |
| Capital grants and contributions                             | 591,849                    | 1,476,222             | 17,619                      | 31,794              | 609,468               | 1,508,016             |
| General revenues:  |                            |                       |                             |                     |                       |                       |
| Property taxes   | 39,031,800                 | 39,881,877            | -                           | -                   | 39,031,800            | 39,881,877            |
| Other taxes  | 12,441,687                 | 11,908,204            | -                           | -                   | 12,441,687            | 11,908,204            |
| Grants and contributions not restricted to specific programs | 836,002                    | 868,772               | -                           | -                   | 836,002               | 868,772               |
| Investment earnings  | 51,102                     | 53,938                | 2,566                       | 1,959               | 53,668                | 55,897                |
| Other  | 918,628                    | 851,733               | -                           | -                   | 918,628               | 851,733               |
| Gain on disposal of capital assets                           | -                          | -                     | -                           | 3,992               | -                     | 3,992                 |
| <b>Total revenues</b>  | <b>65,904,912</b>          | <b>66,270,032</b>     | <b>1,309,910</b>            | <b>1,315,245</b>    | <b>67,214,822</b>     | <b>67,585,277</b>     |
| <b>Expenses:</b>   |                            |                       |                             |                     |                       |                       |
| General government   | 9,938,237                  | 7,876,229             | -                           | -                   | 9,938,237             | 7,876,229             |
| Public safety  | 10,081,361                 | 11,952,806            | -                           | -                   | 10,081,361            | 11,952,806            |
| Economic and physical development                            | 1,484,068                  | 1,656,954             | -                           | -                   | 1,484,068             | 1,656,954             |
| Human services   | 14,391,192                 | 14,040,325            | -                           | -                   | 14,391,192            | 14,040,325            |
| Cultural and recreation                                      | 1,863,284                  | 1,950,048             | -                           | -                   | 1,863,284             | 1,950,048             |
| Education  | 19,247,541                 | 19,340,979            | -                           | -                   | 19,247,541            | 19,340,979            |
| Interest on long-term debt                                   | 2,651,952                  | 2,892,500             | -                           | -                   | 2,651,952             | 2,892,500             |
| Water and sewer  | -                          | -                     | -                           | -                   | -                     | -                     |
| Landfill   | -                          | -                     | 1,296,841                   | 1,263,931           | 1,296,841             | 1,263,931             |
| <b>Total expenses</b>  | <b>59,657,635</b>          | <b>59,709,841</b>     | <b>1,296,841</b>            | <b>1,263,931</b>    | <b>60,954,476</b>     | <b>60,973,772</b>     |
| Increase (decrease) in net position before special item      | 6,247,277                  | 6,560,191             | 13,069                      | 51,314              | 6,260,346             | 6,611,505             |
| Special item - loss on disposal of capital asset             | (503,028)                  | -                     | -                           | -                   | (503,028)             | -                     |
| Increase (decrease) in net position after special item       | 5,744,249                  | 6,560,191             | 13,069                      | 51,314              | 5,757,318             | 6,611,505             |
| Net position, beginning                                      | (32,081,705)               | (38,641,896)          | 1,571,758                   | 1,520,444           | (30,509,947)          | (37,121,452)          |
| Net position, beginning, restated                            | (33,836,575)               | (38,641,896)          | 1,549,391                   | 1,520,444           | (32,287,184)          | (37,121,452)          |
| <b>Net position, ending</b>                                  | <b>\$(28,092,326)</b>      | <b>\$(32,081,705)</b> | <b>\$ 1,562,460</b>         | <b>\$ 1,571,758</b> | <b>\$(26,529,866)</b> | <b>\$(30,509,947)</b> |

**Governmental Activities.** Governmental activities increased the County’s net position by \$5,744,249. The key factors of this increase are as follows:

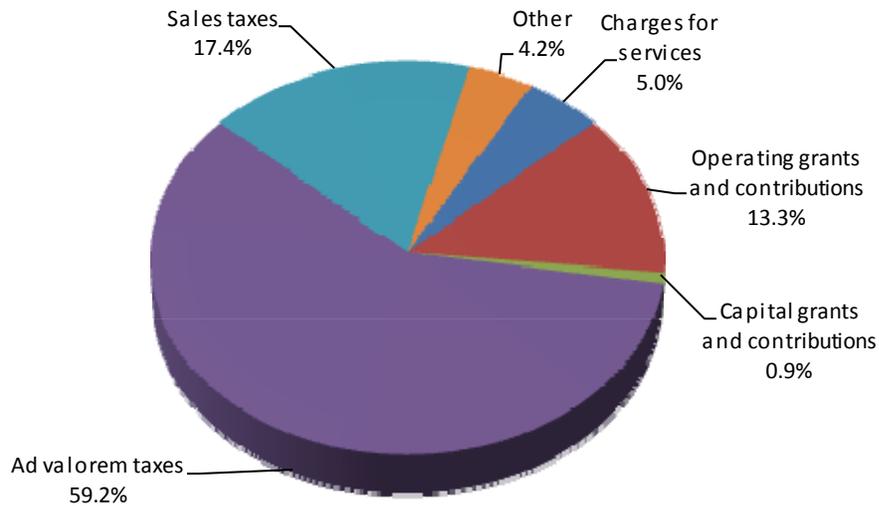
- Maintenance of the County’s high tax collection rate of 98.82%
- Increased property tax revenues from the State’s change in motor vehicle property tax billing
- Increased sales tax revenues

As can be seen in Figure 4, the net expense is mostly attributable to education, human services, and public safety services provided by the County. Figure 5 illustrates the major sources of revenue for the County, including both program and general revenues. Ad valorem taxes and sales taxes collected account for 76.6 percent of the County’s revenues.

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



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



**Business-type Activities.** Business-type activities increased the County’s net position by \$13,069.

**Financial Analysis of the County’s Funds**

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

**Governmental Funds.** The focus of the County’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County’s financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the County’s fund balance available for appropriation in the General Fund was \$11,253,807, while total fund balance reached \$16,737,724. The Board of Commissioners of Lee County has adopted a set of financial policies that states the County will maintain as a floor an available fund balance equal to 14 percent of the General Fund expenditures at the end of each fiscal year; however, the County will strive to reach a target of 18 percent. The County currently has an available fund balance of 17.68 percent of general fund expenditures, while total fund balance represents 26.29 percent of that same amount.

The fund balance of the County’s General Fund increased by \$455,733 during the current fiscal year. The key factors in the increase are the County’s continued diligence in collecting property taxes, the State’s change in the way motor vehicle property taxes are billed and collected, and the ongoing effort of County departments to control spending.

At June 30, 2015, the non-major governmental funds of the County reported a combined fund balance of \$3,976,171, a \$1,439,169 increase from the prior year. The primary reason for this increase was the transfer of insurance proceeds and other general fund revenues to the capital project to build a new nature center at San-Lee Park to replace the previous center that was damaged by a fire in November 2014.

**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 \$3,002,154.

Major budget increases during the year include:

- NC Department of Public Safety – Juvenile Crime Prevention Council funding was received after the budget was adopted - \$161,771.
- Department of Social Services – due to economic conditions, there was an increase in revenue and expenses for funds received to support citizen's emergency and economic needs. - \$95,219.
- San-Lee Park Nature Center – due to a fire in November 2014 doing major damage to the County's nature center located at the San-Lee Park, the County decided to use insurance proceeds and fund balance to fund the removal of the damaged building and a new nature center - \$1,630,966.

At year end, *actual* general fund revenues and other financing sources exceeded *final amended budget* numbers by \$859,183. *Actual* general fund expenditures and transfers out were less than *final budgetary* figures by \$4,469,192 increasing fund balance by \$455,733.

**Proprietary Funds.** Lee County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position for the Water and Sewer District # 1 Fund at the end of the fiscal year amounted to \$2,423. The unrestricted net position of the Solid Waste Management Fund equaled \$971,089. The increase in net position in this fund was \$13,069. Other factors concerning the finances of these funds have already been addressed in the discussion of Lee County business-type activities.

### **Capital Asset and Debt Administration**

**Capital Assets.** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals \$18,721,577 (net of accumulated depreciation). These assets include land, buildings, machinery and equipment, improvements, and construction in progress.

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

|                          | Governmental<br>Activities |                      | Business-type<br>Activities |                   | Total                |                      |
|--------------------------|----------------------------|----------------------|-----------------------------|-------------------|----------------------|----------------------|
|                          | 2015                       | 2014                 | 2015                        | 2014              | 2015                 | 2014                 |
| Land                     | \$ 3,365,033               | \$ 3,365,033         | \$ 260,425                  | \$ 260,425        | \$ 3,625,458         | \$ 3,625,458         |
| Land improvements        | 2,449,555                  | 2,449,555            | 135,796                     | 135,796           | 2,585,351            | 2,585,351            |
| Buildings                | 6,669,727                  | 6,956,254            | 67,554                      | 69,015            | 6,737,281            | 7,025,269            |
| Roads                    | 725,619                    | 749,026              | -                           | -                 | 725,619              | 749,026              |
| Equipment                | 3,410,833                  | 4,850,692            | 125,173                     | 107,554           | 3,536,006            | 4,958,246            |
| Construction in progress | 1,511,862                  | 1,076,714            | -                           | -                 | 1,511,862            | 1,076,714            |
| <b>Totals</b>            | <b>\$ 18,132,629</b>       | <b>\$ 19,447,274</b> | <b>\$ 588,948</b>           | <b>\$ 572,790</b> | <b>\$ 18,721,577</b> | <b>\$ 20,020,064</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, 2015, Lee County had no bonded debt outstanding; however, the County does have \$23,000,000 of general obligations authorized for construction projects related to Central Carolina Community College. In addition, the County had installment purchase debt of \$19,620,409 and certificates of participation debt of \$37,820,000, for total debt burden outstanding of \$57,440,409.

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

|                               | Governmental<br>Activities |                      | Business-type<br>Activities |             | Total                |                      |
|-------------------------------|----------------------------|----------------------|-----------------------------|-------------|----------------------|----------------------|
|                               | 2015                       | 2014                 | 2015                        | 2014        | 2015                 | 2014                 |
| General Obligation Bonds      | \$ -                       | \$ 235,000           | \$ -                        | \$ -        | \$ -                 | \$ 235,000           |
| Certificates of Participation | 37,820,000                 | 41,093,000           | -                           | -           | 37,820,000           | 41,093,000           |
| Installment Notes             | 19,620,409                 | 21,526,974           | -                           | -           | 19,620,409           | 21,526,974           |
| <b>Totals</b>                 | <b>\$ 57,440,409</b>       | <b>\$ 62,854,974</b> | <b>\$ -</b>                 | <b>\$ -</b> | <b>\$ 57,440,409</b> | <b>\$ 62,854,974</b> |

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

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Lee County is \$345,963,485.

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 \$69,370,883 budget for fiscal year 2015, which represents a 6.51 percent increase from the FY 2014 adopted budget. The County revalued property as of January 1, 2013. The tax rate increased to 79.5 cents per \$100 of assessed value.

The following factors were considered when developing the 2015 budget:

- A slow economy resulting in minimal growth in the property tax base.
- A continued slowdown in home sales and residential construction.
- After several years of minimal growth in sales tax revenues, the County experienced around a 5 percent increase in fiscal year 2015. A 4 percent growth is projected in fiscal year 2016.
- Unemployment is expected to continue to be an issue for the County's citizens and may drive demands for some services, particularly health and social services, higher.
- The approval of \$23,000,000 in general obligation bonds by the voters of Lee County in November 2014 for construction, renovation and repair projects related to Central Carolina Community College.

## **Budget Highlights for the Fiscal Year Ending June 30, 2015**

**Governmental Activities.** The Board of County Commissioners approved a 7.5 cents tax increase for fiscal year 2016. The following is a breakdown of that increase:

**1.0 cent to address sales tax distribution losses** - Since the Board of Commissioners had voted to change the sales tax distribution method to ad valorem in April 2013, the County had either lower or maintained its tax rate while the City of Sanford had raised their rate causing a loss of revenue equal to approximately what a one cent increase would raise.

**2.0 cents to set up debt reserve for CCCC bonds** – The number one priority for most of the Commissioners in the upcoming budget was support for the establishment of the capital/debt service reserve for the Community College bonds that were approved by the voters of Lee County. The tax equivalent approved in the bond orders was 3.0 cents. In consultation with our financial advisors, Davenport & Associates, a financial plan was developed that would allow a lower increase in the tax rate to cover the bonds. The plan was to create this reserve now and not wait until the bonds are sold to increase the rate. If the County waits, the full 3.0 cents will be needed to repay this bond debt assuming interest rates and construction costs do not increase above estimates.

**2.0 cents for current expense to Lee County School System** – The number one priority in Lee County School Systems budget request was retaining experienced teachers. This increase will allow the school system to increase the supplements paid to certified and non-certified staff. The increase will also allow the school system to begin implementing teacher intervention positions which will allow them to address reading, writing and math with students who are not performing at grade level.

**1.0 cent for capital to Lee County School System** - The County has lost \$1.3 million annually in school capital funding from the State of North Carolina since the fiscal year 2010 budget. These funds were used as part of the annual capital contribution to the Board of Education. This increase was needed to replace the lost funds if the Board of Commissioners wants to keep the schools systems facilities in good working order.

**1.5 cents to improve County's reserves and create pay as you go funds for capital/maintenance projects** – During the recession, the County has used very large sums of fund balance to balance the budget each year. With a goal to reduce debt and use more cash to pay for facility maintenance without additional borrowing, the County must begin to increase reserves. This increase will be used to reduce the annual dependency on fund balance to cover operational expenses. In addition to building a reserve to address the needs of our aging facilities, this reserve will address staff's concerns about raising the levels of our fund balance in our financial policies.

**Business-type Activities.** The FY 2016 Solid Waste Fund budget totals \$1,461,765 which represents an increase of 6.45 percent from the adopted FY 2015 budget. The increase is partially funded by a \$2.50 rate increase in the disposal fee and in the collection fee.

### **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).

## **BASIC FINANCIAL STATEMENTS**

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**LEE COUNTY, NORTH CAROLINA**  
**Statement of Net Position**  
**June 30, 2015**

**Exhibit 1**

|   | Primary Government         |                                 |                        |
|---|----------------------------|---------------------------------|------------------------|
|   | Governmental<br>Activities | Business-<br>type<br>Activities | Total                  |
| <b>Assets</b>                                       |                            |                                 |                        |
| Cash and investments                                | \$ 16,901,197              | \$ 1,129,606                    | \$ 18,030,803          |
| Taxes receivable - net                              | 1,146,827                  | -                               | 1,146,827              |
| Accounts receivable - net                           | 5,442,764                  | 80,838                          | 5,523,602              |
| Accrued interest receivable                         | 17,330                     | 1,110                           | 18,440                 |
| Net pension asset                                   | 1,448,445                  | 15,787                          | 1,464,232              |
| Capital assets:                                     |                            |                                 |                        |
| Land, improvements, and construction<br>in progress | 7,326,450                  | 396,221                         | 7,722,671              |
| Other capital assets, net of depreciation           | 10,806,179                 | 192,727                         | 10,998,906             |
| Total capital assets                                | <u>18,132,629</u>          | <u>588,948</u>                  | <u>18,721,577</u>      |
| Total assets  | <u>43,089,192</u>          | <u>1,816,289</u>                | <u>44,905,481</u>      |
| <b>Deferred Outflows of Resources</b>               | 979,986                    | 11,636                          | 991,622                |
| <b>Liabilities</b>                                  |                            |                                 |                        |
| Accounts payable and accrued liabilities            | 1,434,534                  | 43,939                          | 1,478,473              |
| Accrued interest payable                            | 372,380                    | -                               | 372,380                |
| Long-term liabilities                               |                            |                                 |                        |
| Due within one year                                 | 7,013,067                  | 21,000                          | 7,034,067              |
| Due in more than one year                           | 59,927,628                 | 161,517                         | 60,089,145             |
| Total long-term liabilities                         | <u>66,940,695</u>          | <u>182,517</u>                  | <u>67,123,212</u>      |
| Total liabilities                                   | <u>68,747,609</u>          | <u>226,456</u>                  | <u>68,974,065</u>      |
| <b>Deferred Inflows of Resources</b>                | 3,413,895                  | 39,009                          | 3,452,904              |
| <b>Net Position</b>                                 |                            |                                 |                        |
| Net investment in capital assets                    | 17,265,494                 | 588,948                         | 17,854,442             |
| Restricted for:                                     |                            |                                 |                        |
| Stabilization by State Statute                      | 5,634,050                  | -                               | 5,634,050              |
| Public Safety                                       | 991,960                    | -                               | 991,960                |
| Economic and Physical Development                   | 605,891                    | -                               | 605,891                |
| Education   | 45,137                     | -                               | 45,137                 |
| Register of Deeds                                   | 216,712                    | -                               | 216,712                |
| Unrestricted  | <u>(52,851,570)</u>        | <u>973,512</u>                  | <u>(51,878,058)</u>    |
| Total net position                                  | <u>\$ (28,092,326)</u>     | <u>\$ 1,562,460</u>             | <u>\$ (26,529,866)</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, 2015**

Exhibit 2

|  | Program Revenues |                      |                                    | Net (Expenses) Revenue and Change in Net Position |                         |                          |                |
|--|------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|----------------|
|  | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                  | Primary Government      |                          |                |
|  |                  |                      |                                    |   | Governmental Activities | Business-type Activities | Total          |
| Functions/Programs   |                  |                      |                                    |   |                         |                          |                |
| Primary government activities:                               |                  |                      |                                    |   |                         |                          |                |
| Government activities:                                       |                  |                      |                                    |   |                         |                          |                |
| General government   | \$ 9,938,237     | \$ 602,554           | \$ -                               | \$ -  | \$ (9,335,683)          | \$ -                     | \$ (9,335,683) |
| Public safety  | 10,081,361       | 690,851              | 154,869                            | -   | (9,235,641)             | -                        | (9,235,641)    |
| Economic and physical development                            | 1,484,068        | 93,703               | 30,063                             | 415,278   | (945,024)               | -                        | (945,024)      |
| Human services   | 14,391,192       | 1,549,894            | 8,415,978                          | -   | (4,425,320)             | -                        | (4,425,320)    |
| Cultural and recreation                                      | 1,863,284        | 351,984              | 143,948                            | -   | (1,367,352)             | -                        | (1,367,352)    |
| Education  | 19,247,541       | -                    | -                                  | 176,571   | (19,070,970)            | -                        | (19,070,970)   |
| Interest on long-term debt                                   | 2,651,952        | -                    | -                                  | -   | (2,651,952)             | -                        | (2,651,952)    |
| Total governmental activities                                | 59,657,635       | 3,288,986            | 8,744,858                          | 591,849   | (47,031,942)            | -                        | (47,031,942)   |
| Business-type activities:                                    |                  |                      |                                    |   |                         |                          |                |
| Water & Sewer  | -                | -                    | -                                  | -   | -                       | -                        | -              |
| Solid Waste Management Fund                                  | 1,296,841        | 1,289,725            | -                                  | 17,619  | -                       | 10,503                   | 10,503         |
| Total business-type activities                               | 1,296,841        | 1,289,725            | -                                  | 17,619  | -                       | 10,503                   | 10,503         |
| Total primary government                                     | \$ 60,954,476    | \$ 4,578,711         | \$ 8,744,858                       | \$ 609,468  | (47,031,942)            | 10,503                   | (47,021,439)   |
| General revenues:  |                  |                      |                                    |   |                         |                          |                |
| Ad valorem taxes   |                  |                      |                                    |   | 39,031,800              | -                        | 39,031,800     |
| Sales taxes  |                  |                      |                                    |   | 11,460,940              | -                        | 11,460,940     |
| Other taxes  |                  |                      |                                    |   | 980,747                 | -                        | 980,747        |
| Grants and contributions not restricted to specific programs |                  |                      |                                    |   | 836,002                 | -                        | 836,002        |
| Investment earnings  |                  |                      |                                    |   | 51,102                  | 2,566                    | 53,668         |
| Miscellaneous  |                  |                      |                                    |   | 918,628                 | -                        | 918,628        |
| Total general revenues excluding special items               |                  |                      |                                    |   | 53,279,219              | 2,566                    | 53,281,785     |
| Special item - loss on disposal of capital assets            |                  |                      |                                    |   | (503,028)               | -                        | (503,028)      |
| Total general revenues and special items                     |                  |                      |                                    |   | 52,776,191              | 2,566                    | 52,778,757     |
| Change in net position                                       |                  |                      |                                    |   | 5,744,249               | 13,069                   | 5,757,318      |
| Net position, beginning, previously reported                 |                  |                      |                                    |   | (32,081,705)            | 1,571,758                | (30,509,947)   |
| Restatement  |                  |                      |                                    |   | (1,754,870)             | (22,367)                 | (1,777,237)    |
| Net position, beginning, restated                            |                  |                      |                                    |   | (33,836,575)            | 1,549,391                | (32,287,184)   |
| Net position, ending   |                  |                      |                                    |   | (28,092,326)            | 1,562,460                | (26,529,866)   |

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

**LEE COUNTY, NORTH CAROLINA**  
**Balance Sheet - Governmental Funds**  
**June 30, 2015**

**Exhibit 3**

|  | Major Fund      |                                   |                                |
|--|-----------------|-----------------------------------|--------------------------------|
|  | General<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
| <b>Assets</b>  |                 |                                   |                                |
| Assets:  |                 |                                   |                                |
| Cash and investments   | \$ 12,944,617   | \$ 3,956,580                      | \$ 16,901,197                  |
| Taxes receivable - net   | 1,033,421       | 113,406                           | 1,146,827                      |
| Accounts receivable - net  | 5,228,978       | 148,073                           | 5,377,051                      |
| Accrued interest receivable  | 15,001          | 2,329                             | 17,330                         |
| Total assets   | \$ 19,222,017   | \$ 4,220,388                      | \$ 23,442,405                  |
| <b>Liabilities and Fund Balances</b>                                   |                 |                                   |                                |
| Liabilities:   |                 |                                   |                                |
| Accounts payable and accrued liabilities                               | \$ 1,303,723    | \$ 130,811                        | \$ 1,434,534                   |
| Total liabilities  | 1,303,723       | 130,811                           | 1,434,534                      |
| <b>Deferred Inflows of Resources</b>                                   |                 |                                   |                                |
|  | 1,180,570       | 113,406                           | 1,293,976                      |
| Fund Balances:   |                 |                                   |                                |
| Restricted:  |                 |                                   |                                |
| Stabilization by State Statute   | 5,483,917       | 150,132                           | 5,634,049                      |
| Public Safety  | -               | 991,960                           | 991,960                        |
| Economic and Physical Development                                      | -               | 605,891                           | 605,891                        |
| Education  | -               | 45,137                            | 45,137                         |
| Register of Deeds  | 216,712         | -                                 | 216,712                        |
| Committed:   |                 |                                   |                                |
| Economic and Physical Development                                      | -               | 54,655                            | 54,655                         |
| Public Safety  | 92,424          | -                                 | 92,424                         |
| Human Services   | 102,793         | -                                 | 102,793                        |
| Assigned:  |                 |                                   |                                |
| Subsequent year's expenditures   | 1,644,812       | -                                 | 1,644,812                      |
| Capital  | -               | 2,215,788                         | 2,215,788                      |
| Unassigned:  |                 |                                   |                                |
|  | 9,197,066       | (87,392)                          | 9,109,674                      |
| Total fund balances  | 16,737,724      | 3,976,171                         | 20,713,895                     |
| Total liabilities, deferred inflows of resources,<br>and fund balances | \$ 19,222,017   | \$ 4,220,388                      | \$ 23,442,405                  |

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

|  |                 |
|--|-----------------|
| Total fund balance, Governmental Funds   | \$ 20,713,895   |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  | 18,132,629      |
| Net pension asset  | 1,448,445       |
| Contributions to pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position   | 979,986         |
| Deferred inflows of resources for taxes and other receivables  | 1,217,055       |
| Pension related deferrals  | (3,271,261)     |
| Compensated absences not expected to be materially liquidated with expendable available resources.   | (1,646,018)     |
| 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. | (65,667,057)    |
| Net position of governmental activities  | \$ (28,092,326) |

*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, 2015**

**Exhibit 4**

|  | <u>Major Fund</u>       |  |   |
|--|-------------------------|--|---|
|  | <u>General<br/>Fund</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
| <b>Revenues:</b>                       |                         |  |   |
| Ad valorem taxes                       | \$ 36,656,057           | \$ 2,656,720                               | \$ 39,312,777                           |
| Local option sales taxes               | 11,460,940              | -  | 11,460,940                              |
| Other taxes and licenses               | 411,267                 | 569,480                                    | 980,747                                 |
| Unrestricted intergovernmental         | 839,576                 | -  | 839,576                                 |
| Restricted intergovernmental           | 9,375,760               | 493,137                                    | 9,868,897                               |
| Permits and fees                       | 245,761                 | -  | 245,761                                 |
| Sales and services                     | 2,572,693               | 159,488                                    | 2,732,181                               |
| Investment earnings                    | 46,085                  | 5,017                                      | 51,102                                  |
| Miscellaneous                          | 795,310                 | -  | 795,310                                 |
| Total revenues                         | <u>62,403,449</u>       | <u>3,883,842</u>                           | <u>66,287,291</u>                       |
| <b>Expenditures:</b>                   |                         |  |   |
| <b>Current:</b>                        |                         |  |   |
| General government                     | 7,643,351               | -  | 7,643,351                               |
| Public safety                          | 9,292,845               | 2,899,013                                  | 12,191,858                              |
| Economic and physical development      | 1,108,064               | 675,685                                    | 1,783,749                               |
| Human services                         | 14,356,332              | -  | 14,356,332                              |
| Education                              | 18,971,781              | 262,760                                    | 19,234,541                              |
| Cultural and recreational              | 1,793,665               | -  | 1,793,665                               |
| <b>Debt service:</b>                   |                         |  |   |
| Principal retirement                   | 5,414,565               | -  | 5,414,565                               |
| Interest and fees                      | 2,774,328               | -  | 2,774,328                               |
| Total expenditures                     | <u>61,354,931</u>       | <u>3,837,458</u>                           | <u>65,192,389</u>                       |
| Revenues over (under) expenditures     | <u>1,048,518</u>        | <u>46,384</u>                              | <u>1,094,902</u>                        |
| <b>Other Financing Sources (Uses):</b> |                         |  |   |
| Transfers from other funds             | 918,712                 | 1,691,497                                  | 2,610,209                               |
| Transfers to other funds               | (2,311,497)             | (298,712)                                  | (2,610,209)                             |
| Sale of county assets                  | 800,000                 | -  | 800,000                                 |
| Total other financing sources (uses)   | <u>(592,785)</u>        | <u>1,392,785</u>                           | <u>800,000</u>                          |
| Net change in fund balances            | 455,733                 | 1,439,169                                  | 1,894,902                               |
| Fund balances, beginning of year       | <u>16,281,991</u>       | <u>2,537,002</u>                           | <u>18,818,993</u>                       |
| Fund balances, end of year             | <u>\$ 16,737,724</u>    | <u>\$ 3,976,171</u>                        | <u>\$ 20,713,895</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, 2015**

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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) \$ 1,894,902

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               | 999,945     |
| Depreciation                 | (976,884)   |
| Basis of assets disposed     | (1,337,706) |
| Fair value of assets donated |             |

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities. 978,826

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (285,743)

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. 4,537,695

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. (66,786)

Change in net position of governmental activities \$ 5,744,249

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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, 2015**

Exhibit 5

|   | Budget             |                    | Actual               | Variance With<br>Final Budget<br>Over/(Under) |
|---|--------------------|--------------------|----------------------|---|
|   | Original           | Final              |                      |   |
| <b>Revenues:</b>  |                    |                    |                      |   |
| Ad valorem taxes  | \$ 35,355,701      | \$ 35,355,701      | \$ 36,656,057        | \$ 1,300,356                                  |
| Local option sales taxes  | 10,815,428         | 10,815,428         | 11,460,940           | 645,512                                       |
| Other taxes and licenses  | 418,600            | 418,600            | 411,267              | (7,333)                                       |
| Unrestricted intergovernmental  | 889,443            | 889,443            | 839,576              | (49,867)                                      |
| Restricted intergovernmental  | 10,703,343         | 10,997,033         | 9,375,760            | (1,621,273)                                   |
| Permits and fees  | 241,000            | 241,000            | 245,761              | 4,761   |
| Sales and services  | 2,787,952          | 2,828,499          | 2,572,693            | (255,806)                                     |
| Investment earnings   | 30,000             | 30,000             | 46,085               | 16,085  |
| Miscellaneous   | 379,987            | 772,021            | 795,310              | 23,289  |
| Total revenues  | <u>61,621,454</u>  | <u>62,347,725</u>  | <u>62,403,449</u>    | <u>55,724</u>                                 |
| <b>Expenditures:</b>  |                    |                    |                      |   |
| <b>Current:</b>   |                    |                    |                      |   |
| General government  | 7,962,638          | 8,351,871          | 7,643,351            | 708,520                                       |
| Public safety   | 9,617,927          | 9,734,785          | 9,292,845            | 441,940                                       |
| Economic and physical development   | 1,194,840          | 1,450,170          | 1,108,064            | 342,106                                       |
| Human services  | 15,513,568         | 16,029,602         | 14,356,332           | 1,673,270                                     |
| Education   | 20,149,253         | 20,149,253         | 18,971,781           | 1,177,472                                     |
| Cultural and recreational   | 1,872,491          | 1,905,693          | 1,793,665            | 112,028                                       |
| <b>Debt service:</b>  |                    |                    |                      |   |
| Principal retirement  | 5,429,566          | 5,429,566          | 5,414,565            | 15,001  |
| Interest and fees   | 2,773,183          | 2,773,183          | 2,774,328            | (1,145)                                       |
| Total expenditures  | <u>64,513,466</u>  | <u>65,824,123</u>  | <u>61,354,931</u>    | <u>4,469,192</u>                              |
| Revenues over (under) expenditures  | <u>(2,892,012)</u> | <u>(3,476,398)</u> | <u>1,048,518</u>     | <u>4,524,916</u>                              |
| <b>Other Financing Sources (Uses):</b>  |                    |                    |                      |   |
| Transfers from other funds  | 915,253            | 915,253            | 918,712              | 3,459   |
| Transfers to other funds  | (620,000)          | (2,311,497)        | (2,311,497)          | -   |
| Sale of county assets   | -                  | -                  | 800,000              | 800,000                                       |
| Total other financing sources (uses)  | <u>295,253</u>     | <u>(1,396,244)</u> | <u>(592,785)</u>     | <u>803,459</u>                                |
| Revenues and other financing sources over<br>(under) expenditures and other<br>financing uses | <u>(2,596,759)</u> | <u>(4,872,642)</u> | <u>455,733</u>       | <u>5,328,375</u>                              |
| Appropriated fund balance   | <u>2,596,759</u>   | <u>4,872,642</u>   | <u>-</u>             | <u>(4,872,642)</u>                            |
| Net change in fund balance  | <u>\$ -</u>        | <u>\$ -</u>        | <u>455,733</u>       | <u>\$ 455,733</u>                             |
| Fund balance, beginning of year   |                    |                    | <u>16,281,991</u>    |   |
| Fund balance, end of year   |                    |                    | <u>\$ 16,737,724</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, 2015**

**Exhibit 6**

|  | Major Fund<br>Solid Waste<br>Management<br>Fund | Non-Major<br>Water and<br>Sewer District<br>#1 Fund | Total<br>Business-type<br>Activities<br>Enterprise |
|--|---|---|--|
| <b>Assets</b>  |   |   |  |
| Current assets:  |   |   |  |
| Cash and investments                                     | \$ 1,127,183                                    | \$ 2,423  | \$ 1,129,606                                       |
| Accounts receivable - net                                | 80,838  | -   | 80,838   |
| Accrued interest receivable                              | 1,110   | -   | 1,110  |
| Total current assets                                     | <u>1,209,131</u>                                | <u>2,423</u>  | <u>1,211,554</u>                                   |
| Net pension asset  | 15,787  | -   | 15,787   |
| Non-current assets:                                      |   |   |  |
| Land and improvements                                    | 396,221   | -   | 396,221  |
| Other capital assets, net of<br>accumulated depreciation | <u>192,727</u>                                  | <u>-</u>  | <u>192,727</u>                                     |
| Total non-current assets                                 | <u>588,948</u>                                  | <u>-</u>  | <u>588,948</u>                                     |
| Total assets   | <u>1,813,866</u>                                | <u>2,423</u>  | <u>1,816,289</u>                                   |
| <b>Deferred outflows of resources</b>                    | 11,636  | -   | 11,636   |
| <b>Liabilities</b>                                       |   |   |  |
| Current liabilities:                                     |   |   |  |
| Accounts payable and accrued liabilities                 | 22,173  | -   | 22,173   |
| Compensated absences payable                             | 21,000  | -   | 21,000   |
| Accrued landfill closure costs                           | <u>21,766</u>                                   | <u>-</u>  | <u>21,766</u>                                      |
| Total current liabilities                                | <u>64,939</u>                                   | <u>-</u>  | <u>64,939</u>                                      |
| Non-current liabilities:                                 |   |   |  |
| Compensated absences payable                             | 6,777   | -   | 6,777  |
| OPEB liability payable                                   | <u>154,740</u>                                  | <u>-</u>  | <u>154,740</u>                                     |
| Total non-current liabilities                            | <u>161,517</u>                                  | <u>-</u>  | <u>161,517</u>                                     |
| Total liabilities  | <u>226,456</u>                                  | <u>-</u>  | <u>226,456</u>                                     |
| <b>Deferred inflows of resources</b>                     | 39,009  | -   | 39,009   |
| <b>Net Position</b>                                      |   |   |  |
| Net Investment in capital assets                         | 588,948   | -   | 588,948  |
| Unrestricted   | <u>971,089</u>                                  | <u>2,423</u>  | <u>973,512</u>                                     |
| Total net position                                       | <u>\$ 1,560,037</u>                             | <u>\$ 2,423</u>                                     | <u>\$ 1,562,460</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, 2015**

**Exhibit 7**

|                                    | <u>Major Fund</u><br>Solid Waste<br>Management<br>Fund | <u>Non-Major</u><br>Water and<br>Sewer District<br>#1 Fund | <u>Total</u><br>Business-type<br>Activities<br>Enterprise |
|------------------------------------|--|--|---|
| Operating revenues:                |  |  |   |
| Charges for services               | \$ 1,156,332   | \$ -   | \$ 1,156,332  |
| Other miscellaneous revenues       | <u>133,393</u>   | <u>-</u>   | <u>133,393</u>  |
| Total operating revenues           | <u>1,289,725</u>                                       | <u>-</u>   | <u>1,289,725</u>  |
| Operating expenses:                |  |  |   |
| Cost of service and administration | 1,295,380  | -  | 1,295,380   |
| Depreciation                       | <u>1,461</u>   | <u>-</u>   | <u>1,461</u>  |
| Total operating expenses           | <u>1,296,841</u>                                       | <u>-</u>   | <u>1,296,841</u>  |
| Operating income (loss)            | <u>(7,116)</u>   | <u>-</u>   | <u>(7,116)</u>  |
| Non-operating revenues (expenses): |  |  |   |
| Investment earnings                | <u>2,566</u>   | <u>-</u>   | <u>2,566</u>  |
| Non-operating revenues (expenses)  | <u>2,566</u>   | <u>-</u>   | <u>2,566</u>  |
| Income (loss) before contributions | (4,550)  | -  | (4,550)   |
| Capital contributions              | <u>17,619</u>  | <u>-</u>   | <u>17,619</u>   |
| Change in net position             | 13,069   | -  | 13,069  |
| Net position, beginning            | 1,569,335  | 2,423  | 1,571,758   |
| Restatement                        | (22,367)   | -  | (22,367)  |
| Net position, beginning, restated  | <u>1,546,968</u>                                       | <u>2,423</u>   | <u>1,549,391</u>  |
| Net position, ending               | <u>\$ 1,560,037</u>                                    | <u>\$ 2,423</u>  | <u>\$ 1,562,460</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, 2015**

**Exhibit 8**

|  | Major Fund   | Non-Major      | Total         |
|--|--------------|----------------|---------------|
|  | Solid Waste  | Water and      | Business-type |
|  | Management   | Sewer District | Activities    |
|  | Fund         | #1 Fund        | Enterprise    |
| Cash flows from operating activities:                |              |                |               |
| Receipts from customers                              | \$ 1,153,680 | \$ -           | \$ 1,153,680  |
| Payments to suppliers for goods and services         | (842,930)    | -              | (842,930)     |
| Payments to or on behalf of employees                | (460,269)    | -              | (460,269)     |
| Other operating revenues                             | 131,196      | -              | 131,196       |
| Net cash provided (used) by operating activities     | (18,323)     | -              | (18,323)      |
| Cash flows from investing activities -               |              |                |               |
| Interest on investments                              | 2,161        | -              | 2,161         |
| Net increase (decrease) in cash and cash equivalents | (16,162)     | -              | (16,162)      |
| Cash and cash equivalents, beginning of year         | 1,143,345    | 2,423          | 1,145,768     |
| Cash and cash equivalents, end of year               | \$ 1,127,183 | \$ 2,423       | \$ 1,129,606  |
| Reconciliation of operating income (loss) to         |              |                |               |
| net cash provided (used) by operating activities:    |              |                |               |
| Operating income (loss)                              | \$ (7,116)   | \$ -           | \$ (7,116)    |
| Adjustments to reconcile operating                   |              |                |               |
| income (loss) to cash provided (used)                |              |                |               |
| by operating activities:                             |              |                |               |
| Depreciation   | 1,461        | -              | 1,461         |
| Pension expense                                      | 855          | -              | 855           |
| Changes in assets and liabilities:                   |              |                |               |
| (Increase) decrease in accounts                      |              |                |               |
| receivable   | (5,087)      | -              | (5,087)       |
| Increase (decrease) in accounts                      |              |                |               |
| payable and accrued expenses                         | 3,200        | -              | 3,200         |
| (Increase) decrease in deferred outflows             |              |                |               |
| or resources for pensions                            | (11,636)     | -              | (11,636)      |
| Net cash provided (used) by operating activities     | \$ (18,323)  | \$ -           | \$ (18,323)   |
| Noncash capital activities:                          |              |                |               |
| Transfer of assets between funds                     | \$ 17,619    | \$ -           |               |

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, 2015**

**Exhibit 9**

|   | Pension Trust<br>Law Enforcement<br>Employees | Kenneth Brown<br>Bequest Fund | Agency<br>Funds |
|---|---|-------------------------------|-----------------|
| <b>Assets</b>                                 |   |                               |                 |
| Cash and investments                          | \$ 4,149                                      | \$ 18,373                     | \$ 211,966      |
| Taxes receivable - net                        | -   | -                             | 529,127         |
| Accounts receivable                           | -   | -                             | 101,680         |
| Accrued interest receivable                   | <u>4</u>                                      | <u>18</u>                     | <u>146</u>      |
| Total assets                                  | <u>4,153</u>                                  | <u>18,391</u>                 | <u>842,919</u>  |
| <b>Liabilities</b>                            |   |                               |                 |
| Other liabilities                             | -   | -                             | 194,179         |
| Due to other governmental units               | <u>-</u>                                      | <u>-</u>                      | <u>648,740</u>  |
| Total liabilities                             | <u>-</u>                                      | <u>-</u>                      | <u>842,919</u>  |
| <b>Net Position</b>                           |   |                               |                 |
| Held in trust for employee's pension benefits | 4,153   | -                             | -               |
| Held in trust for the Library                 | <u>-</u>                                      | <u>18,391</u>                 | <u>-</u>        |
| Total net position                            | <u>\$ 4,153</u>                               | <u>\$ 18,391</u>              | <u>\$ -</u>     |

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

**LEE COUNTY, NORTH CAROLINA**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2015**

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**Exhibit 10**

|                                 | <u>Pension Trust<br/>Law Enforcement<br/>Employees</u> | <u>Kenneth Brown<br/>Bequest Fund</u> |
|---------------------------------|--|---------------------------------------|
| Additions:                      |  |                                       |
| Investment earnings             | \$ <u>10</u>   | \$ <u>40</u>                          |
| Change in net position          | 10   | 40                                    |
| Net position, beginning of year | <u>4,143</u>   | <u>18,351</u>                         |
| Net position, end of year       | <u>\$ 4,153</u>  | <u>\$ 18,391</u>                      |

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

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**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements**

**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.  | None issued.                  |
| Lee County Industrial Facility and Pollution Control Financing Authority | Discrete         | The Authority is governed by a seven-member board that is appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause. | None issued.                  |
| Lee County Development Corporation                                       | Discrete         | The Corporation has a three-member board of directors who are established through the by-laws of the Articles of Incorporation.   | None issued.                  |

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

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

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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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.

The County reports the following major enterprise funds:

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

Additionally the County reports the following fund types:

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

*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.

*Pension trust fund.* The County maintains one Pension Trust Fund: the Law Enforcement Officers' Special Separation Allowance Fund. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans or other postemployment benefit plans. The Law Enforcement Officers' Special Separation Allowance Fund accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system. The resources in the LEO Special Separation Allowance Fund have been set aside to pay future obligations of the LEO Special Separation Allowance but are not held in a trust that meets the criteria outlined in GASB Statement 68, paragraph 4.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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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 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.

Mon-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, Industrial Park Improvements Fund, Courthouse Renovations Fund, Fiscal Year 2011 Community Development Block Grant Fund, San-Lee Nature Center Fund, CCCC Health Sciences Center Fund, CCCC Veterinary Medical Technology Facility Fund, CCCC Civic Center and Incubator Project Fund, and CCCC Main Campus and Emergency Services Training Center Renovations Fund are reported as 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.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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

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

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.

*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. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements 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.

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

**D. Budgetary Data (Continued)**

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for 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.

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

**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**

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.

**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, 2014.

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

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

**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 are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the assets or materially extend assets' lives are not capitalized.

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

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

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

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

***E. Assets, Liabilities, Deferred Inflows and Outflows of Resources, 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 pension plan 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 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. Bond premiums and discounts are deferred and amortized over the term of the related debt using the straight-line method that approximates the effective interest method.

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

**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.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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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**

*Net Position*

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

*Fund Balances*

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

The governmental fund types classify fund balance as follows:

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

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

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

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

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

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

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

**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, specifically transportation and Senior Games.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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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 (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. The Manager, as granted in the officially adopted budget ordinance, has been granted limited authority to assign fund balance.

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

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

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

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

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

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

|                                   |                      |
|-----------------------------------|----------------------|
| Total fund balance – General Fund | \$ 16,737,724        |
| Less:                             |                      |
| Stabilization by State Statute    | <u>5,483,917</u>     |
| Available Fund Balance            | <u>\$ 11,253,807</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, 2015 were as follows:

|                             |            |
|-----------------------------|------------|
| General Fund                | \$ 244,453 |
| Nonmajor Governmental Funds | 18,000     |

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

**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 three 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"). For purposes of measuring the net pension asset, 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. 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 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 \$(48,806,221) consists of several elements as follows:

|  |                        |
|--|------------------------|
| Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the funds (total capital assets on government-wide statement in governmental activities column) | \$ 46,009,444          |
| Less accumulated depreciation  | <u>(27,876,815)</u>    |
| Net capital assets   | <u>18,132,629</u>      |
| Net pension asset  | 1,448,445              |
| Contributions to the pension plan in the current fiscal year   | 979,986                |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds   |                        |
| Accrued interest rebate  | 65,713                 |
| Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide  | 1,151,342              |
| Pension related deferrals  | (3,271,261)            |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds  |                        |
| Bonds, leases, and installment financing   | (57,957,795)           |
| Accrued interest   | (372,380)              |
| Compensated absences   | (1,646,018)            |
| Other postemployment benefits  | <u>(7,336,882)</u>     |
|  | <u>(67,313,075)</u>    |
| Total adjustment   | <u>\$ (48,806,221)</u> |

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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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 \$3,849,347 consists of several elements as follows:

|  |                     |
|--|---------------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities   | \$ 999,945          |
| 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.                | (976,884)           |
| Cost of disposed capital assets not recorded in fund statements  | (1,337,706)         |
| 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   | (280,977)           |
| Change in health department receivable at end of year  | (1,192)             |
| Accrued interest rebate not recorded on fund statements  | (3,574)             |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities   | 978,826             |
| Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the Statement of Net Position in the government-wide statements. | 5,414,565           |
| 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)  | 39,489              |
| Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources                                  | (23,850)            |
| Amortization of premium on certificates of participation not recorded on fund statements   | 82,887              |
| Net (increase) in other post-employment benefits   | (975,396)           |
| County's portion of collective pension expense   | <u>(66,786)</u>     |
| Total adjustment   | <u>\$ 3,849,347</u> |

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

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

The following funds had deficit fund balances at June 30, 2015: CCCC Health Sciences Center Fund, CCCC Veterinary Medical Technology Facility Fund, CCCC Civic Center and Incubator Project Fund, and CCCC Main Campus and Emergency Services Training Center Renovations Fund. The County has \$23,000,000 in authorized general obligation bonds that will fund these projects. The bonds will be sold late in the fiscal year ending June 30, 2016 or early in the fiscal year ending June 30, 2017, once the project designs are completed and the projects can be bid.

### **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 being housed in juvenile detention and unanticipated increase in the length of the stays resulted in excess expenditures for the year of \$9,438, all of which were 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, 2015, the carrying amount of the County's bank deposits (including fiduciary funds) was \$8,780,889 and the bank balance was \$9,536,447. Sufficient collateral was maintained at June 30, 2015 to secure the County's deposits. Of the bank balance, \$750,000 was covered by federal depository insurance and \$8,786,447 was collateralized under the Pooling Method.

At June 30, 2015, the County had \$2,005 cash on hand.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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

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

*Investments*

At June 30, 2015, the County had the following investments and maturities:

| Investment Type                                 | Fair Value   | Less Than<br>6 Months | 6 -12 Months | 1-3 Years |
|---|--------------|-----------------------|--------------|-----------|
| Commercial Paper                                | \$ 6,987,353 | \$ 1,988,133          | \$ 4,999,220 | N/A       |
| NC Capital Management Trust<br>– Cash Portfolio | 2,495,043    | N/A                   | N/A          | N/A       |
|   | \$ 9,482,396 | \$ 1,988,133          | \$ 4,999,220 | \$ -      |

**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, 2015, the County’s investments in commercial paper were rated P1 by Standard & Poor’s, F1 by Fitch Ratings, and A1 by Moody’s Investors Service. The County’s investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2015.

**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, 2015, all of the County’s investments were in the County’s name.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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

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

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

| <u>Year Levied</u> | <u>Tax</u>          | <u>Interest</u>     | <u>Total</u>        |
|--------------------|---------------------|---------------------|---------------------|
| 2014               | \$ 1,694,367        | \$ 97,426           | \$ 1,791,793        |
| 2013               | 1,668,667           | 246,128             | 1,914,795           |
| 2012               | 1,277,021           | 303,292             | 1,580,313           |
| 2011               | <u>1,216,813</u>    | <u>398,507</u>      | <u>1,615,320</u>    |
| Total              | <u>\$ 5,856,868</u> | <u>\$ 1,045,353</u> | <u>\$ 6,902,221</u> |

**C. Receivables**

Receivables at the government-wide level at June 30, 2015 were as follows:

|                                  | <u>Taxes<br/>Receivable-<br/>Net</u> | <u>Accounts Receivable-Net</u> |  |                     |
|----------------------------------|--------------------------------------|--------------------------------|--|---------------------|
|                                  |                                      | <u>Accounts</u>                | <u>Due from<br/>Other<br/>Government</u> | <u>Total</u>        |
| Governmental activities:         |                                      |                                |  |                     |
| General                          | \$ 1,687,110                         | \$ 2,223,302                   | \$ 3,277,139                             | \$ 5,500,441        |
| Other governmental               | <u>143,222</u>                       | <u>75,200</u>                  | <u>72,873</u>                            | <u>148,073</u>      |
| Total receivables                | 1,830,332                            | 2,298,502                      | 3,350,012                                | 5,648,514           |
| Allowance for doubtful accounts  | <u>(683,505)</u>                     | <u>(205,750)</u>               | <u>-</u>                                 | <u>(205,750)</u>    |
| Total governmental activities    | <u>\$ 1,146,827</u>                  | <u>\$ 2,092,752</u>            | <u>\$ 3,350,012</u>                      | <u>\$ 5,442,764</u> |
| Business-type activities:        |                                      |                                |  |                     |
| Solid waste management           | -                                    | <u>79,376</u>                  | <u>1,462</u>                             | <u>80,838</u>       |
| Allowance for doubtful accounts  | -                                    | -                              | -  | -                   |
| Total business-type activities   | <u>\$ -</u>                          | <u>\$ 79,376</u>               | <u>\$ 1,462</u>                          | <u>\$ 80,838</u>    |
| Local option sales tax           |                                      |                                | \$ 3,045,297                             |                     |
| Sales tax                        |                                      |                                | 185,455                                  |                     |
| Various federal and state grants |                                      |                                | <u>120,722</u>                           |                     |
|                                  |                                      |                                | <u>\$ 3,351,474</u>                      |                     |

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2015 was as follows:

Governmental activities by type:

|  | June 30,<br>2014     | Transfers In/<br>Additions | Transfers Out/<br>Disposals | June 30,<br>2015    |
|--|----------------------|----------------------------|-----------------------------|---------------------|
| Non-depreciable assets:                                |                      |                            |                             |                     |
| Land   | \$ 3,365,033         | \$ -                       | \$ -                        | \$ 3,365,033        |
| Land Improvements                                      | 2,449,555            | -                          | -                           | 2,449,555           |
| Construction in progress                               | 1,076,714            | 435,148                    | -                           | 1,511,862           |
|  | <u>6,891,302</u>     | <u>435,148</u>             | <u>-</u>                    | <u>7,326,450</u>    |
| Depreciable assets:                                    |                      |                            |                             |                     |
| Buildings  | 28,860,867           | 85,446                     | -                           | 28,946,313          |
| Roads  | 920,160              | -                          | -                           | 920,160             |
| Equipment  | 10,153,772           | 479,351                    | (1,816,602)                 | 8,816,521           |
|  | <u>39,934,799</u>    | <u>564,797</u>             | <u>(1,816,602)</u>          | <u>38,682,994</u>   |
| Less accumulated depreciation<br>and amortization for: |                      |                            |                             |                     |
| Buildings  | 21,904,613           | 371,973                    | -                           | 22,276,586          |
| Roads  | 171,134              | 23,407                     | -                           | 194,541             |
| Equipment  | 5,303,080            | 581,504                    | (478,896)                   | 5,405,688           |
|  | <u>27,378,827</u>    | <u>\$ 976,884</u>          | <u>\$ (478,896)</u>         | <u>27,876,815</u>   |
| Depreciable assets - net                               | <u>12,555,972</u>    |                            |                             | <u>10,806,179</u>   |
| Total Governmental Activities<br>Capital Assets - net  | <u>\$ 19,447,274</u> |                            |                             | <u>\$18,132,629</u> |

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

|                                 |                   |
|---------------------------------|-------------------|
| General government              | \$ 243,923        |
| Public safety                   | 384,955           |
| Human services                  | 116,522           |
| Economic & physical development | 101,238           |
| Cultural & recreational         | 130,246           |
|                                 | <u>\$ 976,884</u> |

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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

**D. Capital Assets (Continued)**

Business-type activities by type:

|   | June 30,<br>2014  | Transfers In/<br>Additions | Transfers Out/<br>Disposals | June 30,<br>2015  |
|---|-------------------|----------------------------|-----------------------------|-------------------|
| Non-depreciable assets:                             |                   |                            |                             |                   |
| Land  | \$ 260,425        | \$ -                       | \$ -                        | \$ 260,425        |
| Land Improvements                                   | <u>135,796</u>    | <u>-</u>                   | <u>-</u>                    | <u>135,796</u>    |
|   | <u>396,221</u>    | <u>-</u>                   | <u>-</u>                    | <u>396,221</u>    |
| Depreciable assets:                                 |                   |                            |                             |                   |
| Buildings   | 565,482           | -                          | -                           | 565,482           |
| Equipment   | <u>723,990</u>    | <u>17,619</u>              | <u>-</u>                    | <u>741,609</u>    |
|   | <u>1,289,472</u>  | <u>17,619</u>              | <u>-</u>                    | <u>1,307,091</u>  |
| Less accumulated depreciation and amortization for: |                   |                            |                             |                   |
| Buildings   | 496,467           | 1,461                      | -                           | 497,928           |
| Equipment   | <u>616,436</u>    | <u>-</u>                   | <u>-</u>                    | <u>616,436</u>    |
|   | <u>1,112,903</u>  | <u>\$ 1,461</u>            | <u>\$ -</u>                 | <u>1,114,364</u>  |
| Depreciable assets - net                            | <u>176,569</u>    |                            |                             | <u>192,727</u>    |
| Total Business Activities Capital Assets - net      | <u>\$ 572,790</u> |                            |                             | <u>\$ 588,948</u> |

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

|             |                 |
|-------------|-----------------|
| Solid waste | <u>\$ 1,461</u> |
|-------------|-----------------|

*Construction commitments*

The government has active construction projects as of June 30, 2015. The projects include demolition and construction at the San-Lee Park and new construction and renovation and repairs for Central Carolina Community College. At June 30, 2015, the government's commitments with contractors are as follows:

| Project                    | Spent-to-date | Remaining Commitment |
|----------------------------|---------------|----------------------|
| San-Lee Park Nature Center | \$ 40,000     | \$18,000             |

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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

***E. Liabilities***

Payables

Payables at the government-wide level at June 30, 2015 were as follows:

|                                | <u>Vendors</u>      |
|--------------------------------|---------------------|
| Governmental activities:       |                     |
| General                        | \$ 1,303,723        |
| Other governmental             | <u>130,811</u>      |
| Total governmental activities  | <u>\$ 1,434,534</u> |
| Business-type activities:      |                     |
| Solid waste management         | <u>\$ 43,939</u>    |
| Total business-type activities | <u>\$ 43,939</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.

**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 six percent 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, 2015, was 7.41% of compensation for law enforcement officers and 7.07% 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 \$986,078 for the year ended June 30, 2015.

*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, 2015, the county reported an asset of \$1,337,841 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset 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, 2014, the County's proportion was .227%, which was an increase of .009% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, The County recognized pension expense of \$72,535. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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

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

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

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Governmental activities:  |   |  |
| Differenced between expected and actual experience  | \$ -  | \$ 146,182                                   |
| Net difference between projected and actual earnings on pension plan investments                            | -   | 3,114,460                                    |
| Changes in proportion and differences between County contributions and proportionate share of contributions | -   | 45,253                                       |
| County contributions subsequent to the measurement date   | <u>986,078</u>                                | <u>-</u>                                     |
| Total governmental activities   | <u>\$ 986,078</u>                             | <u>\$ 3,305,895</u>                          |

\$986,078 reported as deferred outflows of resources related to pensions 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|                     |              |
|---------------------|--------------|
| Year ended June 30: |              |
| 2016                | \$ (826,594) |
| 2017                | (826,594)    |
| 2018                | (826,594)    |
| 2019                | (826,114)    |
| 2020                | -            |
| Thereafter          | -            |

*Actuarial assumptions*

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.0 percent   |
| Salary increases          | 4.25 to 8.55 percent, including inflation and productivity factor         |
| Investment rate of return | 7.25 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

**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, 2014 are summarized in the following table:

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Fixed Income         | 36.0%                    | 2.5%  |
| Global Equity        | 40.5%                    | 6.1%  |
| Real Estate          | 8.0%                     | 5.7%  |
| Alternatives         | 6.5%                     | 10.5%   |
| Credit               | 4.5%                     | 6.8%  |
| Inflation Protection | 4.5%                     | 3.7%  |
| Total                | 100%                     |   |

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.25%. 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 7.25%, 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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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<br><u>(6.25%)</u> | Discount<br>Rate <u>(7.25%)</u> | 1% Increase<br><u>(8.25%)</u> |
|---|-------------------------------|---------------------------------|-------------------------------|
| County's proportionate share of the net pension liability (asset) | \$ 4,541,206                  | \$ (1,337,839)                  | \$ (6,287,806)                |

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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. For reporting purposes, the Separation Allowance is presented as a pension trust fund; however, it does not meet the criteria for trust funds outlined in GASB Statement 68.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

|  |                  |
|--|------------------|
| Retirees receiving benefits  | 4                |
| Terminated plan members entitled to but not yet receiving benefits | -                |
| Active plan members  | <u>71</u>        |
| Total  | <u><u>75</u></u> |

A separate report was not issued for the plan.

*Summary of Significant Accounting Policies*

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

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

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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

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

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

*Contributions*

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$52,848, or 1.85% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) include an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected pay on a closed basis. The remaining amortization period at December 31, 2014 was 16 years.

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

|   |                      |
|---|----------------------|
| Annual required contribution                    | \$ 91,794            |
| Interest on net pension obligation              | 9,456                |
| Adjustment to annual required contribution      | <u>(15,976)</u>      |
| Annual pension cost                             | 85,274               |
| Contributions made                              | <u>52,848</u>        |
| Increase (decrease) in net pension obligation   | 32,426               |
| Net pension obligation beginning of fiscal year | <u>189,116</u>       |
| <br>Net pension obligation end of fiscal year   | <br><u>\$221,542</u> |

| <u>Fiscal Year Ended</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------------|----------------------------------|--------------------------------------|-------------------------------|
| 6/30/13                  | \$ 68,598                        | 68.96%                               | \$ 173,332                    |
| 6/30/14                  | 72,032                           | 78.09%                               | 189,116                       |
| 6/30/15                  | 85,274                           | 61.97%                               | 221,542                       |

*Funded Status and Funding Progress*

As of December 31, 2014, the most recent actuarial valuation date, the plan was .64 percent funded. The actuarial accrued liability for benefits was \$648,617, and the actuarial value of assets was \$4,146 resulting in an unfunded actuarial accrued liability (UAAL) of \$644,471. The covered payroll (annual payroll of active employees covered by the plan) was \$2,853,484, and the ratio of the UAAL to the covered payroll was 22.59 percent.

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

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

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

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

*Plan Description*

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

*Funding Policy*

Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$160,870 which consisted of \$138,839 from the County and \$22,031 from the law enforcement officers.

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

*Plan Description*

The County also contributes to the Registers of Deeds' Supplemental Pension Fund (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.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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

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

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

*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 \$4,384 for the year ended June 30, 2015.

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

At June 30, 2015, the county reported an asset of \$126,391 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2014 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, 2014, the County's proportion was .558%, which was an increase of .026% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$ (4,892). At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differenced between expected and actual experience  | \$ 1,160                                      | \$ -   |
| Net difference between projected and actual earnings on pension plan investments                            | -   | 680  |
| Changes in proportion and differences between County contributions and proportionate share of contributions | -   | 3,695  |
| County contributions subsequent to the measurement date   | <u>4,384</u>                                  | <u>-</u>                                     |
| Total governmental activities   | <u>\$ 5,544</u>                               | <u>\$ 4,375</u>                              |

\$4,384 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, 2016. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

|                     |          |
|---------------------|----------|
| Year ended June 30: |          |
| 2016                | \$ (804) |
| 2017                | (804)    |
| 2018                | (804)    |
| 2019                | (803)    |
| 2020                | -        |
| Thereafter          | -        |

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

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

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

*Actuarial Assumptions*

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.0 percent   |
| Salary increases          | 4.25 to 7.75 percent, including inflation and productivity factor         |
| Investment rate of return | 5.75 percent, net of pension plan investment expense, including inflation |

The plan currently uses morality 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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, 2014 is 2.5%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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 3.19%. All rates of return and inflation are annualized.

*Discount Rate*

The discount rate used to measure the total pension liability was 5.75%. 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**  
**Notes To Financial Statements (continued)**

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

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

**4. 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 5.75%, 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 (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate.

|   | 1% Decrease<br><u>(4.75%)</u> | Discount<br>Rate <u>(5.75%)</u> | 1% Increase<br><u>(6.75%)</u> |
|---|-------------------------------|---------------------------------|-------------------------------|
| County's proportionate share of the net pension liability (asset) | \$ (113,491)                  | \$ (126,388)                    | \$ (137,473)                  |

*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.

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

*Plan Description*

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

Membership of the plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

|                             |            |
|-----------------------------|------------|
| Retirees receiving benefits | 94         |
| Active Plan Members:        |            |
| General Employees           | 270        |
| Law Enforcement             | <u>70</u>  |
| Total                       | <u>434</u> |

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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

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

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

*Funding Policy*

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

The current ARC rate is 9.22% of annual covered payroll (4.65% normal cost and 4.65% accrued liability). For the current year, the County contributed \$493,622 or 3.66% of annual covered payroll. The County obtains healthcare coverage through private insurers.

*Summary of Significant Accounting Policies*

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

*Annual OPEB Cost and Net OPEB Obligation*

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

|   |                         |
|---|-------------------------|
| Annual required contribution                  | \$ 1,441,871            |
| Interest on net OPEB obligation               | 252,422                 |
| Adjustment to annual required contribution    | <u>(241,141)</u>        |
| Annual OPEB cost (expense)                    | 1,453,152               |
| Contributions made                            | <u>(493,622)</u>        |
| Increase (decrease) in net OPEB obligation    | 959,530                 |
| Net OPEB obligation, beginning of fiscal year | <u>6,310,550</u>        |
| <br>Net OPEB obligation, end of year          | <br><u>\$ 7,270,080</u> |

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

| <u>Fiscal Year</u><br><u>Ended</u> | <u>Annual</u><br><u>OPEB Cost</u> | <u>Percentage of Annual</u><br><u>OPEB Cost Contributed</u> | <u>Net OPEB</u><br><u>Obligation</u> |
|------------------------------------|-----------------------------------|---|--------------------------------------|
| 6/30/2013                          | \$ 1,407,409                      | 24.6%   | \$ 5,274,653                         |
| 6/30/2014                          | 1,407,409                         | 26.4%   | 6,310,550                            |
| 6/30/2015                          | 1,453,152                         | 34.0%   | 7,270,080                            |

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

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

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

*Funded Status and Funding Progress*

As of December 31, 2014 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$17,447,016. The covered payroll (annual payroll of active employees covered by the plan) was \$13,747,026, and the ratio of the UAAL to covered payroll was 126.9%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions*

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

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.50 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014, was 30 years.

***G. Deferred Compensation Plan***

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

Contributions for the year ended June 30, 2015 were \$504,163, which consisted of \$334,356 from the County and \$169,807 from the employees.

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

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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

**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, 2015, the County made contributions to the State for death benefits of \$0. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

| No. Years Contributing | Years Relief | FY Contributions Resume |
|------------------------|--------------|-------------------------|
| less than 10           | 1            | 2014                    |
| 10 – 20                | 2            | 2015                    |
| 20 or more             | 3            | 2016                    |

The period of reprieve is determined separately for law enforcement officers. Lee County will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

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.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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

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

Due to State and federal laws and regulations, the County chose to stop accepting substantially all waste at its landfill and placed a final cover on the site; however, the County continued to accept a limited amount of waste, primarily construction and demolition materials until June 30, 2008. The County is placing a final cover on the construction and demolition site. The County is required to perform certain maintenance and monitoring functions at the site as part of the closure, but it is not subject to the financial assurance rule. Although closure costs are paid after the date the landfill stopped accepting waste, the County reports a portion of these closure costs as an operating expense in each period based on the life of the landfill. The total cost of closure is estimated to be \$652,545; \$630,779 has been incurred as of June 30, 2015 and the remaining \$21,766 is reported as liability within the Solid Waste Management Fund at June 30, 2015. 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**

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Pensions – difference between expected and actual experience  |   |  |
| LGERS   | \$ -  | \$ 146,182                                   |
| Register of Deeds   | 1,160   | -  |
| Pensions – difference between projected and actual investment earnings  | -   | 3,115,140                                    |
| Pensions – change in proportion and differences between employer contributions and proportionate share of contributions | -   | 48,948                                       |
| Contributions to pension plan in 2014-2015 fiscal year  | 990,462                                       | -  |
| Prepaid taxes not earned (General)  | -   | 142,634                                      |
| Taxes receivable, net (General)   | -   | 1,033,421                                    |
| Taxes receivable, net (Special Revenue)   | -   | 113,406                                      |
| Accounts receivable, net (General)  | -   | 4,515  |
| Total   | <u>\$ 991,622</u>                             | <u>\$ 4,604,246</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.

**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. Through these pools, the County obtains property coverage equal to 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. There have been no significant reductions insurance coverage from the previous year and settled claims have not exceeded commercial insurance coverage in any of the last three fiscal years.

The County carries limited flood insurance.

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

***M. Long-Term Obligations***

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

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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

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

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

The following is a summary of changes in the County's long-term debt for the year ended June 30, 2015:

Compensated absences, net pension obligation, and other postemployment benefits within the governmental activities, as well as the unfunded pension obligation, typically have been liquidated in the General Fund.

|                                       | Balance<br>July 1, 2014 | Additions           | Retirements         | Balance<br>June 30, 2015 | Current<br>portion<br>of balance |
|---------------------------------------|-------------------------|---------------------|---------------------|--------------------------|----------------------------------|
| Governmental activities:              |                         |                     |                     |                          |                                  |
| General obligation bonds              | \$ 235,000              | \$ -                | \$ 235,000          | \$ -                     | \$ -                             |
| Certificates of participation         | 41,093,000              | -                   | 3,273,000           | 37,820,000               | 3,279,000                        |
| Installment notes payable             | 21,526,974              | -                   | 1,906,565           | 19,620,409               | 2,144,067                        |
| Unamortized bond premium              | 600,273                 | -                   | 82,887              | 517,386                  | -                                |
| Unfunded pension liability            | 189,116                 | 85,274              | 52,848              | 221,542                  | -                                |
| Net OPEB obligation                   | 6,172,370               | 1,436,592           | 493,622             | 7,115,340                | -                                |
| Compensated absences                  | 1,622,168               | 1,617,798           | 1,593,948           | 1,646,018                | 1,590,000                        |
| <b>Total governmental activities</b>  | <b>\$ 71,438,901</b>    | <b>\$ 3,139,664</b> | <b>\$ 7,637,870</b> | <b>\$ 66,940,695</b>     | <b>\$ 7,013,067</b>              |
| Business-type activities:             |                         |                     |                     |                          |                                  |
| Net OPEB obligation                   | \$ 138,180              | \$ 16,560           | \$ -                | \$ 154,740               | \$ -                             |
| Compensated absences                  | 25,647                  | 23,928              | 21,798              | 27,777                   | 21,000                           |
| <b>Total business-type activities</b> | <b>\$ 163,827</b>       | <b>\$ 40,488</b>    | <b>\$ 21,798</b>    | <b>\$ 182,517</b>        | <b>\$ 21,000</b>                 |

Compensated absences, net pension obligation, and other postemployment benefits within the governmental activities, as well as the unfunded pension obligation, typically have been liquidated in the General Fund.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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

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

**2. Certificates of Participation**

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

| Original Issue                      |               | Payment Information |        | Outstanding              | Purpose and Collateral |   |
|-------------------------------------|---------------|---------------------|--------|--------------------------|------------------------|---|
| Amount                              | Date          | Rate                | Period | Balance                  |                        |   |
| 28,355,000                          | December 2006 | 3.50% -<br>5.00%    | Annual | \$600,000 -<br>2,225,000 | 21,600,000             | Construct middle school, addition at alternative school, renovations and repairs for community college; and park construction; secured by real estate             |
| 17,022,000                          | May 2012      | 2.80%               | Annual | \$312,000 -<br>1,969,000 | <u>16,220,000</u>      | Advanced Refunding Certificates of Participation refunded 2004 COP; used to construct high school and Emergency Service Training Facility; secured by real estate |
| Total certificates of participation |               |                     |        |                          | <u>\$ 37,820,000</u>   |   |

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

| <u>Year Ending June 30,</u> | <u>Principal</u>     | <u>Interest</u>     |
|-----------------------------|----------------------|---------------------|
| 2016                        | \$ 3,279,000         | \$ 1,353,641        |
| 2017                        | 3,238,000            | 1,256,348           |
| 2018                        | 3,213,000            | 1,146,889           |
| 2019                        | 3,332,000            | 1,038,001           |
| 2020                        | 3,224,000            | 921,911             |
| 2021-2025                   | 14,949,000           | 3,034,155           |
| 2026-2028                   | <u>6,585,000</u>     | <u>603,625</u>      |
| Total                       | <u>\$ 37,820,000</u> | <u>\$ 9,354,570</u> |

**3. General Obligation Bonds**

At June 30, 2015, Lee County had bonds authorized but unissued of \$23,000,000 and a legal debt margin of \$345,963,485.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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

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

**4. Installment Notes Payable**

| Original Issue                  |              | Payment Information |         | Outstanding | Purpose and Collateral |                                |
|---------------------------------|--------------|---------------------|---------|-------------|------------------------|--------------------------------|
| Amount                          | Date         | Rate                | Period  | Balance     |                        |                                |
|                                 |              |                     |         | \$13,889 +  |                        |                                |
| \$ 2,500,000                    | January 2003 | 3.96%               | Monthly | interest    | \$ 430,601             | Telecommunications School      |
| 1,622,021                       | August 2008  | 0.00%               | Annual  | 115,859     | 926,868                | School QZAB                    |
| 12,000,000                      | May 2010     | 6.40%               | Annual  | Principal   | 7,248,000              | RZEDB - Lee County High School |
| 6,678,064                       | May 2010     | 6.40%               | Annual  | Principal   | 6,678,064              | QSCB - Lee County High School  |
| 4,000,000                       | May 2010     | 6.40%               | Annual  | Principal   | 4,000,000              | QZAB - Lee County High School  |
| 675,000                         | Nov 2012     | 4.00%               | Monthly | Principal   | 336,876                | Summit Building                |
| Total installment notes payable |              |                     |         |             | <u>\$ 19,620,409</u>   |                                |

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

| <u>Year Ending June 30,</u> | <u>Principal</u>     | <u>Interest</u>     |
|-----------------------------|----------------------|---------------------|
| 2016                        | \$ 2,144,067         | \$ 1,172,795        |
| 2017                        | 2,149,792            | 1,050,306           |
| 2018                        | 2,038,194            | 929,045             |
| 2019                        | 1,837,858            | 813,380             |
| 2020                        | 1,896,858            | 703,172             |
| 2021-2025                   | <u>9,553,640</u>     | <u>1,847,765</u>    |
| Total                       | <u>\$ 19,620,409</u> | <u>\$ 6,516,463</u> |

In fiscal year ended June 30, 2005, the Lee County Water & Sewer District #1 entered into an interlocal agreement with the City of Sanford to sell the assets of the Lee County Water & Sewer District #1 system for the amount of the outstanding debt. Since part of the debt was not callable, the City of Sanford is making the debt service payments. As a result of this interlocal agreement, the debt is considered defeased, and the liability has been removed from the financial statements. As of June 30, 2015, the balance of this debt was \$300,000, and debt service payments made by the City of Sanford totaled \$120,200.

The legal debt margin is governed by North Carolina G.S. 159-55. The net debt of the unit should not exceed 8% of the appraised value of property subject to taxation. As of June 30, 2014, Lee County has a legal debt margin of \$347,699,582.

**Debt Related to Capital Activities** – Of the total Governmental Activities debt listed only \$867,135 relates to assets the County holds title.

**Net Investment in Capital Assets**

|                                  | <u>Governmental</u>  | <u>Business-type</u> |
|----------------------------------|----------------------|----------------------|
| Capital Assets                   | \$ 18,132,629        | \$ 588,948           |
| less: long-term debt             | <u>867,135</u>       | <u>-</u>             |
| Net investment in capital assets | <u>\$ 17,265,494</u> | <u>\$ 588,948</u>    |

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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

**N. Joint Ventures**

The County, in conjunction with eight other county governments (Anson, Guilford, Harnett, Hoke, Montgomery, Moore, Randolph, and Richmond) participates in a joint venture to operate The Sandhills Center for Mental Health, Developmental Disabilities, and Substance Abuse Services (Center). The Center operates units in each of the counties to provide services to residents who are in need of assistance for either mental health, developmental disabilities, or alcohol or drug-related problems. Each participating government appoints members to the Center's twenty-five member governing board, with Lee County appointing two. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. The County contributed \$240,000 to the Center during the fiscal year ended June 30, 2015. 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, 2015. 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, 2015. In addition, the County loaned the Airport Authority \$531,058 in fiscal year ending June 30, 2009 which will be paid in semi-annual installments over a period of 10 years. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2015. 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 4 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 \$2,414,730 to the community college for operating purposes and \$102,642 for capital outlay purposes during the fiscal year ended June 30, 2015. In addition, the County contributed \$43,500 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, 2015. Complete financial statements for the community college may be obtained from the community college's business office at 1105 Kelly Drive, Sanford, NC 27330.

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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

**N. Joint Ventures (Continued)**

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 \$190,000 to the Partnership during the fiscal year ended June 30, 2015. None of the participating governments have any equity interest in the Corporation, so no equity interest has been reflected in the financial statements at June 30, 2015. .South Steele 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 \$11,380 to the Council during the fiscal year ended June 30, 2015.

**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, 2015, the County reported these local option sales taxes within its General Fund. The County expended the restricted portion of these taxes for funding of debt service of school capital outlay.

**Q. Additional Support by Others**

*Benefit Payments Issued by the State*

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

|                                    | Federal       | State         |
|------------------------------------|---------------|---------------|
| Medicaid                           | \$ 52,245,731 | \$ 28,558,732 |
| State Children's Insurance Program | 1,112,658     | 350,381       |
| TANF                               | 302,485       | -             |
| WIC                                | 2,307,155     | -             |
| Other                              | 232,631       | 71,903        |
| State/County Special Assistance    | -             | 412,732       |
|                                    | \$ 56,200,660 | \$ 29,393,748 |

**LEE COUNTY, NORTH CAROLINA**  
**Notes To Financial Statements (continued)**

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

**R. Conduit Debt Obligations**

Lee County Industrial Facility and Pollution Control Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Four series of industrial revenue bonds were outstanding as of June 30, 2015. The original issue amount of such bonds totaled \$15,650,000. The amount of conduit debt outstanding at June 30, 2015 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, 2015 consist of the following:

|   |                     |
|---|---------------------|
| From the General Fund to the Capital Projects Outlay Fund to accumulate resources for future capital projects             | \$ (620,000)        |
| From the General Fund to the Industrial Park Improvements Project Fund to provide local resources for the capital project | (75,000)            |
| From the General Fund to the Courthouse Renovations Fund to provide local resources for the capital project               | (32,942)            |
| From the General Fund to the San-Lee Park Nature Center Fund to provide local resources for the capital project           | (1,583,555)         |
| From the Capital Projects Outlay fund to the General Fund for debt service  | 620,000             |
| From the Fire Districts Fund to the General Fund to cover Fire Marshal operating expenses                                 | <u>298,712</u>      |
| General Fund transfers, net   | <u>\$ 1,392,785</u> |

**T. Special Item**

During the year ended June 30, 2015, the County sold a sewer lift station to the City of Sanford. The item is reflected on the government-wide statements as a special item because it is unusual in nature but under the control of management. The lift station had a book value of \$1,303,028 and was sold for \$800,000.

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

The County implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the County to record beginning net pension liability and the effects on net position of contributions made by the County during the measurement period (Fiscal year ending June 30, 1014). As a result, net position for the governmental and business-type activities decreased by \$1,754,870 and \$22,367 respectively.

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**REQUIRED SUPPLEMENTAL  
FINANCIAL DATA**

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance and Notes
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for the Health Care Benefit – Pay As You Go
- Schedule of Employer Contributions for the Health Care Benefit – Pay As You Go
- Notes to the Required Schedules for the Health Care Benefit – Pay As You Go
- Schedule of County's Proportionate Share of Net Pension Asset (LGERS)
- Schedule of County Contributions (LGERS)
- Schedule of County's Proportionate Share of Net Pension Asset (ROD)
- Schedule of County Contributions (ROD)

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

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| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial Accrued<br>Liability (AAL)-<br>Projected Unit<br>Credit<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>% of Covered<br>Payroll<br>(b-a)/c) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|--|
| 12-31-05                       | \$ 93,070                              | \$ 397,759   | \$ 304,689                         | 23.40%                   | \$ 1,287,341              | 23.67%   |
| 12-31-06                       | 54,176                                 | 443,657  | 389,481                            | 12.21%                   | 1,560,025                 | 24.97%   |
| 12-31-07                       | 8,739                                  | 417,290  | 408,551                            | 2.09%                    | 1,604,079                 | 25.47%   |
| 12-31-08                       | 4,001                                  | 372,979  | 368,928                            | 1.07%                    | 1,710,683                 | 21.57%   |
| 12-31-09                       | 4,064                                  | 510,666  | 506,602                            | .80%                     | 1,847,248                 | 27.42%   |
| 12-31-10                       | 4,086                                  | 485,914  | 481,828                            | .84%                     | 1,998,364                 | 24.11%   |
| 12-31-11                       | 4,112                                  | 513,463  | 509,351                            | .80%                     | 2,126,707                 | 23.95%   |
| 12-31-12                       | 4,112                                  | 554,489  | 550,377                            | .74%                     | 2,223,665                 | 24.75%   |
| 12-31-13                       | 4,139                                  | 613,472  | 609,333                            | .67%                     | 2,174,981                 | 28.02%   |
| 12-31-14                       | 4,146                                  | 648,617  | 644,471                            | .64%                     | 2,853,484                 | 22.59%   |

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

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| <u>Year Ended</u><br><u>June 30</u> | <u>Annual Required</u><br><u>Contributions</u> | <u>Actual</u><br><u>Contributions</u> | <u>Percentage</u><br><u>Contributed</u> |
|-------------------------------------|--|---------------------------------------|---|
| 2005                                | \$ 25,917                                      | \$ 38,506                             | 148.6%                                  |
| 2006                                | 33,655   | 42,165                                | 125.3%                                  |
| 2007                                | 31,418   | 11,297                                | 36.0%                                   |
| 2008                                | 42,412   | 36,430                                | 85.9%                                   |
| 2009                                | 45,005   | 29,206                                | 64.9%                                   |
| 2010                                | 44,789   | 43,794                                | 97.8%                                   |
| 2011                                | 62,535   | 39,863                                | 63.7%                                   |
| 2012                                | 64,561   | 38,398                                | 59.5%                                   |
| 2013                                | 70,458   | 47,308                                | 67.1%                                   |
| 2014                                | 77,487   | 56,248                                | 72.6%                                   |
| 2015                                | 91,794   | 52,848                                | 57.6%                                   |

Notes to the Required Schedules:

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

|                               |                       |
|-------------------------------|-----------------------|
| Valuation date                | December 31, 2014     |
| Actuarial cost method         | Projected unit credit |
| Amortization method           | Level dollar closed   |
| Remaining amortization period | 16 years              |
| Asset valuation method        | Market value          |
| Actuarial assumptions:        |                       |
| Investment rate of return*    | 5.00%                 |
| Projected salary increases*   | 4.25% to 7.85%        |
| *Includes inflation at        | 3.00%                 |
| Cost of living adjustments    | N/A                   |

**LEE COUNTY, NORTH CAROLINA  
Healthcare Benefit – Pay-As-You-Go  
Required Supplemental Information  
Schedule of Funding Progress**

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| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial Accrued<br>Liability (AAL)-<br>Projected Unit<br>Credit<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>% of Covered<br>Payroll<br>((b-a)/c) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| 12-31-07                       | \$ -                                   | \$19,108,733   | \$19,108,733                       | 0.0%                     | \$12,673,476              | 150.8%  |
| 12-31-09                       | \$ -                                   | 13,078,298   | 13,078,298                         | 0.0%                     | 13,075,974                | 100.0%  |
| 12-31-12                       | \$ -                                   | 18,043,489   | 18,043,489                         | 0.0%                     | 13,358,354                | 135.1%  |
| 12-31-14                       | \$ -                                   | 17,447,016   | 17,447,016                         | 0.0%                     | 13,747,026                | 126.9%  |

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

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| <u>Year Ended</u><br><u>June 30</u> | <u>Annual Required</u><br><u>Contributions</u> | <u>Actual</u><br><u>Contributions</u> | <u>Percentage</u><br><u>Contributed</u> |
|-------------------------------------|--|---------------------------------------|---|
| 2009                                | \$ 1,610,185                                   | \$ 332,418                            | 20.6%                                   |
| 2010                                | 1,610,185                                      | 248,105                               | 15.41%                                  |
| 2011                                | 1,064,273                                      | 286,785                               | 26.95%                                  |
| 2012                                | 1,064,273                                      | 297,060                               | 27.91%                                  |
| 2013                                | 1,399,876                                      | 346,294                               | 24.74%                                  |
| 2014                                | 1,399,876                                      | 371,512                               | 26.54%                                  |
| 2015                                | 1,345,563                                      | 493,622                               | 36.68%                                  |

Notes to the Required Schedules:

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

|   |                           |
|---|---------------------------|
| Valuation date                                | December 31, 2014         |
| Actuarial cost method                         | Projected unit credit     |
| Amortization method                           | Level percent of pay open |
| Remaining amortization period                 | 30 years                  |
| Asset valuation method                        | Market value              |
| Actuarial assumptions:                        |                           |
| Investment rate of return*                    | 4.00%                     |
| Medical cost trend rate increases (decreases) |                           |
| Pre-Medicare trend rate                       | 7.50% - 5.0%              |
| Post-Medicare trend rate                      | 5.50% - 5.0%              |
| Year of ultimate trend rate                   | 2020                      |
| *Includes inflation at                        | 3.00%                     |
| Year of Ultimate trend rate                   | 2018                      |

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

|  | 2015           | 2014          |
|--|----------------|---------------|
| County's proportion of the net pension liability (asset)%  | .227%          | .236%         |
| County's proportionate share of the net pension liability (asset) \$   | \$ (1,337,839) | \$ 2,843,501  |
| County's covered-employee payroll  | \$ 14,309,148  | \$ 14,066,454 |
| County's proportionate share of the net pension liability (asset) as a percentage of it covered-employee payroll | (9.35%)        | 20.21%        |
| Plan fiduciary net position as a percentage of the total pension liability                                       | 102.64%        | 94.35%        |

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

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

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|  | <u>2015</u>    | <u>2014</u>    |
|--|----------------|----------------|
| Contractually required contributions                                 | \$ 986,078     | \$ 947,987     |
| Contributions in relation to the contractually required contribution | <u>986,078</u> | <u>947,987</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>    | <u>\$ -</u>    |
| County's covered-employee payroll                                    | \$ 14,309,148  | \$ 14,066,454  |
| Contributions as a percentage of covered-employee payroll            | 6.89%          | 6.74%          |

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

|  | 2015         | 2014         |
|--|--------------|--------------|
| County's proportion of the net pension liability (asset)%  | 0.558%       | 0.532%       |
| County's proportionate share of the net pension liability (asset) \$   | \$ (126,388) | \$ (113,731) |
| County's covered-employee payroll  | \$ 59,704    | \$ 70,665    |
| County's proportionate share of the net pension liability (asset) as a percentage of it covered-employee payroll | (211.69%)    | (160.94%)    |
| Plan fiduciary net position as a percentage of the total pension liability                                       | 193.88%      | 190.50%      |

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

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

---

|  | <u>2015</u>  | <u>2014</u>  |
|--|--------------|--------------|
| Contractually required contributions                                 | \$ 4,384     | \$ 4,553     |
| Contributions in relation to the contractually required contribution | <u>4,384</u> | <u>4,553</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>  | <u>\$ -</u>  |
| County's covered-employee payroll                                    | \$ 59,704    | \$ 70,665    |
| Contributions as a percentage of covered-employee payroll            | 7.34%        | 6.44%        |

## **GENERAL FUND**

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

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**LEE COUNTY, NORTH CAROLINA**  
**General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

|   | <u>Budget</u>     | <u>Actual</u>     | <u>Variance With<br/>Final Budget<br/>Over/(Under)</u> |
|---|-------------------|-------------------|--|
| Revenues:                                   |                   |                   |  |
| Ad valorem taxes:                           |                   |                   |  |
| Taxes                                       | \$ 35,229,701     | \$ 36,419,299     | \$ 1,189,598   |
| Penalties and interest                      | 126,000           | 236,758           | 110,758  |
|   | <u>35,355,701</u> | <u>36,656,057</u> | <u>1,300,356</u>                                       |
| Local option sales taxes:                   |                   |                   |  |
| Article 39 one percent                      | 4,426,615         | 4,567,344         | 140,729  |
| Article 40 one-half of one percent          | 2,517,890         | 2,809,298         | 291,408  |
| Article 42 one-half of one percent          | 2,419,154         | 2,591,732         | 172,578  |
| Article 44 one-half of one percent          | -                 | 2,501             | 2,501  |
| Article 46 one-quarter of one percent       | 1,451,769         | 1,490,065         | 38,296   |
|   | <u>10,815,428</u> | <u>11,460,940</u> | <u>645,512</u>   |
| Other taxes and licenses:                   |                   |                   |  |
| Deed stamp excise tax                       | 140,000           | 139,420           | (580)  |
| Privilege licenses                          | 4,600             | 3,445             | (1,155)  |
| Rental vehicle tax                          | 56,000            | 53,413            | (2,587)  |
| Cable TV franchise tax                      | 218,000           | 214,989           | (3,011)  |
|   | <u>418,600</u>    | <u>411,267</u>    | <u>(7,333)</u>   |
| Unrestricted intergovernmental:             |                   |                   |  |
| Beer and wine tax                           | 58,000            | 68,827            | 10,827   |
| Federal bond interest subsidy               | 831,443           | 770,749           | (60,694)   |
|   | <u>889,443</u>    | <u>839,576</u>    | <u>(49,867)</u>  |
| Restricted intergovernmental:               |                   |                   |  |
| Federal and state grants                    | 9,492,245         | 9,117,291         | (374,954)  |
| Court facility fees                         | 88,788            | 65,137            | (23,651)   |
| ABC bottles taxes                           | 16,000            | 16,761            | 761  |
| Public School Building Capital Fund-Lottery | 1,400,000         | 176,571           | (1,223,429)  |
|   | <u>10,997,033</u> | <u>9,375,760</u>  | <u>(1,621,273)</u>                                     |
| Permits and fees:                           |                   |                   |  |
| Register of Deeds                           | 241,000           | 245,761           | 4,761  |
| Sales and services:                         |                   |                   |  |
| Rents, concessions, and fees                | 552,823           | 452,960           | (99,863)   |
| Jail fees                                   | 207,000           | 212,512           | 5,512  |
| Vehicle tax collection fees                 | 22,800            | 45,251            | 22,451   |
| Health department fees                      | 697,296           | 565,545           | (131,751)  |
| Other sales and services                    | 1,348,580         | 1,296,425         | (52,155)   |
|   | <u>2,828,499</u>  | <u>2,572,693</u>  | <u>(255,806)</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, 2015**

|                                | <u>Budget</u>     | <u>Actual</u>     | <u>Variance With<br/>Final Budget<br/>Over/(Under)</u> |
|--------------------------------|-------------------|-------------------|--|
| Revenues: (Continued)          |                   |                   |  |
| Investment earnings            | \$ 30,000         | \$ 46,085         | \$ 16,085  |
| Miscellaneous                  | <u>772,021</u>    | <u>795,310</u>    | <u>23,289</u>  |
| Total revenues                 | <u>62,347,725</u> | <u>62,403,449</u> | <u>55,724</u>  |
| Expenditures:                  |                   |                   |  |
| General government:            |                   |                   |  |
| Governing body:                |                   |                   |  |
| Salaries and employee benefits | 102,962           | 102,156           | 806  |
| Operating expenditures         | <u>76,678</u>     | <u>72,157</u>     | <u>4,521</u>   |
|                                | <u>179,640</u>    | <u>174,313</u>    | <u>5,327</u>   |
| Administration:                |                   |                   |  |
| Salaries and employee benefits | 463,851           | 454,538           | 9,313  |
| Operating expenditures         | <u>365,318</u>    | <u>128,248</u>    | <u>237,070</u>   |
|                                | <u>829,169</u>    | <u>582,786</u>    | <u>246,383</u>   |
| Human resources:               |                   |                   |  |
| Salaries and employee benefits | 217,804           | 216,126           | 1,678  |
| Operating expenditures         | <u>50,743</u>     | <u>39,479</u>     | <u>11,264</u>  |
|                                | <u>268,547</u>    | <u>255,605</u>    | <u>12,942</u>  |
| Finance:                       |                   |                   |  |
| Salaries and employee benefits | 340,870           | 339,692           | 1,178  |
| Operating expenditures         | 56,727            | 41,897            | 14,830   |
| Professional services          | <u>58,800</u>     | <u>51,000</u>     | <u>7,800</u>   |
|                                | <u>456,397</u>    | <u>432,589</u>    | <u>23,808</u>  |
| Internal Services:             |                   |                   |  |
| Operating expenditures         | <u>558,860</u>    | <u>470,831</u>    | <u>88,029</u>  |
|                                | <u>558,860</u>    | <u>470,831</u>    | <u>88,029</u>  |
| Tax appraisal:                 |                   |                   |  |
| Salaries and employee benefits | 343,394           | 320,394           | 23,000   |
| Operating expenditures         | 20,622            | 13,828            | 6,794  |
| Contracted services            | <u>77,000</u>     | <u>77,000</u>     | <u>-</u>   |
|                                | <u>441,016</u>    | <u>411,222</u>    | <u>29,794</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, 2015**

|                                 | <u>Budget</u>  | <u>Actual</u>  | <u>Variance With<br/>Final Budget<br/>Over/(Under)</u> |
|---------------------------------|----------------|----------------|--|
| Expenditures: (Continued)       |                |                |  |
| General government: (Continued) |                |                |  |
| Tax collections:                |                |                |  |
| Salaries and employee benefits  | \$ 319,043     | \$ 317,015     | \$ 2,028   |
| Operating expenditures          | 55,898         | 54,440         | 1,458  |
| Contracted services             | <u>195,325</u> | <u>195,187</u> | <u>138</u>   |
|                                 | <u>570,266</u> | <u>566,642</u> | <u>3,624</u>   |
| Tax listing:                    |                |                |  |
| Salaries and employee benefits  | 249,208        | 247,428        | 1,780  |
| Operating expenditures          | 24,716         | 18,611         | 6,105  |
| Professional services           | <u>107,775</u> | <u>107,273</u> | <u>502</u>   |
|                                 | <u>381,699</u> | <u>373,312</u> | <u>8,387</u>   |
| Strategic Services              |                |                |  |
| Salaries and employee benefits  | 346,594        | 345,766        | 828  |
| Operating expenditures          | 26,073         | 22,665         | 3,408  |
| Capital Outlay                  | <u>4,999</u>   | <u>3,665</u>   | <u>1,334</u>   |
|                                 | <u>377,666</u> | <u>372,096</u> | <u>5,570</u>   |
| Pretrial release                |                |                |  |
| Salaries and employee benefits  | 64,808         | 64,652         | 156  |
| Operating expenditures          | <u>7,750</u>   | <u>3,218</u>   | <u>4,532</u>   |
|                                 | <u>72,558</u>  | <u>67,870</u>  | <u>4,688</u>   |
| Court facilities:               |                |                |  |
| Operating expenditures          | 10,815         | 5,746          | 5,069  |
| Capital outlay                  | <u>3,137</u>   | <u>-</u>       | <u>3,137</u>   |
|                                 | <u>13,952</u>  | <u>5,746</u>   | <u>8,206</u>   |
| Elections:                      |                |                |  |
| Salaries and employee benefits  | 141,941        | 132,438        | 9,503  |
| Operating expenditures          | 109,352        | 91,456         | 17,896   |
| Capital outlay                  | <u>5,220</u>   | <u>5,213</u>   | <u>7</u>   |
|                                 | <u>256,513</u> | <u>229,107</u> | <u>27,406</u>  |
| Register of deeds:              |                |                |  |
| Salaries and employee benefits  | 234,013        | 215,135        | 18,878   |
| Operating expenditures          | <u>59,604</u>  | <u>50,004</u>  | <u>9,600</u>   |
|                                 | <u>293,617</u> | <u>265,139</u> | <u>28,478</u>  |
| Information technology:         |                |                |  |
| Salaries and employee benefits  | 357,143        | 356,574        | 569  |
| Operating expenditures          | 249,842        | 211,648        | 38,194   |
| Contracted services             | 272,536        | 262,703        | 9,833  |
| Capital outlay                  | <u>97,328</u>  | <u>93,176</u>  | <u>4,152</u>   |
|                                 | <u>976,849</u> | <u>924,101</u> | <u>52,748</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, 2015**

|                                       | <u>Budget</u>    | <u>Actual</u>    | <u>Variance With<br/>Final Budget<br/>Over/(Under)</u> |
|---------------------------------------|------------------|------------------|--|
| Expenditures: (Continued)             |                  |                  |  |
| General government: (Continued)       |                  |                  |  |
| Information technology - PEG channel: |                  |                  |  |
| Operating expenditures                | \$ 16,205        | \$ 13,975        | \$ 2,230   |
| Capital outlay                        | 2,895            | 2,895            | -  |
|                                       | <u>19,100</u>    | <u>16,870</u>    | <u>2,230</u>   |
| Buildings and grounds:                |                  |                  |  |
| Salaries and employee benefits        | 1,390,064        | 1,314,871        | 75,193   |
| Operating expenditures                | 1,101,044        | 1,029,929        | 71,115   |
| Capital outlay                        | 164,914          | 150,322          | 14,592   |
|                                       | <u>2,656,022</u> | <u>2,495,122</u> | <u>160,900</u>   |
| Total general government              | <u>8,351,871</u> | <u>7,643,351</u> | <u>708,520</u>   |
| Public safety:                        |                  |                  |  |
| Sheriff :                             |                  |                  |  |
| Salaries and employee benefits        | 3,774,154        | 3,701,455        | 72,699   |
| Operating expenditures                | 772,193          | 697,344          | 74,849   |
| Capital outlay                        | 27,023           | 20,831           | 6,192  |
|                                       | <u>4,573,370</u> | <u>4,419,630</u> | <u>153,740</u>   |
| Animal Control Enforcement            |                  |                  |  |
| Salaries and employee benefits        | 196,385          | 180,341          | 16,044   |
| Operating expenditures                | 71,089           | 54,664           | 16,425   |
|                                       | <u>267,474</u>   | <u>235,005</u>   | <u>32,469</u>  |
| School Resource Officers              |                  |                  |  |
| Salaries and employee benefits        | 831,413          | 792,398          | 39,015   |
| Operating expenditures                | 136,056          | 102,734          | 33,322   |
| Capital outlay                        | 60,264           | 43,240           | 17,024   |
|                                       | <u>1,027,733</u> | <u>938,372</u>   | <u>89,361</u>  |
| Jail:                                 |                  |                  |  |
| Salaries and employee benefits        | 1,366,899        | 1,270,805        | 96,094   |
| Operating expenditures                | 853,257          | 903,234          | (49,977)   |
| Capital outlay                        | 54,984           | 51,678           | 3,306  |
|                                       | <u>2,275,140</u> | <u>2,225,717</u> | <u>49,423</u>  |
| E911 Service                          | <u>188,161</u>   | <u>188,161</u>   | <u>-</u>   |
| State fire control contribution       | <u>100,194</u>   | <u>84,892</u>    | <u>15,302</u>  |
| Inspections:                          |                  |                  |  |
| Contracted services                   | <u>35,786</u>    | <u>23,775</u>    | <u>12,011</u>  |
| Medical examiner:                     |                  |                  |  |
| Professional services                 | <u>32,000</u>    | <u>17,450</u>    | <u>14,550</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, 2015**

|  | <u>Budget</u>    | <u>Actual</u>    | <u>Variance With<br/>Final Budget<br/>Over/(Under)</u> |
|--|------------------|------------------|--|
| Expenditures: (Continued)                  |                  |                  |  |
| Public safety: (Continued)                 |                  |                  |  |
| Juvenile detention                         | \$ 110,000       | \$ 119,438       | \$ (9,438)   |
| Juvenile probation                         | 14,290           | 13,740           | 550  |
| Emergency medical services:                |                  |                  |  |
| Contracted services                        | 551,250          | 538,125          | 13,125   |
| Emergency services:                        |                  |                  |  |
| Salaries and employee benefits             | 146,230          | 129,188          | 17,042   |
| Operating expenditures                     | 75,144           | 60,045           | 15,099   |
| Capital outlay                             | 42,760           | 30,524           | 12,236   |
|  | <u>264,134</u>   | <u>219,757</u>   | <u>44,377</u>  |
| Fire Marshall:                             |                  |                  |  |
| Salaries and employee benefits             | 208,187          | 204,069          | 4,118  |
| Operating expenditures                     | 85,666           | 63,626           | 22,040   |
| Capital outlay                             | 1,400            | 1,088            | 312  |
|  | <u>295,253</u>   | <u>268,783</u>   | <u>26,470</u>  |
| Total public safety                        | <u>9,734,785</u> | <u>9,292,845</u> | <u>441,940</u>   |
| Economic and physical development:         |                  |                  |  |
| Economic development:                      |                  |                  |  |
| Operating expenditures                     | 425,687          | 374,763          | 50,924   |
|  | <u>425,687</u>   | <u>374,763</u>   | <u>50,924</u>  |
| Airport:                                   |                  |                  |  |
| Salaries and employee benefits             | 92,811           | 92,793           | 18   |
| Operating expenditures                     | 227,011          | 900              | 226,111  |
|  | <u>319,822</u>   | <u>93,693</u>    | <u>226,129</u>   |
| Planning and zoning:                       |                  |                  |  |
| Contracted services                        | 388,981          | 361,287          | 27,694   |
| Agricultural extension:                    |                  |                  |  |
| Salaries and employee benefits             | 185,391          | 148,320          | 37,071   |
| Operating expenditures                     | 21,324           | 23,563           | (2,239)  |
|  | <u>206,715</u>   | <u>171,883</u>   | <u>34,832</u>  |
| Conservation:                              |                  |                  |  |
| Salaries and employee benefits             | 96,711           | 97,038           | (327)  |
| Operating expenditures                     | 12,254           | 9,400            | 2,854  |
|  | <u>108,965</u>   | <u>106,438</u>   | <u>2,527</u>   |
| Total economic and physical<br>development | <u>1,450,170</u> | <u>1,108,064</u> | <u>342,106</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, 2015**

|                                | <u>Budget</u>  | <u>Actual</u>  | <u>Variance With<br/>Final Budget<br/>Over/(Under)</u> |
|--------------------------------|----------------|----------------|--|
| Expenditures: (Continued)      |                |                |  |
| Human services:                |                |                |  |
| Health:                        |                |                |  |
| Administration:                |                |                |  |
| Salaries and employee benefits | \$ 562,454     | \$ 553,011     | \$ 9,443   |
| Operating expenditures         | 101,317        | 90,238         | 11,079   |
|                                | <u>663,771</u> | <u>643,249</u> | <u>20,522</u>  |
| Maternal health:               |                |                |  |
| Salaries and employee benefits | 106,449        | 85,499         | 20,950   |
| Operating expenditures         | 48,332         | 39,396         | 8,936  |
| Capital outlay                 | 790            | 782            | 8  |
|                                | <u>155,571</u> | <u>125,677</u> | <u>29,894</u>  |
| Child health:                  |                |                |  |
| Salaries and employee benefits | 48,328         | 46,424         | 1,904  |
| Operating expenditures         | 157,933        | 155,710        | 2,223  |
|                                | <u>206,261</u> | <u>202,134</u> | <u>4,127</u>   |
| Primary care:                  |                |                |  |
| Salaries and employee benefits | 67,231         | 65,214         | 2,017  |
| Operating expenditures         | 20,289         | 16,821         | 3,468  |
|                                | <u>87,520</u>  | <u>82,035</u>  | <u>5,485</u>   |
| Health promotion:              |                |                |  |
| Salaries and employee benefits | 103,367        | 81,664         | 21,703   |
| Operating expenditures         | 21,280         | 12,066         | 9,214  |
|                                | <u>124,647</u> | <u>93,730</u>  | <u>30,917</u>  |
| WIC - Client services:         |                |                |  |
| Salaries and employee benefits | 201,787        | 175,594        | 26,193   |
| Operating expenditures         | 83,073         | 49,060         | 34,013   |
|                                | <u>284,860</u> | <u>224,654</u> | <u>60,206</u>  |
| Family planning:               |                |                |  |
| Salaries and employee benefits | 179,994        | 164,205        | 15,789   |
| Operating expenditures         | 46,528         | 41,357         | 5,171  |
|                                | <u>226,522</u> | <u>205,562</u> | <u>20,960</u>  |
| Animal control:                |                |                |  |
| Salaries and employee benefits | 125,745        | 122,226        | 3,519  |
| Operating expenditures         | 68,199         | 57,705         | 10,494   |
|                                | <u>193,944</u> | <u>179,931</u> | <u>14,013</u>  |
| Environmental health:          |                |                |  |
| Salaries and employee benefits | 318,599        | 323,825        | (5,226)  |
| Operating expenditures         | 73,459         | 39,439         | 34,020   |
| Capital outlay                 | 6,496          | 5,489          | 1,007  |
|                                | <u>398,554</u> | <u>368,753</u> | <u>29,801</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, 2015**

|                                 | Budget         | Actual         | Variance With<br>Final Budget<br>Over/(Under) |
|---------------------------------|----------------|----------------|---|
| Expenditures: (Continued)       |                |                |   |
| Human services: (Continued)     |                |                |   |
| Aids control:                   |                |                |   |
| Salaries and employee benefits  | \$ 36,266      | \$ 37,516      | \$ (1,250)                                    |
| Operating expenditures          | 576            | 69             | 507   |
|                                 | <u>36,842</u>  | <u>37,585</u>  | <u>(743)</u>                                  |
| Bioterrorism:                   |                |                |   |
| Salaries and employee benefits  | 35,765         | 30,407         | 5,358   |
| Operating expenditures          | 1,809          | 927            | 882   |
|                                 | <u>37,574</u>  | <u>31,334</u>  | <u>6,240</u>                                  |
| WIC - Breastfeeding:            |                |                |   |
| Salaries and employee benefits  | 38,157         | 29,415         | 8,742   |
| Operating expenditures          | 22,265         | 17,327         | 4,938   |
|                                 | <u>60,422</u>  | <u>46,742</u>  | <u>13,680</u>                                 |
| Child service coordinator:      |                |                |   |
| Salaries and employee benefits  | 603            | 603            | -   |
| Operating expenditures          | 176,309        | 137,472        | 38,837  |
| Capital outlay                  | 6,020          | 5,544          | 476   |
|                                 | <u>182,932</u> | <u>143,619</u> | <u>39,313</u>                                 |
| Communicable diseases:          |                |                |   |
| Salaries and employee benefits  | 198,951        | 184,009        | 14,942  |
| Operating expenditures          | 26,856         | 23,533         | 3,323   |
|                                 | <u>225,807</u> | <u>207,542</u> | <u>18,265</u>                                 |
| Breast/cervical cancer control: |                |                |   |
| Salaries and employee benefits  | 7,541          | 7,513          | 28  |
| Operating expenditures          | 10,315         | 6,498          | 3,817   |
|                                 | <u>17,856</u>  | <u>14,011</u>  | <u>3,845</u>                                  |
| Immunizations:                  |                |                |   |
| Salaries and employee benefits  | 63,997         | 57,823         | 6,174   |
| Operating expenditures          | 13,472         | 12,345         | 1,127   |
|                                 | <u>77,469</u>  | <u>70,168</u>  | <u>7,301</u>                                  |
| Pregnancy Care Management:      |                |                |   |
| Salaries and employee benefits  | 603            | 603            | -   |
| Operating expenditures          | 165,105        | 68,449         | 96,656  |
| Capital outlay                  | 5,544          | 5,544          | -   |
|                                 | <u>171,252</u> | <u>74,596</u>  | <u>96,656</u>                                 |
| WIC - General administration:   |                |                |   |
| Salaries and employee benefits  | 8,010          | 7,739          | 271   |
| Operating expenditures          | 8,217          | 1,156          | 7,061   |
|                                 | <u>16,227</u>  | <u>8,895</u>   | <u>7,332</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, 2015**

|   | <u>Budget</u>     | <u>Actual</u>    | <u>Variance With<br/>Final Budget<br/>Over/(Under)</u> |
|---|-------------------|------------------|--|
| Expenditures: (Continued)                 |                   |                  |  |
| Human services: (Continued)               |                   |                  |  |
| WIC - Nutrition education:                |                   |                  |  |
| Salaries and employee benefits            | \$ 24,899         | \$ 24,833        | \$ 66  |
| Operating expenditures                    | 7,086             | -                | 7,086  |
|   | <u>31,985</u>     | <u>24,833</u>    | <u>7,152</u>   |
| Total health                              | <u>3,200,016</u>  | <u>2,785,050</u> | <u>414,966</u>   |
| Social services:                          |                   |                  |  |
| Social services - administration:         |                   |                  |  |
| Salaries and employee benefits            | 5,553,071         | 5,267,625        | 285,446  |
| Operating expenditures                    | 529,328           | 481,254          | 48,074   |
| Contracted services                       | 59,105            | 49,653           | 9,452  |
| Professional services                     | 97,948            | 110,421          | (12,473)   |
| Capital outlay                            | 57,156            | 53,096           | 4,060  |
|   | <u>6,296,608</u>  | <u>5,962,049</u> | <u>334,559</u>   |
| Social services - programs                | <u>3,964,548</u>  | <u>3,479,570</u> | <u>484,978</u>   |
| Total social services                     | <u>10,261,156</u> | <u>9,441,619</u> | <u>819,537</u>   |
| Mental health                             | <u>240,000</u>    | <u>240,000</u>   | <u>-</u>   |
| Lee County Industries                     | <u>5,000</u>      | <u>5,000</u>     | <u>-</u>   |
| Senior services - transportation:         |                   |                  |  |
| Salaries and employee benefits            | 510,009           | 503,107          | 6,902  |
| Operating expenditures                    | 241,123           | 230,776          | 10,347   |
| Capital outlay                            | 448,803           | 115,921          | 332,882  |
|   | <u>1,199,935</u>  | <u>849,804</u>   | <u>350,131</u>   |
| Senior services - general:                |                   |                  |  |
| Salaries and employee benefits            | 590,547           | 564,063          | 26,484   |
| Operating expenditures                    | 168,551           | 136,297          | 32,254   |
| Contracted services                       | 145,975           | 133,878          | 12,097   |
| Capital outlay                            | 11,681            | 7,426            | 4,255  |
|   | <u>916,754</u>    | <u>841,664</u>   | <u>75,090</u>  |
| HAVEN                                     | <u>10,000</u>     | <u>10,000</u>    | <u>-</u>   |
| Boys and Girls Club of Sanford/Lee County | <u>10,000</u>     | <u>10,000</u>    | <u>-</u>   |
| Youth services:                           |                   |                  |  |
| Salaries and employee benefits            | 896               | -                | 896  |
| Operating expenditures                    | 3                 | -                | 3  |
|   | <u>899</u>        | <u>-</u>         | <u>899</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, 2015**

|                                     | <u>Budget</u>     | <u>Actual</u>     | <u>Variance With<br/>Final Budget<br/>Over/(Under)</u> |
|-------------------------------------|-------------------|-------------------|--|
| Expenditures: (Continued)           |                   |                   |  |
| Human services: (Continued)         |                   |                   |  |
| JCPC                                |                   |                   |  |
| Operating expenditures              | \$ 161,771        | \$ 161,244        | \$ 527   |
|                                     | <u>161,771</u>    | <u>161,244</u>    | <u>527</u>   |
| WIA - Youth Employment              |                   |                   |  |
| Salaries and employee benefits      | 1,977             | -                 | 1,977  |
| Operating expenditures              | 12,060            | 11,951            | 109  |
|                                     | <u>14,037</u>     | <u>11,951</u>     | <u>2,086</u>   |
| Emergency and contingency           | 10,034            | -                 | 10,034   |
| Total human services                | <u>16,029,602</u> | <u>14,356,332</u> | <u>1,673,270</u>                                       |
| Education:                          |                   |                   |  |
| Lee County Board of Education:      |                   |                   |  |
| Current appropriation               | 15,338,050        | 15,338,050        | -  |
| Capital outlay                      | 2,250,331         | 1,072,859         | 1,177,472  |
| Central Carolina Community College: |                   |                   |  |
| Current appropriation               | 2,458,230         | 2,458,230         | -  |
| Capital outlay                      | 102,642           | 102,642           | -  |
| Total education                     | <u>20,149,253</u> | <u>18,971,781</u> | <u>1,177,472</u>                                       |
| Cultural and recreational:          |                   |                   |  |
| Parks and recreation:               |                   |                   |  |
| Salaries and employee benefits      | 841,839           | 826,876           | 14,963   |
| Operating expenditures              | 327,039           | 309,376           | 17,663   |
| Professional services               | 60,945            | 34,453            | 26,492   |
| Capital outlay                      | 35,950            | 6,766             | 29,184   |
|                                     | <u>1,265,773</u>  | <u>1,177,471</u>  | <u>88,302</u>  |
| Libraries:                          |                   |                   |  |
| Salaries and employee benefits      | 451,711           | 442,208           | 9,503  |
| Operating expenditures              | 188,209           | 173,986           | 14,223   |
| Capital outlay                      | -                 | -                 | -  |
|                                     | <u>639,920</u>    | <u>616,194</u>    | <u>23,726</u>  |
| Total cultural and recreational     | <u>1,905,693</u>  | <u>1,793,665</u>  | <u>112,028</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, 2015**

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|  | <u>Budget</u>      | <u>Actual</u>        | <u>Variance With<br/>Final Budget<br/>Over/(Under)</u> |
|--|--------------------|----------------------|--|
| Expenditures: (Continued)  |                    |                      |  |
| Debt service:  |                    |                      |  |
| Principal retirement   | \$ 5,012,000       | \$ 4,997,000         | \$ 15,000  |
| Interest and fees  | 2,735,537          | 2,737,277            | (1,740)  |
| Capital lease payments - principal   | 417,566            | 417,565              | 1  |
| Capital lease payments - interest  | <u>37,646</u>      | <u>37,051</u>        | <u>595</u>   |
| Total debt service   | <u>8,202,749</u>   | <u>8,188,893</u>     | <u>13,856</u>  |
| Total expenditures   | <u>65,824,123</u>  | <u>61,354,931</u>    | <u>4,469,192</u>                                       |
| Revenues over (under) expenditures   | <u>(3,476,398)</u> | <u>1,048,518</u>     | <u>4,524,916</u>                                       |
| Other financing sources (uses):  |                    |                      |  |
| Transfers from other funds:  |                    |                      |  |
| Special Revenue Funds  | 295,253            | 298,712              | 3,459  |
| Capital Projects Fund  | 620,000            | 620,000              | -  |
| Transfers to other funds:  |                    |                      |  |
| Capital Projects Fund  | <u>(2,311,497)</u> | <u>(2,311,497)</u>   | <u>-</u>   |
| Total net transfers  | <u>(1,396,244)</u> | <u>(1,392,785)</u>   | <u>3,459</u>   |
| Sale of county assets  | <u>-</u>           | <u>800,000</u>       | <u>800,000</u>   |
| Total other financing sources (uses)   | <u>(1,396,244)</u> | <u>(592,785)</u>     | <u>803,459</u>   |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | (4,872,642)        | 455,733              | 5,328,375  |
| Appropriated fund balance  | <u>4,872,642</u>   | <u>-</u>             | <u>(4,872,642)</u>                                     |
| Net change in fund balance   | <u>\$ -</u>        | 455,733              | <u>\$ 455,733</u>                                      |
| Fund balance, beginning of year  |                    | <u>16,281,991</u>    |  |
| Fund balance, end of year  |                    | <u>\$ 16,737,724</u> |  |

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**LEE COUNTY, NORTH CAROLINA**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2015**

|  | <u>Total<br/>Nonmajor<br/>Special<br/>Revenue<br/>Funds</u> | <u>Total<br/>Nonmajor<br/>Capital<br/>Project<br/>Funds</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|--|---|---|--|
| <b>Assets</b>  |   |   |  |
| Cash and investments   | \$ 1,698,089  | \$ 2,258,491  | \$ 3,956,580   |
| Taxes receivable - net   | 113,406   | -   | 113,406  |
| Accounts receivable - net  | 140,441   | 7,632   | 148,073  |
| Accrued interest receivable  | <u>1,700</u>  | <u>629</u>  | <u>2,329</u>   |
| <br>Total assets   | <br><u>\$ 1,953,636</u>                                     | <br><u>\$ 2,266,752</u>                                     | <br><u>\$ 4,220,388</u>                              |
| <b>Liabilities and Fund Balances</b>                                       |   |   |  |
| Liabilities:   |   |   |  |
| Accounts payable and accrued liabilities                                   | <u>\$ 716</u>   | <u>\$ 130,095</u>   | <u>\$ 130,811</u>                                    |
| Total liabilities  | <u>716</u>  | <u>130,095</u>  | <u>130,811</u>                                       |
| Deferred Inflows of Resources  |   |   |  |
| Taxes receivable   | <u>113,406</u>  | <u>-</u>  | <u>113,406</u>                                       |
| Total deferred inflows of resources  | <u>113,406</u>  | <u>-</u>  | <u>113,406</u>                                       |
| Fund balances:   |   |   |  |
| Restricted:  |   |   |  |
| Stabilization by State Statute   | 141,871   | 8,261   | 150,132  |
| Public Safety  | 991,960   | -   | 991,960  |
| Economic and Physical Development  | 605,891   | -   | 605,891  |
| Education  | 45,137  | -   | 45,137   |
| Committed:   |   |   |  |
| Economic and Physical Development  | 54,655  | -   | 54,655   |
| Assigned:  |   |   |  |
| Capital  | -   | 2,215,788   | 2,215,788  |
| Unassigned:  | <u>-</u>  | <u>(87,392)</u>   | <u>(87,392)</u>                                      |
| <br>Total fund balances  | <br><u>1,839,514</u>  | <br><u>2,136,657</u>  | <br><u>3,976,171</u>                                 |
| <br>Total liabilities, deferred inflows of<br>resources, and fund balances | <br><u>\$ 1,953,636</u>                                     | <br><u>\$ 2,266,752</u>                                     | <br><u>\$ 4,220,388</u>                              |

**LEE COUNTY, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

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|                                      | Total<br>Nonmajor<br>Special<br>Revenue<br>Funds | Total<br>Nonmajor<br>Capital<br>Project<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|--------------------------------------|--|--|--|
|                                      | <u>          </u>                                | <u>          </u>                                | <u>          </u>                          |
| Revenues:                            |  |  |  |
| Ad valorem taxes                     | \$ 2,656,720                                     | \$ -   | \$ 2,656,720                               |
| Other taxes and licenses             | 569,480  | -  | 569,480                                    |
| Restricted intergovernmental         | 77,859   | 415,278  | 493,137                                    |
| Sales and services                   | 159,488  | -  | 159,488                                    |
| Investment earnings                  | 3,628  | 1,389  | 5,017                                      |
| Total revenues                       | <u>3,467,175</u>                                 | <u>416,667</u>                                   | <u>3,883,842</u>                           |
| Expenditures:                        |  |  |  |
| Current:                             |  |  |  |
| Public safety                        | 2,850,710  | 48,303   | 2,899,013                                  |
| Economic and physical development    | 130,550  | 545,135  | 675,685                                    |
| Education                            | 196,000  | 66,760   | 262,760                                    |
| Total expenditures                   | <u>3,177,260</u>                                 | <u>660,198</u>                                   | <u>3,837,458</u>                           |
| Revenues over (under) expenditures   | <u>289,915</u>                                   | <u>(243,531)</u>                                 | <u>46,384</u>                              |
| Other financing sources (Uses):      |  |  |  |
| Transfers from other funds           | -  | 1,691,497  | 1,691,497                                  |
| Transfers to other funds             | (298,712)  | -  | (298,712)                                  |
| Total other financing sources (uses) | <u>(298,712)</u>                                 | <u>1,691,497</u>                                 | <u>1,392,785</u>                           |
| Net change in fund balances          | (8,797)  | 1,447,966  | 1,439,169                                  |
| Fund balance, beginning of year      | <u>1,848,311</u>                                 | <u>688,691</u>                                   | <u>2,537,002</u>                           |
| Fund balance, end of year            | <u>\$ 1,839,514</u>                              | <u>\$ 2,136,657</u>                              | <u>\$ 3,976,171</u>                        |

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## NONMAJOR SPECIAL REVENUE FUNDS

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

The following comprise the County's Special Revenue Funds:

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

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**LEE COUNTY, NORTH CAROLINA**  
**Combining Balance Sheet - Nonmajor Special Revenue Funds**  
**June 30, 2015**

|   | Fire<br>Protection<br>Fund | Room<br>Occupancy<br>Tax<br>Fund | Emergency<br>Telephone<br>System<br>Fund | Airport<br>Tax<br>Revenue<br>Fund | Drug<br>Seizure<br>Funds | Revolving<br>Loan<br>Fund | Totals              |
|---|----------------------------|----------------------------------|--|-----------------------------------|--------------------------|---------------------------|---------------------|
| <b>Assets</b>   |                            |                                  |  |                                   |                          |                           |                     |
| Cash and investments  | \$ 306,658                 | \$ 45,137                        | \$ 533,867                               | \$ 54,655                         | \$ 151,881               | \$ 605,891                | \$ 1,698,089        |
| Taxes receivable - net  | 108,707                    | -                                | -  | 4,699                             | -                        | -                         | 113,406             |
| Accounts receivable   | 19,595                     | -                                | 44,822                                   | -                                 | 824                      | 75,200                    | 140,441             |
| Accrued interest receivable   | 299                        | 44                               | 558                                      | 54                                | 149                      | 596                       | 1,700               |
| <b>Total assets</b>   | <b>\$ 435,259</b>          | <b>\$ 45,181</b>                 | <b>\$ 579,247</b>                        | <b>\$ 59,408</b>                  | <b>\$ 152,854</b>        | <b>\$ 681,687</b>         | <b>\$ 1,953,636</b> |
| <b>Liabilities and Fund Balances</b>                                |                            |                                  |  |                                   |                          |                           |                     |
| <b>Liabilities:</b>   |                            |                                  |  |                                   |                          |                           |                     |
| Accounts payable  | -                          | -                                | \$ 716                                   | -                                 | -                        | -                         | \$ 716              |
| Total liabilities   | -                          | -                                | 716                                      | -                                 | -                        | -                         | 716                 |
| <b>Deferred Inflows of Resources</b>                                |                            |                                  |  |                                   |                          |                           |                     |
| Taxes receivable  | 108,707                    | -                                | -  | 4,699                             | -                        | -                         | 113,406             |
| Total deferred inflows of resources                                 | 108,707                    | -                                | -  | 4,699                             | -                        | -                         | 113,406             |
| <b>Fund balances:</b>   |                            |                                  |  |                                   |                          |                           |                     |
| Restricted  |                            |                                  |  |                                   |                          |                           |                     |
| Stabilization by State Statute                                      | 19,894                     | 44                               | 45,380                                   | 54                                | 703                      | 75,796                    | 141,871             |
| Public Safety   | 306,658                    | -                                | 533,151                                  | -                                 | 152,151                  | -                         | 991,960             |
| Economic and Physical Development                                   | -                          | -                                | -  | -                                 | -                        | 605,891                   | 605,891             |
| Education   | -                          | 45,137                           | -  | -                                 | -                        | -                         | 45,137              |
| Committed:  |                            |                                  |  |                                   |                          |                           |                     |
| Economic and Physical Development                                   | -                          | -                                | -  | 54,655                            | -                        | -                         | 54,655              |
| Total fund balances   | 326,552                    | 45,181                           | 578,531                                  | 54,709                            | 152,854                  | 681,687                   | 1,839,514           |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 435,259                 | \$ 45,181                        | \$ 579,247                               | \$ 59,408                         | \$ 152,854               | \$ 681,687                | \$ 1,953,636        |

**LEE COUNTY, NORTH CAROLINA**  
**Combining Balance Sheet - Nonmajor Special Revenue Funds**  
**June 30, 2015**

|   | Fire<br>Protection<br>Fund | Room<br>Occupancy<br>Tax<br>Fund | Emergency<br>Telephone<br>System<br>Fund | Airport<br>Tax<br>Revenue<br>Fund | Drug<br>Seizure<br>Funds | Revolving<br>Loan<br>Fund | Totals              |
|---|----------------------------|----------------------------------|--|-----------------------------------|--------------------------|---------------------------|---------------------|
| <b>Assets</b>   |                            |                                  |  |                                   |                          |                           |                     |
| Cash and investments  | \$ 306,658                 | \$ 45,137                        | \$ 533,867                               | \$ 54,655                         | \$ 151,881               | \$ 605,891                | \$ 1,698,089        |
| Taxes receivable - net  | 108,707                    | -                                | -  | 4,699                             | -                        | -                         | 113,406             |
| Accounts receivable   | 19,595                     | -                                | 44,822                                   | -                                 | 824                      | 75,200                    | 140,441             |
| Accrued interest receivable   | 299                        | 44                               | 558                                      | 54                                | 149                      | 596                       | 1,700               |
| <b>Total assets</b>   | <b>\$ 435,259</b>          | <b>\$ 45,181</b>                 | <b>\$ 579,247</b>                        | <b>\$ 59,408</b>                  | <b>\$ 152,854</b>        | <b>\$ 681,687</b>         | <b>\$ 1,953,636</b> |
| <b>Liabilities and Fund Balances</b>                                |                            |                                  |  |                                   |                          |                           |                     |
| <b>Liabilities:</b>   |                            |                                  |  |                                   |                          |                           |                     |
| Accounts payable  | -                          | -                                | \$ 716                                   | -                                 | -                        | -                         | \$ 716              |
| Total liabilities   | -                          | -                                | 716                                      | -                                 | -                        | -                         | 716                 |
| <b>Deferred Inflows of Resources</b>                                |                            |                                  |  |                                   |                          |                           |                     |
| Taxes receivable  | 108,707                    | -                                | -  | 4,699                             | -                        | -                         | 113,406             |
| Total deferred inflows of resources                                 | 108,707                    | -                                | -  | 4,699                             | -                        | -                         | 113,406             |
| <b>Fund balances:</b>   |                            |                                  |  |                                   |                          |                           |                     |
| <b>Restricted</b>   |                            |                                  |  |                                   |                          |                           |                     |
| Stabilization by State Statute                                      | 19,894                     | 44                               | 45,380                                   | 54                                | 703                      | 75,796                    | 141,871             |
| Public Safety   | 306,658                    | -                                | 533,151                                  | -                                 | 152,151                  | -                         | 991,960             |
| Economic and Physical Development                                   | -                          | -                                | -  | -                                 | -                        | 605,891                   | 605,891             |
| Education   | -                          | 45,137                           | -  | -                                 | -                        | -                         | 45,137              |
| <b>Committed:</b>   |                            |                                  |  |                                   |                          |                           |                     |
| Economic and Physical Development                                   | -                          | -                                | -  | 54,655                            | -                        | -                         | 54,655              |
| Total fund balances   | 326,552                    | 45,181                           | 578,531                                  | 54,709                            | 152,854                  | 681,687                   | 1,839,514           |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 435,259                 | \$ 45,181                        | \$ 579,247                               | \$ 59,408                         | \$ 152,854               | \$ 681,687                | \$ 1,953,636        |

**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, 2015**

|  | <u>Budget</u>    | <u>Actual</u>     | <u>Variance With<br/>Final Budget<br/>Over/(Under)</u> |
|--|------------------|-------------------|--|
| Revenues:  |                  |                   |  |
| Ad valorem taxes:  |                  |                   |  |
| Current year   | \$ 2,361,183     | \$ 2,502,570      | \$ 141,387   |
| Prior years  | <u>-</u>         | <u>58,208</u>     | <u>58,208</u>  |
| Total ad valorem taxes   | <u>2,361,183</u> | <u>2,560,778</u>  | <u>199,595</u>   |
| Investment earnings  | <u>-</u>         | <u>294</u>        | <u>294</u>   |
| Total revenues   | <u>2,361,183</u> | <u>2,561,072</u>  | <u>199,889</u>   |
| Expenditures:  |                  |                   |  |
| Public safety  | <u>2,251,937</u> | <u>2,250,211</u>  | <u>1,726</u>   |
| Revenues over (under) expenditures   | 109,246          | 310,861           | 201,615  |
| Other financing sources (uses):  |                  |                   |  |
| Transfers in (out):  |                  |                   |  |
| General Fund   | <u>(298,712)</u> | <u>(298,712)</u>  | <u>-</u>   |
| Total other financing sources (uses)   | <u>(298,712)</u> | <u>(298,712)</u>  | <u>-</u>   |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | (189,466)        | 12,149            | 201,615  |
| Appropriated fund balance  | <u>189,466</u>   | <u>-</u>          | <u>(189,466)</u>                                       |
| Net change in fund balance   | <u>\$ -</u>      | <u>12,149</u>     | <u>\$ 12,149</u>                                       |
| Fund balance, beginning of year  |                  | <u>314,403</u>    |  |
| Fund balance, end of year  |                  | <u>\$ 326,552</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, 2015**

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|                                    | Budget     | Actual     | Variance With<br>Final Budget<br>Over/(Under) |
|------------------------------------|------------|------------|---|
| Revenues:                          |            |            |   |
| Other taxes and licenses:          |            |            |   |
| Room occupancy tax                 | \$ 190,000 | \$ 203,237 | \$ 13,237                                     |
| Investment earnings                | -          | 109        | 109   |
|                                    | 190,000    | 203,346    | 13,346  |
| Total revenues                     |            |            |   |
| Expenditures:                      |            |            |   |
| Education - CCCC appropriation     | 196,000    | 196,000    | -   |
| Revenues over (under) expenditures | (6,000)    | 7,346      | 13,346  |
| Appropriated fund balance          | 6,000      | -          | (6,000)                                       |
| Net change in fund balance         | \$ -       | 7,346      | \$ 7,346                                      |
| Fund balance, beginning of year    |            | 37,835     |   |
| Fund balance, end of year          |            | \$ 45,181  |   |

**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, 2015**

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|                                    | Budget         | Actual            | Variance With<br>Final Budget<br>Over/(Under) |
|------------------------------------|----------------|-------------------|---|
| Revenues:                          |                |                   |   |
| Other taxes and licenses           | \$ 366,243     | \$ 366,243        | \$ -  |
| Investment earnings                | <u>-</u>       | <u>1,563</u>      | <u>1,563</u>                                  |
| Total revenues                     | <u>366,243</u> | <u>367,806</u>    | <u>1,563</u>                                  |
| Expenditures:                      |                |                   |   |
| Public safety                      | <u>688,582</u> | <u>586,038</u>    | <u>102,544</u>                                |
| Revenues over (under) expenditures | (322,339)      | (218,232)         | 104,107                                       |
| Appropriated fund balance          | <u>322,339</u> | <u>-</u>          | <u>(322,339)</u>                              |
| Net change in fund balance         | <u>\$ -</u>    | (218,232)         | <u>\$ (218,232)</u>                           |
| Fund balance, beginning of year    |                | <u>796,763</u>    |   |
| Fund balance, end of year          |                | <u>\$ 578,531</u> |   |

**LEE COUNTY, NORTH CAROLINA**  
**Airport Tax Revenue Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2015**

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|                                    | Budget    | Actual    | Variance With<br>Final Budget<br>Over/(Under) |
|------------------------------------|-----------|-----------|---|
| Revenues:                          |           |           |   |
| Ad valorem taxes:                  |           |           |   |
| Current year                       | \$ 87,050 | \$ 93,972 | \$ 6,922                                      |
| Prior years                        | -         | 1,970     | 1,970   |
| Total ad valorem taxes             | 87,050    | 95,942    | 8,892   |
| Investment earnings                | -         | 138       | 138   |
| Total revenues                     | 87,050    | 96,080    | 9,030   |
| Expenditures:                      |           |           |   |
| Economic and physical development  | 130,550   | 130,550   | -   |
| Revenues over (under) expenditures | (43,500)  | (34,470)  | 9,030   |
| Appropriated fund balance          | 43,500    | -         | (43,500)                                      |
| Net change in fund balance         | \$ -      | (34,470)  | \$ (34,470)                                   |
| Fund balance, beginning of year    |           | 89,179    |   |
| Fund balance, end of year          |           | \$ 54,709 |   |

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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, 2015**

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|                                    | <u>Budget</u> | <u>Actual</u>     | <u>Variance With<br/>Final Budget<br/>Over/(Under)</u> |
|------------------------------------|---------------|-------------------|--|
| Revenues:                          |               |                   |  |
| Intergovernmental revenues         | \$ 3,300      | \$ 77,859         | \$ 74,559  |
| Investment earnings                | <u>-</u>      | <u>294</u>        | <u>294</u>   |
| Total revenues                     | <u>3,300</u>  | <u>78,153</u>     | <u>74,853</u>  |
| Expenditures:                      |               |                   |  |
| Public safety                      | <u>14,635</u> | <u>14,461</u>     | <u>174</u>   |
| Revenues over (under) expenditures | (11,335)      | 63,692            | 75,027   |
| Appropriated fund balance          | <u>11,335</u> | <u>-</u>          | <u>(11,335)</u>  |
| Net change in fund balance         | <u>\$ -</u>   | 63,692            | <u>\$ 63,692</u>                                       |
| Fund balance, beginning of year    |               | <u>89,162</u>     |  |
| Fund balance, end of year          |               | <u>\$ 152,854</u> |  |

**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, 2015**

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|                                 | Budget | Actual     | Variance With<br>Final Budget<br>Over/(Under) |
|---------------------------------|--------|------------|---|
| Revenues:                       |        |            |   |
| Sales and services              | \$ -   | \$ 159,488 | \$ 159,488                                    |
| Investment earnings             | -      | 1,230      | 1,230   |
| Total revenues                  | -      | 160,718    | 160,718                                       |
| Net change in fund balnce       | \$ -   | 160,718    | \$ 160,718                                    |
| Fund balance, beginning of year |        | 520,969    |   |
| Fund balance, end of year       |        | \$ 681,687 |   |

## NONMAJOR CAPITAL PROJECT FUNDS

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

The following comprise the County's Capital Project Funds:

- *Capital Projects Outlay Fund* - Is used as a capital reserve fund and accounts for the accumulation of resources to be used for future construction projects
- *Fiscal Year 2008 Community Development Block Grant Fund* – Accounts for State funds used to renovate housing.
- *Industrial Park Improvements Fund* – Accounts for the costs associated with improving the Industrial Park site.
- *Courthouse Renovations Fund* – Accounts for the costs associated with renovations to the courthouse.
- *Fiscal Year 2011 Community Development Block Grant Fund* – Accounts for State funds used to renovate housing.
- *San-Lee Park Nature Center Fund* – Accounts for costs associated with building a nature center for the park.
- *CCCC Health Sciences Center Fund* – Accounts for the costs associated with building and furnishing a Health Sciences Center on the CCCC campus.
- *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 and Incubator 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.

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**LEE COUNTY, NORTH CAROLINA**  
**Combining Balance Sheet - Nonmajor Capital Project Funds**  
**June 30, 2015**

|  | Fiscal Year<br>2008 | Fiscal Year<br>2011 | San-Lee<br>Park<br>Nature<br>Center<br>Fund | CCCC<br>Health<br>Sciences<br>Center<br>Fund | CCCC<br>Veterinary<br>Medical<br>Technology<br>Facility<br>Fund | CCCC<br>Civic Center<br>and<br>Incubator<br>Project<br>Fund | CCCC<br>Main Campus<br>and Emergency<br>Services Training<br>Center<br>Renovations<br>Fund | Totals              |
|--|---------------------|---------------------|---|--|---|---|--|---------------------|
| <b>Assets</b>                              |                     |                     |   |  |   |   |  |                     |
| Cash and investments                       | \$ 639,382          | \$ 974              | \$ 39,880                                   | \$ -   | \$ -  | \$ 1,578,255  | \$ -   | \$ 2,258,491        |
| Accounts receivable - net                  | -                   | -                   | -   | 2,736  | 4,896   | -   | -  | 7,632               |
| Accrued interest receivable                | 629                 | -                   | -   | -  | -   | -   | -  | 629                 |
| <b>Total assets</b>                        | <b>\$ 640,011</b>   | <b>\$ 974</b>       | <b>\$ 39,880</b>                            | <b>\$ 2,736</b>                              | <b>\$ 4,896</b>   | <b>\$ 1,578,255</b>   | <b>\$ -</b>  | <b>\$ 2,266,752</b> |
| <b>Liabilities and Fund Balances</b>       |                     |                     |   |  |   |   |  |                     |
| <b>Liabilities:</b>                        |                     |                     |   |  |   |   |  |                     |
| Accounts payable and accrued liabilities   | \$ -                | \$ 974              | \$ -  | \$ 2,736                                     | \$ 4,896  | \$ 41,729   | \$ 19,960  | \$ 130,095          |
| <b>Total liabilities</b>                   | <b>\$ -</b>         | <b>\$ 974</b>       | <b>\$ -</b>                                 | <b>\$ 2,736</b>                              | <b>\$ 4,896</b>   | <b>\$ 41,729</b>  | <b>\$ 19,960</b>   | <b>\$ 130,095</b>   |
| <b>Fund balances:</b>                      |                     |                     |   |  |   |   |  |                     |
| Restricted:                                |                     |                     |   |  |   |   |  |                     |
| Stabilization by State Statute             | 629                 | -                   | -   | 2,736  | 4,896   | -   | -  | 8,261               |
| Assigned:                                  |                     |                     |   |  |   |   |  |                     |
| Capital                                    | 639,382             | -                   | 39,880                                      | -  | -   | 1,536,526   | -  | 2,215,788           |
| Unassigned:                                | -                   | -                   | -   | (2,736)                                      | (4,896)   | -   | (19,960)   | (87,392)            |
| <b>Total fund balance (deficit)</b>        | <b>\$ 640,011</b>   | <b>\$ -</b>         | <b>\$ 39,880</b>                            | <b>\$ -</b>                                  | <b>\$ -</b>   | <b>\$ 1,536,526</b>   | <b>\$ (19,960)</b>   | <b>\$ 2,136,657</b> |
| <b>Total liabilities and fund balances</b> | <b>\$ 640,011</b>   | <b>\$ 974</b>       | <b>\$ 39,880</b>                            | <b>\$ 2,736</b>                              | <b>\$ 4,896</b>   | <b>\$ 1,578,255</b>   | <b>\$ -</b>  | <b>\$ 2,266,752</b> |

**LEE COUNTY, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances (Deficit) - Nonmajor Capital Project Funds**  
**For the Year Ended June 30, 2015**

|  | Capital Projects Outlay Fund | Industrial Park Improvements Fund | Courthouse Renovations Fund | Fiscal Year 2011 Community Development Block Grant Fund | San-Lee Park Nature Center Fund | CCCC Health Sciences Center Fund | CCCC Veterinary Medical Technology Facility Fund | CCCC Civic Center and Incubator Project Fund | CCCC Main Campus and Emergency Services Training Center Renovations Fund | Totals              |
|--|------------------------------|-----------------------------------|-----------------------------|---|---------------------------------|----------------------------------|--|--|--|---------------------|
| <b>Revenues:</b>                                 |                              |                                   |                             |   |                                 |                                  |  |  |  |                     |
| Restricted intergovernmental investment earnings | \$ 1,389                     | \$ 318,641                        | -                           | \$ 96,637   | -                               | \$ -                             | \$ -   | \$ -   | \$ -   | \$ 415,278          |
| Total revenues                                   | <u>1,389</u>                 | <u>318,641</u>                    | -                           | <u>96,637</u>   | -                               | -                                | -  | -  | -  | <u>1,389</u>        |
|  |                              |                                   |                             |   |                                 |                                  |  |  |  |                     |
| <b>Expenditures:</b>                             |                              |                                   |                             |   |                                 |                                  |  |  |  |                     |
| Capital outlay:                                  |                              |                                   |                             |   |                                 |                                  |  |  |  |                     |
| Public Safety                                    | -                            | -                                 | 48,303                      | -   | -                               | -                                | -  | -  | -  | 48,303              |
| Economic and physical development                | -                            | 388,119                           | -                           | 96,987  | 47,029                          | -                                | -  | 13,000                                       | -  | 545,135             |
| Education  | -                            | -                                 | -                           | -   | -                               | 29,975                           | 16,825   | -  | 19,960   | 66,760              |
| Total expenditures                               | -                            | <u>388,119</u>                    | <u>48,303</u>               | <u>96,987</u>   | <u>47,029</u>                   | <u>29,975</u>                    | <u>16,825</u>                                    | <u>13,000</u>                                | <u>19,960</u>  | <u>660,198</u>      |
| Revenues over (under) expenditures               | <u>1,389</u>                 | <u>(69,478)</u>                   | <u>(48,303)</u>             | <u>(350)</u>  | <u>(47,029)</u>                 | <u>(29,975)</u>                  | <u>(16,825)</u>                                  | <u>(13,000)</u>                              | <u>(19,960)</u>  | <u>(243,531)</u>    |
|  |                              |                                   |                             |   |                                 |                                  |  |  |  |                     |
| <b>Other financing sources (uses)</b>            |                              |                                   |                             |   |                                 |                                  |  |  |  |                     |
| Transfers in (out):                              |                              |                                   |                             |   |                                 |                                  |  |  |  |                     |
| General Fund                                     | -                            | 75,000                            | 32,942                      | -   | 1,583,555                       | -                                | -  | -  | -  | 1,691,497           |
| Total other financing sources (uses)             | -                            | <u>75,000</u>                     | <u>32,942</u>               | -   | <u>1,583,555</u>                | -                                | -  | -  | -  | <u>1,691,497</u>    |
| Net change in fund balances                      | 1,389                        | 5,522                             | (15,361)                    | (350)   | 1,536,526                       | (29,975)                         | (16,825)   | (13,000)                                     | (19,960)   | 1,447,966           |
| Fund balances (deficit), beginning of year       | 638,622                      | 34,358                            | 15,361                      | 350   | -                               | -                                | -  | -  | -  | 688,691             |
| Fund balances(deficit), end of year              | <u>\$ 640,011</u>            | <u>\$ 39,880</u>                  | <u>\$ -</u>                 | <u>\$ -</u>   | <u>\$ 1,536,526</u>             | <u>\$ (29,975)</u>               | <u>\$ (16,825)</u>                               | <u>\$ (13,000)</u>                           | <u>\$ (19,960)</u>   | <u>\$ 2,136,657</u> |

**LEE COUNTY, NORTH CAROLINA**  
**Capital Projects Outlay Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2015**

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|                                      | <u>Budget</u>    | <u>Actual</u>     | <u>Variance With<br/>Final Budget<br/>Over/(Under)</u> |
|--------------------------------------|------------------|-------------------|--|
| Revenues:                            |                  |                   |  |
| Investment earnings                  | \$ -             | \$ 1,389          | \$ 1,389   |
| Revenues over (under) expenditures   | <u>-</u>         | <u>1,389</u>      | <u>1,389</u>   |
| Other financing sources (uses):      |                  |                   |  |
| Transfers in (out):                  |                  |                   |  |
| General Fund                         | 620,000          | 620,000           | -  |
| General Fund                         | <u>(620,000)</u> | <u>(620,000)</u>  | <u>-</u>   |
| Total other financing sources (uses) | <u>-</u>         | <u>-</u>          | <u>-</u>   |
| Net change in fund balance           | <u>\$ -</u>      | 1,389             | <u>\$ 1,389</u>  |
| Fund balance, beginning of year      |                  | <u>638,622</u>    |  |
| Fund balance, end of year            |                  | <u>\$ 640,011</u> |  |

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**LEE COUNTY, NORTH CAROLINA**  
**Industrial Park Improvements Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2015**

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|                                      | Project<br>Budget | Current<br>Year | Actual<br>Prior<br>Years | Total to<br>Date |
|--------------------------------------|-------------------|-----------------|--------------------------|------------------|
| Revenues                             |                   |                 |                          |                  |
| Restricted intergovernmental         | \$ 1,800,000      | \$ 318,641      | \$ 997,071               | \$ 1,315,712     |
| Expenditures:                        |                   |                 |                          |                  |
| Capital outlay:                      |                   |                 |                          |                  |
| Economic and physical development    | 1,989,000         | 388,119         | 1,076,713                | 1,464,832        |
| Revenues over (under) expenditures   | (189,000)         | (69,478)        | (79,642)                 | (149,120)        |
| Other financing sources (uses):      |                   |                 |                          |                  |
| Transfers in (out):                  |                   |                 |                          |                  |
| General Fund                         | 134,356           | 75,000          | 59,356                   | 134,356          |
| Capital Project Fund                 | 54,644            | -               | 54,644                   | 54,644           |
| Total other financing sources (uses) | 189,000           | 75,000          | 114,000                  | 189,000          |
| Net change in fund balance           | \$ -              | 5,522           | \$ 34,358                | \$ 39,880        |
| Fund balance, beginning of year      |                   | 34,358          |                          |                  |
| Fund balance, end of year            |                   | \$ 39,880       |                          |                  |

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**LEE COUNTY, NORTH CAROLINA**  
**Courthouse Renovations Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2015**

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|                                      | Project<br>Budget | Current<br>Year | Actual<br>Prior<br>Years | Total to<br>Date |
|--------------------------------------|-------------------|-----------------|--------------------------|------------------|
| Expenditures:                        |                   |                 |                          |                  |
| Capital outlay:                      |                   |                 |                          |                  |
| Public Safety                        | \$ 866,870        | \$ 48,303       | \$ 818,567               | \$ 866,870       |
| Revenues over (under) expenditures   | (866,870)         | (48,303)        | (818,567)                | (866,870)        |
| Other financing sources (uses):      |                   |                 |                          |                  |
| Transfers in (out):                  |                   |                 |                          |                  |
| General Fund                         | 577,804           | 32,942          | 544,862                  | 577,804          |
| Capital Project Fund                 | 289,066           | -               | 289,066                  | 289,066          |
| Total other financing sources (uses) | 866,870           | 32,942          | 833,928                  | 866,870          |
| Net change in fund balance           | <u>\$ -</u>       | (15,361)        | <u>\$ 15,361</u>         | <u>\$ -</u>      |
| Fund balance, beginning of year      |                   | <u>15,361</u>   |                          |                  |
| Fund balance, end of year            |                   | <u>\$ -</u>     |                          |                  |

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**LEE COUNTY, NORTH CAROLINA**  
**FY 2011 Community Development Block Grant Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2015**

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|                                   | <u>Project<br/>Budget</u> | <u>Current<br/>Year</u> | <u>Actual<br/>Prior<br/>Years</u> | <u>Total to<br/>Date</u> |
|-----------------------------------|---------------------------|-------------------------|-----------------------------------|--------------------------|
| Revenues                          |                           |                         |                                   |                          |
| Restricted intergovernmental      | \$ 400,000                | \$ 96,637               | \$ 301,464                        | \$ 398,101               |
| Expenditures:                     |                           |                         |                                   |                          |
| Capital outlay:                   |                           |                         |                                   |                          |
| Economic and physical development | <u>400,000</u>            | <u>96,987</u>           | <u>301,114</u>                    | <u>398,101</u>           |
| Net change in fund balance        | <u>\$ -</u>               | (350)                   | <u>\$ 350</u>                     | <u>\$ -</u>              |
| Fund balance, beginning of year   |                           | <u>350</u>              |                                   |                          |
| Fund balance, end of year         |                           | <u>\$ -</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, 2015**

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|                                      | <u>Project<br/>Budget</u> | <u>Current<br/>Year</u> | <u>Actual<br/>Prior<br/>Years</u> | <u>Total to<br/>Date</u> |
|--------------------------------------|---------------------------|-------------------------|-----------------------------------|--------------------------|
| Expenditures:                        |                           |                         |                                   |                          |
| Capital outlay:                      |                           |                         |                                   |                          |
| Economic and physical development    | \$ 1,583,555              | \$ 47,029               | \$ -                              | \$ 47,029                |
| Revenues over (under) expenditures   | (1,583,555)               | (47,029)                | -                                 | (47,029)                 |
| Other financing sources (uses):      |                           |                         |                                   |                          |
| Transfers in (out):                  |                           |                         |                                   |                          |
| General Func                         | <u>1,583,555</u>          | <u>1,583,555</u>        | -                                 | <u>1,583,555</u>         |
| Total other financing sources (uses) | <u>1,583,555</u>          | <u>1,583,555</u>        | -                                 | <u>1,583,555</u>         |
| Net change in fund balance           | <u>\$ -</u>               | 1,536,526               | <u>\$ -</u>                       | <u>\$ 1,536,526</u>      |
| Fund balance, beginning of year      |                           | -                       |                                   |                          |
| Fund balance, end of year            |                           | <u>\$ 1,536,526</u>     |                                   |                          |

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**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, 2015**

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|                                      | <u>Project<br/>Budget</u> | <u>Current<br/>Year</u> | <u>Actual<br/>Prior<br/>Years</u> | <u>Total to<br/>Date</u> |
|--------------------------------------|---------------------------|-------------------------|-----------------------------------|--------------------------|
| Expenditures:                        |                           |                         |                                   |                          |
| Capital outlay:                      |                           |                         |                                   |                          |
| Education                            | \$ 9,000,000              | \$ 29,975               | \$ -                              | \$ 29,975                |
| Revenues over (under) expenditures   | (9,000,000)               | (29,975)                | -                                 | (29,975)                 |
| Other financing sources (uses):      |                           |                         |                                   |                          |
| General Obligation Bonds issuer      | 9,000,000                 | -                       | -                                 | -                        |
| Total other financing sources (uses) | 9,000,000                 | -                       | -                                 | -                        |
| Net change in fund balance           | <u>\$ -</u>               | (29,975)                | <u>\$ -</u>                       | <u>\$ (29,975)</u>       |
| Fund balance, beginning of year      |                           | -                       |                                   |                          |
| Fund balance, end of year            |                           | <u>\$ (29,975)</u>      |                                   |                          |

**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, 2015**

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|                                      | <u>Project<br/>Budget</u> | <u>Current<br/>Year</u> | <u>Actual<br/>Prior<br/>Years</u> | <u>Total to<br/>Date</u> |
|--------------------------------------|---------------------------|-------------------------|-----------------------------------|--------------------------|
| Expenditures:                        |                           |                         |                                   |                          |
| Capital outlay:                      |                           |                         |                                   |                          |
| Education                            | \$ 5,000,000              | \$ 16,825               | \$ -                              | \$ 16,825                |
| Revenues over (under) expenditures   | (5,000,000)               | (16,825)                | -                                 | (16,825)                 |
| Other financing sources (uses):      |                           |                         |                                   |                          |
| Transfers in (out):                  |                           |                         |                                   |                          |
| General Func                         | <u>5,000,000</u>          | -                       | -                                 | -                        |
| Total other financing sources (uses) | <u>5,000,000</u>          | -                       | -                                 | -                        |
| Net change in fund balance           | <u>\$ -</u>               | (16,825)                | <u>\$ -</u>                       | <u>\$ (16,825)</u>       |
| Fund balance, beginning of year      |                           | -                       |                                   |                          |
| Fund balance, end of year            |                           | <u>\$ (16,825)</u>      |                                   |                          |

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**LEE COUNTY, NORTH CAROLINA**  
**CCCC Civic Center and Incubator Project - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2015**

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|                                      | <u>Project<br/>Budget</u> | <u>Current<br/>Year</u> | <u>Actual<br/>Prior<br/>Years</u> | <u>Total to<br/>Date</u> |
|--------------------------------------|---------------------------|-------------------------|-----------------------------------|--------------------------|
| Expenditures:                        |                           |                         |                                   |                          |
| Capital outlay:                      |                           |                         |                                   |                          |
| Economic and physical development    | \$ 5,000,000              | \$ 13,000               | \$ -                              | \$ 13,000                |
| Revenues over (under) expenditures   | (5,000,000)               | (13,000)                | -                                 | (13,000)                 |
| Other financing sources (uses):      |                           |                         |                                   |                          |
| Transfers in (out):                  |                           |                         |                                   |                          |
| General Func                         | 5,000,000                 | -                       | -                                 | -                        |
| Total other financing sources (uses) | 5,000,000                 | -                       | -                                 | -                        |
| Net change in fund balance           | <u>\$ -</u>               | (13,000)                | <u>\$ -</u>                       | <u>\$ (13,000)</u>       |
| Fund balance, beginning of year      |                           | -                       |                                   |                          |
| Fund balance, end of year            |                           | <u>\$ (13,000)</u>      |                                   |                          |

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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, 2015**

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|                                      | <u>Project<br/>Budget</u> | <u>Current<br/>Year</u> | <u>Actual<br/>Prior<br/>Years</u> | <u>Total to<br/>Date</u> |
|--------------------------------------|---------------------------|-------------------------|-----------------------------------|--------------------------|
| Expenditures:                        |                           |                         |                                   |                          |
| Capital outlay:                      |                           |                         |                                   |                          |
| Education                            | \$ 4,000,000              | \$ 19,960               | \$ -                              | \$ 19,960                |
| Revenues over (under) expenditures   | (4,000,000)               | (19,960)                | -                                 | (19,960)                 |
| Other financing sources (uses):      |                           |                         |                                   |                          |
| Transfers in (out):                  |                           |                         |                                   |                          |
| General Func                         | 4,000,000                 | -                       | -                                 | -                        |
| Total other financing sources (uses) | 4,000,000                 | -                       | -                                 | -                        |
| Net change in fund balance           | <u>\$ -</u>               | (19,960)                | <u>\$ -</u>                       | <u>\$ (19,960)</u>       |
| Fund balance, beginning of year      |                           | -                       |                                   |                          |
| Fund balance, end of year            |                           | <u>\$ (19,960)</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

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

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**LEE COUNTY, NORTH CAROLINA**  
**Solid Waste Management Fund - Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2015**

|   | Budget           | Actual             | Variance With<br>Final Budget<br>Over/(Under) |
|---|------------------|--------------------|---|
| Revenues:   |                  |                    |   |
| Operating revenues:   |                  |                    |   |
| Solid waste charges   | \$ 1,133,708     | \$ 1,156,332       | \$ 22,624                                     |
| Other operating revenues  | 149,402          | 133,393            | (16,009)                                      |
| Total operating revenues  | <u>1,283,110</u> | <u>1,289,725</u>   | <u>6,615</u>                                  |
| Non-operating revenues:   |                  |                    |   |
| Grant funds   | 3,000            | -                  | (3,000)                                       |
| Sale of property  |                  |                    | -   |
| Investment earnings   | 1,000            | 2,566              | 1,566   |
| Total revenues  | <u>1,287,110</u> | <u>1,292,291</u>   | <u>5,181</u>                                  |
| Expenditures:   |                  |                    |   |
| Salaries and employee benefits  | 508,620          | 479,046            | 29,574  |
| Other operating expenditures  | 856,034          | 827,115            | 28,919  |
| Capital outlay  | 40,800           | -                  | 40,800  |
| Total expenditures  | <u>1,405,454</u> | <u>1,306,161</u>   | <u>99,293</u>                                 |
| Revenues and other financing sources over (under)<br>expenditures and other financing uses                                | (118,344)        | (13,870)           | 104,474                                       |
| Appropriated fund balance   | <u>118,344</u>   | <u>-</u>           | <u>(118,344)</u>                              |
| Revenues, other financing sources, and appropriated<br>fund balance over (under) expenditures and other<br>financing uses | <u>\$ -</u>      | <u>\$ (13,870)</u> | <u>\$ (13,870)</u>                            |
| Reconciliation of modified accrual basis<br>to full accrual basis:  |                  |                    |   |
| Revenues and other financing sources<br>over (under) expenditures and other financing uses                                |                  | \$ (13,870)        |   |
| Cost of assets disposed   |                  |                    |   |
| Capital contributions   |                  | 17,619             |   |
| Contributions made to the pension plan in the current year  |                  | 11,636             |   |
| Depreciation  |                  | (1,461)            |   |
| Pension expense   |                  | <u>(855)</u>       |   |
| Change in net position  |                  | <u>\$ 13,069</u>   |   |

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## AGENCY FUNDS

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

The following comprise the County's Agency Funds:

- *Town of Broadway* - Accounts for tax revenues collected on behalf of the Town of Broadway.
- *City of Sanford* - Accounts for tax revenues collected on behalf of the City of Sanford.
- *Central Business District* - Accounts for tax revenues collected on behalf of the Central Business District.
- *Fines and Forfeitures Fund* - This fund accounts for fines and forfeitures collected by the County that are required to be remitted to the Lee County Board of Education.
- *Social Services Payee Accounts* - Accounts for monies held by Social Services Department for the benefit of certain individuals in the County.
- *Jail Inmate Trust Accounts* - Accounts for monies held by the jail for the benefit of the inmates.
- *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, 2015**

|  | Balance<br>July 1, 2014 | Additions            | Deductions           | Balance<br>June 30, 2015 |
|--|-------------------------|----------------------|----------------------|--------------------------|
| <b>TOWN OF BROADWAY</b>                |                         |                      |                      |                          |
| Assets:                                |                         |                      |                      |                          |
| Cash, cash equivalents and investments | \$ 6,947                | \$ 387,734           | \$ 383,962           | \$ 10,719                |
| Accounts receivable                    | 3,277                   | 3,208                | 3,277                | 3,208                    |
| Taxes receivable                       | <u>15,784</u>           | <u>339,809</u>       | <u>344,417</u>       | <u>11,176</u>            |
| Total assets                           | <u>\$ 26,008</u>        | <u>\$ 730,751</u>    | <u>\$ 731,656</u>    | <u>\$ 25,103</u>         |
| Liabilities:                           |                         |                      |                      |                          |
| Due to tax district                    | <u>\$ 26,008</u>        | <u>\$ 730,751</u>    | <u>\$ 731,656</u>    | <u>\$ 25,103</u>         |
| <b>CITY OF SANFORD</b>                 |                         |                      |                      |                          |
| Assets:                                |                         |                      |                      |                          |
| Cash, cash equivalents and investments | \$ -                    | \$ 16,692,824        | \$ 16,685,948        | \$ 6,876                 |
| Accounts receivable                    | 82,272                  | 90,556               | 82,272               | 90,556                   |
| Taxes receivable                       | <u>571,566</u>          | <u>15,619,328</u>    | <u>15,679,302</u>    | <u>511,592</u>           |
| Total assets                           | <u>\$ 653,838</u>       | <u>\$ 32,402,708</u> | <u>\$ 32,447,522</u> | <u>\$ 609,024</u>        |
| Liabilities:                           |                         |                      |                      |                          |
| Due to tax district                    | <u>\$ 653,838</u>       | <u>\$ 32,402,708</u> | <u>\$ 32,447,522</u> | <u>\$ 609,024</u>        |
| <b>CENTRAL BUSINESS DISTRICT</b>       |                         |                      |                      |                          |
| Assets:                                |                         |                      |                      |                          |
| Cash, cash equivalents and investments | \$ 204                  | \$ 203,807           | \$ 203,673           | \$ 338                   |
| Accounts receivable                    | 100                     | 55                   | 100                  | 55                       |
| Taxes receivable                       | <u>5,892</u>            | <u>54,266</u>        | <u>53,799</u>        | <u>6,359</u>             |
| Total assets                           | <u>\$ 6,196</u>         | <u>\$ 258,128</u>    | <u>\$ 257,572</u>    | <u>\$ 6,752</u>          |
| Liabilities:                           |                         |                      |                      |                          |
| Due to tax district                    | <u>\$ 6,196</u>         | <u>\$ 258,128</u>    | <u>\$ 257,572</u>    | <u>\$ 6,752</u>          |
| <b>FINES AND FORFEITURES</b>           |                         |                      |                      |                          |
| Assets:                                |                         |                      |                      |                          |
| Intergovernmental receivable           | <u>\$ 11,427</u>        | <u>\$ 161,612</u>    | <u>\$ 165,178</u>    | <u>\$ 7,861</u>          |
| Liabilities:                           |                         |                      |                      |                          |
| Intergovernmental payable              | <u>\$ 11,427</u>        | <u>\$ 161,612</u>    | <u>\$ 165,178</u>    | <u>\$ 7,861</u>          |
| <b>SOCIAL SERVICES PAYEE ACCOUNTS</b>  |                         |                      |                      |                          |
| Assets:                                |                         |                      |                      |                          |
| Cash, cash equivalents and investments | <u>\$ 19,980</u>        | <u>\$ 445,104</u>    | <u>\$ 444,574</u>    | <u>\$ 20,510</u>         |
| Liabilities:                           |                         |                      |                      |                          |
| Due to participants                    | <u>\$ 19,980</u>        | <u>\$ 445,104</u>    | <u>\$ 444,574</u>    | <u>\$ 20,510</u>         |

**LEE COUNTY, NORTH CAROLINA**  
**Agency Funds - Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2015**

|  | Balance<br><u>July 1, 2014</u> | <u>Additions</u>     | <u>Deductions</u>    | Balance<br><u>June 30, 2015</u> |
|--|--------------------------------|----------------------|----------------------|---------------------------------|
| <b>JAIL INMATE TRUST ACCOUNTS</b>      |                                |                      |                      |                                 |
| Assets:                                |                                |                      |                      |                                 |
| Cash, cash equivalents and investments | \$ 37,591                      | \$ 135,033           | \$ 147,504           | \$ 25,120                       |
| Liabilities:                           |                                |                      |                      |                                 |
| Due to participants                    | \$ 37,591                      | \$ 135,033           | \$ 147,504           | \$ 25,120                       |
| <b>MENTAL HEALTH INSURANCE</b>         |                                |                      |                      |                                 |
| Assets:                                |                                |                      |                      |                                 |
| Cash, cash equivalents and investments | \$ 209,365                     | \$ 337               | \$ 61,299            | \$ 148,403                      |
| Accrued interest receivable            | 129                            | 146                  | 129                  | 146                             |
| Total assets                           | <u>\$ 209,494</u>              | <u>\$ 483</u>        | <u>\$ 61,428</u>     | <u>\$ 148,549</u>               |
| Liabilities:                           |                                |                      |                      |                                 |
| Due to participants                    | \$ 209,494                     | \$ 483               | \$ 61,428            | \$ 148,549                      |
| Total liabilities                      | <u>\$ 209,494</u>              | <u>\$ 483</u>        | <u>\$ 61,428</u>     | <u>\$ 148,549</u>               |
| <b>COMBINING TOTALS</b>                |                                |                      |                      |                                 |
| Assets:                                |                                |                      |                      |                                 |
| Cash and investments                   | \$ 274,087                     | \$ 17,864,839        | \$ 17,926,960        | \$ 211,966                      |
| Accounts receivable                    | 97,076                         | 255,431              | 250,827              | 101,680                         |
| Taxes receivable                       | 593,242                        | 16,013,403           | 16,077,518           | 529,127                         |
| Accrued interest receivable            | 129                            | 146                  | 129                  | 146                             |
| Total assets                           | <u>\$ 964,534</u>              | <u>\$ 34,133,819</u> | <u>\$ 34,255,434</u> | <u>\$ 842,919</u>               |
| Liabilities:                           |                                |                      |                      |                                 |
| Due to participants                    | \$ 267,065                     | \$ 580,620           | \$ 653,506           | \$ 194,179                      |
| Intergovernmental payable              | 11,427                         | 161,612              | 165,178              | 7,861                           |
| Due to tax district                    | 686,042                        | 33,391,587           | 33,436,750           | 640,879                         |
| Total liabilities                      | <u>\$ 964,534</u>              | <u>\$ 34,133,819</u> | <u>\$ 34,255,434</u> | <u>\$ 842,919</u>               |

# OTHER SCHEDULES

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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, 2015**

| Fiscal Year                                     | Uncollected<br>Balance<br>June 30, 2014 | Additions                   | Collections<br>and Credits  | Uncollected<br>Balance<br>June 30, 2015 |
|---|---|-----------------------------|-----------------------------|---|
| 2014-15   | \$ -                                    | \$ 36,363,858               | \$ 35,935,577               | \$ 428,281                              |
| 2013-14   | 524,875                                 | -                           | 350,624                     | 174,251                                 |
| 2012-13   | 423,763                                 | -                           | 101,273                     | 322,490                                 |
| 2011-12   | 141,390                                 | -                           | 38,706                      | 102,684                                 |
| 2010-11   | 120,756                                 | -                           | 35,328                      | 85,428                                  |
| 2009-10   | 272,308                                 | -                           | 20,132                      | 252,176                                 |
| 2008-09   | 97,242                                  | -                           | 13,438                      | 83,804                                  |
| 2007-08   | 91,494                                  | -                           | 10,423                      | 81,071                                  |
| 2006-07   | 87,039                                  | -                           | 9,836                       | 77,203                                  |
| 2005-06   | 85,192                                  | -                           | 5,470                       | 79,722                                  |
| 2004-05   | 68,800                                  | -                           | 68,800                      | -                                       |
| <b>Total</b>                                    | <b><u>\$ 1,912,859</u></b>              | <b><u>\$ 36,363,858</u></b> | <b><u>\$ 36,589,607</u></b> | <b>1,687,110</b>                        |
| Less allowance for uncollected taxes receivable |   |                             |                             | <u>(653,689)</u>                        |
| Ad valorem taxes receivable (net)               |   |                             |                             | <b><u>\$ 1,033,421</u></b>              |
| Reconciliation with revenues:                   |   |                             |                             |   |
| Ad valorem collections and credits              |   |                             |                             | \$ 36,589,607                           |
| Penalties and interest                          |   |                             |                             | 236,758                                 |
| Advertisement and collection fees               |   |                             |                             | 68,015                                  |
| Taxes written off                               |   |                             |                             | (65,141)                                |
| Releases  |   |                             |                             | <u>(173,182)</u>                        |
| Total ad valorem collections and credits        |   |                             |                             | <b><u>\$ 36,656,057</u></b>             |

**LEE COUNTY, NORTH CAROLINA**  
**Analysis of Current Tax Levy - County-Wide Levy**  
**For the Fiscal Year Ended June 30, 2015**

|   | County-Wide             |         |                      | Total Levy   |                                 |
|---|-------------------------|---------|----------------------|--|---------------------------------|
|   | Property<br>Valuation   | Rate    | Amount<br>of Levy    | Property<br>Excluding<br>Registered<br>Motor<br>Vehicles | Registered<br>Motor<br>Vehicles |
|   | Original levy:          |         |                      |  |                                 |
| Property taxed at current year's rate   | \$ 5,026,917,098        | \$ 0.72 | \$ 36,194,981        | \$ 33,122,171  | \$ 3,072,810                    |
| Penalties                               | -                       |         | 53,884               | 53,884   | -                               |
| Total                                   | <u>5,026,917,098</u>    |         | <u>36,248,865</u>    | <u>33,176,055</u>  | <u>3,072,810</u>                |
| Discoveries:                            |                         |         |                      |  |                                 |
| Current year taxes                      | 32,402,370              |         | 233,741              | 233,741  | -                               |
| Penalties                               | -                       |         | 2,503                | 2,503  | -                               |
| Total                                   | <u>32,402,370</u>       |         | <u>236,244</u>       | <u>236,244</u>   | <u>-</u>                        |
| Abatements                              | <u>(16,770,795)</u>     |         | <u>(121,251)</u>     | <u>(120,954)</u>   | <u>(297)</u>                    |
| Total property valuation                | <u>\$ 5,042,548,673</u> |         |                      |  |                                 |
| Net levy                                |                         |         | 36,363,858           | 33,291,345   | 3,072,513                       |
| Less uncollected taxes at June 30, 2015 |                         |         | <u>428,281</u>       | <u>427,794</u>   | <u>487</u>                      |
| Current year's taxes collected          |                         |         | <u>\$ 35,935,577</u> | <u>\$ 32,863,551</u>                                     | <u>\$ 3,072,026</u>             |
| Current levy collection percentage      |                         |         | <u>98.82%</u>        | <u>98.71%</u>  | <u>99.98%</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    |                 |                 |                 |                 |                 |                 |                 |                 |                 |
|---|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | 2006           | 2007            | 2008            | 2009            | 2010            | 2011            | 2012            | 2013            | 2014            | 2015            |
| <b>Governmental activities</b>              |                |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Net investment in capital assets            | \$ 12,873,381  | \$ 12,814,728   | \$ 14,782,003   | \$ 15,942,735   | \$ 16,934,589   | \$ 16,604,704   | \$ 16,682,007   | \$ 17,390,002   | \$ 18,177,941   | \$ 17,265,494   |
| Restricted                                  | 5,188,730      | 24,159,356      | 9,520,433       | 5,861,444       | 24,602,272      | 16,287,232      | 8,545,563       | 6,865,388       | 8,195,677       | 7,493,750       |
| Unrestricted                                | (24,340,269)   | (47,851,898)    | (43,979,888)    | (45,568,414)    | (65,372,458)    | (68,466,530)    | (65,501,706)    | (62,897,286)    | (58,455,323)    | (52,851,570)    |
| Total Governmental activities net position  | \$ (6,278,158) | \$ (10,877,814) | \$ (19,677,452) | \$ (23,764,235) | \$ (23,835,597) | \$ (35,574,594) | \$ (40,274,136) | \$ (38,641,896) | \$ (32,081,705) | \$ (28,092,326) |
| <b>Business-type activities</b>             |                |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Net investment in capital assets            | \$ 782,962     | \$ 723,230      | \$ 687,644      | \$ 603,465      | \$ 555,393      | \$ 528,993      | \$ 632,259      | \$ 614,282      | \$ 572,790      | \$ 588,948      |
| Unrestricted                                | 929,153        | 896,854         | 742,773         | 717,262         | 780,287         | 1,213,741       | 823,128         | 906,162         | 988,968         | 973,512         |
| Total business-type activities net position | \$ 1,712,115   | \$ 1,620,084    | \$ 1,430,417    | \$ 1,320,727    | \$ 1,335,680    | \$ 1,742,734    | \$ 1,455,387    | \$ 1,520,444    | \$ 1,571,758    | \$ 1,562,460    |
| <b>Primary government</b>                   |                |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Net investment in capital assets            | \$ 13,656,343  | \$ 13,537,958   | \$ 15,469,647   | \$ 16,546,200   | \$ 17,489,982   | \$ 17,133,697   | \$ 17,314,266   | \$ 18,004,284   | \$ 18,750,731   | \$ 17,854,442   |
| Restricted                                  | 5,188,730      | 24,159,356      | 9,520,433       | 5,861,444       | 24,602,272      | 16,287,232      | 8,545,563       | 6,865,388       | 8,195,677       | 7,493,750       |
| Unrestricted                                | (23,411,116)   | (46,955,044)    | (43,237,115)    | (44,851,152)    | (64,592,171)    | (67,252,789)    | (64,678,578)    | (61,991,124)    | (57,456,355)    | (51,878,058)    |
| Total primary government net position       | \$ (4,566,043) | \$ (9,257,730)  | \$ (18,247,035) | \$ (22,443,508) | \$ (22,499,917) | \$ (33,831,860) | \$ (38,818,749) | \$ (37,121,452) | \$ (30,509,947) | \$ (26,529,866) |

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

|  | Fiscal Year   |               |               |               |               |               |               |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 2006          | 2007          | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          | 2015          |
| <b>Expenses</b>                                |               |               |               |               |               |               |               |               |               |               |
| Governmental activities:                       |               |               |               |               |               |               |               |               |               |               |
| General government                             | \$ 7,468,078  | \$ 6,831,197  | \$ 7,266,396  | \$ 7,841,687  | \$ 7,118,954  | \$ 6,641,567  | \$ 6,932,677  | \$ 6,790,426  | \$ 7,876,229  | \$ 9,936,237  |
| Public safety                                  | 7,690,828     | 8,247,248     | 9,837,560     | 10,404,645    | 10,362,318    | 11,531,800    | 11,803,023    | 11,947,065    | 11,952,806    | 10,081,361    |
| Economic and physical development              | 2,254,367     | 2,338,709     | 2,486,334     | 3,223,747     | 2,514,333     | 5,132,274     | 2,059,885     | 1,772,585     | 1,656,954     | 1,484,068     |
| Human services                                 | 15,611,730    | 16,751,156    | 16,711,241    | 16,220,585    | 14,919,267    | 14,537,884    | 14,269,531    | 14,442,568    | 14,040,325    | 14,391,192    |
| Cultural and recreation                        | 1,593,900     | 1,618,181     | 1,724,553     | 1,477,550     | 1,373,943     | 1,196,701     | 1,902,627     | 1,949,369     | 1,950,048     | 1,863,284     |
| Education                                      | 17,237,457    | 25,806,322    | 32,346,713    | 25,315,120    | 21,757,882    | 33,185,635    | 26,376,671    | 21,186,425    | 19,340,979    | 19,247,541    |
| Interest on long-term debt                     | 2,079,230     | 2,750,737     | 3,148,880     | 2,392,606     | 2,895,420     | 3,963,967     | 5,018,211     | 3,061,821     | 2,892,500     | 2,651,952     |
| Total governmental activities expenses         | 53,935,590    | 64,343,550    | 73,521,677    | 66,875,940    | 60,942,117    | 76,189,828    | 68,362,625    | 61,150,259    | 59,709,841    | 59,657,635    |
| Business-type activities:                      |               |               |               |               |               |               |               |               |               |               |
| Water & Sewer                                  | -             | -             | -             | -             | -             | 87,333        | -             | -             | -             | -             |
| Solid Waste Management Fund                    | 1,278,856     | 1,338,577     | 1,483,935     | 1,285,805     | 1,203,132     | 1,912,516     | 1,504,714     | 1,237,744     | 1,263,931     | 1,296,841     |
| Total business-type activities                 | 1,278,856     | 1,338,577     | 1,483,935     | 1,285,805     | 1,203,132     | 1,999,849     | 1,504,714     | 1,237,744     | 1,263,931     | 1,296,841     |
| Total primary government expenses              | \$ 55,214,446 | \$ 65,682,127 | \$ 75,005,612 | \$ 68,161,745 | \$ 62,145,249 | \$ 78,189,677 | \$ 69,867,339 | \$ 62,388,003 | \$ 60,973,772 | \$ 60,954,476 |
| <b>Program Revenues</b>                        |               |               |               |               |               |               |               |               |               |               |
| Governmental activities:                       |               |               |               |               |               |               |               |               |               |               |
| Charges for services:                          |               |               |               |               |               |               |               |               |               |               |
| General government                             | \$ 582,616    | \$ 568,023    | \$ 580,535    | \$ 520,029    | \$ 633,416    | \$ 576,595    | \$ 602,571    | \$ 565,921    | \$ 603,302    | \$ 602,554    |
| Public safety                                  | 394,025       | 371,425       | 470,031       | 440,824       | 357,693       | 421,370       | 601,510       | 407,380       | 465,132       | 690,851       |
| Economic and physical development              | -             | -             | -             | -             | -             | -             | 531,299       | 37,102        | 93,218        | 93,703        |
| Human services                                 | 1,100,019     | 1,709,299     | 1,850,002     | 1,765,932     | 1,444,210     | 1,376,086     | 1,816,357     | 1,803,849     | 1,567,324     | 1,549,894     |
| Culture and recreation                         | 242,311       | 239,098       | 265,482       | 282,423       | 292,032       | 302,387       | 327,216       | 377,259       | 364,711       | 351,984       |
| Operating grants and contributions:            |               |               |               |               |               |               |               |               |               |               |
| General government                             | 34,262        | -             | 48,630        | 1,167         | 27,020        | -             | 133,542       | 27,162        | 5,225         | -             |
| Public safety                                  | 272,347       | 607,251       | 212,644       | 192,922       | 470,652       | 1,181,312     | 265,945       | 172,022       | 158,622       | 154,869       |
| Economic and physical development              | 54,745        | 3,620         | 2,025         | 5,232         | 15,756        | 539,489       | 46,162        | 38,887        | 28,676        | 30,063        |
| Human services                                 | 7,729,970     | 7,607,904     | 7,563,866     | 8,166,703     | 8,328,997     | 8,168,364     | 8,074,593     | 7,598,300     | 7,809,089     | 8,415,978     |
| Culture and recreation                         | 137,155       | 277,361       | 742,415       | 410,360       | 108,007       | 107,862       | 136,190       | 118,130       | 133,987       | 143,948       |
| Capital grants and contributions:              |               |               |               |               |               |               |               |               |               |               |
| Economic and physical development              | -             | 3,197         | 442,330       | 15,721        | 236,587       | 147,692       | -             | 128,823       | 1,077,388     | 415,278       |
| Education                                      | 428,283       | 732,142       | 908,204       | 1,610,205     | 1,308,937     | 1,076,802     | 845,602       | 832,354       | 398,834       | 176,571       |
| Total governmental activities program revenues | 10,975,733    | 12,119,320    | 13,086,164    | 13,411,518    | 13,223,307    | 13,897,959    | 13,380,987    | 12,107,189    | 12,705,508    | 12,625,693    |

(Continued)

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

|   | Fiscal Year (1) |                 |                 |                 |                 |                 |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | 2006            | 2007            | 2008            | 2009            | 2010            | 2011            | 2012            | 2013            | 2014            | 2015            |
| <b>Program Revenues (continued)</b>                       |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Business-type activities (continued)                      |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Charges for services:                                     |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Water & Sewer   | 1,103,943       | 1,151,100       | 1,213,702       | 1,189,675       | 1,211,244       | 1,231,441       | 1,378,793       | 1,282,794       | 1,281,492       | 1,289,725       |
| Solid Waste Management Fund                               | 21,275          | 9,440           | -               | -               | -               | 1,086,446       | (163,590)       | 6,271           | -               | -               |
| Operating grants and contributions:                       |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Solid Waste Management Fund                               | -               | -               | -               | -               | -               | 84,481          | -               | 9,408           | 31,794          | 17,619          |
| Capital grants and contributions:                         |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Water & Sewer   | -               | -               | -               | 23,090          | -               | -               | -               | -               | 1,313,286       | 1,307,344       |
| Solid Waste Management Fund                               | 1,125,218       | 1,160,540       | 1,213,702       | 1,212,765       | 1,211,244       | 2,402,368       | 1,215,203       | 1,298,473       | 1,313,286       | 1,307,344       |
| Total business-type activities program revenues           | \$ 12,100,951   | \$ 13,279,860   | \$ 14,299,866   | \$ 14,624,283   | \$ 14,434,551   | \$ 16,300,327   | \$ 14,596,190   | \$ 13,405,662   | \$ 14,018,794   | \$ 13,933,037   |
| Total primary governmental program revenues               | \$ 42,959,857   | \$ 52,224,230   | \$ 60,435,513   | \$ 53,464,422   | \$ 47,718,810   | \$ 62,291,869   | \$ 54,981,638   | \$ 49,043,070   | \$ 47,004,333   | \$ 47,031,942   |
| Net (expense)/revenue                                     | (153,638)       | (178,037)       | (270,233)       | (73,040)        | 8,112           | 402,519         | (289,511)       | 60,729          | 49,355          | 10,503          |
| Governmental activities                                   | \$ (43,113,495) | \$ (52,402,267) | \$ (60,705,746) | \$ (53,537,462) | \$ (47,710,698) | \$ (61,889,350) | \$ (55,271,149) | \$ (48,982,341) | \$ (46,954,978) | \$ (47,021,439) |
| Business-type activities                                  | \$ 42,959,857   | \$ 52,224,230   | \$ 60,435,513   | \$ 53,464,422   | \$ 47,718,810   | \$ 62,291,869   | \$ 54,981,638   | \$ 49,043,070   | \$ 47,004,333   | \$ 47,031,942   |
| Total primary governmental net (expense)/revenue          | \$ (43,113,495) | \$ (52,402,267) | \$ (60,705,746) | \$ (53,537,462) | \$ (47,710,698) | \$ (61,889,350) | \$ (55,271,149) | \$ (48,982,341) | \$ (46,954,978) | \$ (47,021,439) |
| <b>General Revenues and Other Changes in Net Position</b> |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Governmental activities:                                  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Taxes   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Ad valorem taxes  | \$ 32,669,298   | \$ 33,789,800   | \$ 36,950,111   | \$ 38,085,136   | \$ 38,461,492   | \$ 39,041,333   | \$ 38,262,524   | \$ 38,746,149   | \$ 39,881,877   | \$ 39,031,800   |
| Sales taxes   | 9,481,892       | 10,616,103      | 11,547,687      | 8,998,757       | 7,428,181       | 8,835,342       | 9,349,289       | 9,616,974       | 10,914,491      | 11,460,940      |
| Other taxes   | 923,238         | 991,200         | 1,017,318       | 1,038,496       | 995,663         | 1,011,763       | 862,624         | 957,636         | 993,713         | 980,747         |
| Unrestricted grants and contributions                     | 52,632          | 58,482          | 61,341          | 61,237          | 19,829          | 1,039,083       | 986,463         | 923,478         | 868,772         | 836,002         |
| Investment earnings                                       | 846,030         | 1,787,096       | 1,567,655       | 551,572         | 194,719         | 140,549         | 99,881          | 79,463          | 53,938          | 51,102          |
| Miscellaneous   | 426,945         | 381,893         | 491,763         | 642,441         | 547,564         | 484,803         | 721,314         | 891,799         | 851,733         | 918,628         |
| Transfers   | 42,165          | -               | -               | -               | -               | -               | -               | -               | -               | -               |
| Special item - loss on disposal of capital asset          | -               | -               | -               | -               | -               | -               | -               | -               | -               | (503,028)       |
| Total governmental activities                             | \$ 44,442,200   | \$ 47,624,574   | \$ 51,635,875   | \$ 49,377,639   | \$ 47,647,448   | \$ 50,552,873   | \$ 50,282,095   | \$ 51,215,499   | \$ 53,564,524   | \$ 52,776,191   |
| Business-type activities:                                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Investment earnings                                       | 36,291          | 51,337          | 49,102          | 22,087          | 6,841           | 4,535           | 2,164           | 4,328           | 1,959           | 2,566           |
| Miscellaneous   | 96,478          | 34,669          | 31,464          | (58,737)        | -               | -               | -               | -               | -               | -               |
| Gain (Loss) on disposal of capital assets                 | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               |
| Transfers   | -               | -               | -               | (36,650)        | 6,841           | 4,535           | 2,164           | 4,328           | 1,959           | 2,566           |
| Total business-type activities                            | \$ 132,769      | \$ 86,006       | \$ 80,566       | \$ (36,650)     | \$ 6,841        | \$ 4,535        | \$ 2,164        | \$ 4,328        | \$ 1,959        | \$ 2,566        |
| Total primary government                                  | \$ 44,574,969   | \$ 47,710,580   | \$ 51,716,441   | \$ 49,340,989   | \$ 47,654,289   | \$ 50,557,408   | \$ 50,284,259   | \$ 51,219,827   | \$ 53,566,483   | \$ 52,778,757   |
| <b>Change in Net Position</b>                             |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Governmental activities                                   | \$ 1,482,343    | \$ (4,599,656)  | \$ (8,799,638)  | \$ (4,086,783)  | \$ (71,362)     | \$ (11,738,996) | \$ (4,699,543)  | \$ 2,172,429    | \$ 6,560,191    | \$ 5,744,249    |
| Business-type activities                                  | (20,869)        | (92,031)        | (189,667)       | (109,690)       | 14,953          | 407,054         | (287,347)       | 65,057          | 51,314          | 13,069          |
| Total primary government                                  | \$ 1,461,474    | \$ (4,691,687)  | \$ (8,989,305)  | \$ (4,196,473)  | \$ (56,409)     | \$ (11,331,942) | \$ (4,986,890)  | \$ 2,237,486    | \$ 6,611,505    | \$ 5,757,318    |

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

|   | Fiscal Year          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2006                 | 2007                 | 2008                 | 2009                 | 2010                 | 2011                 | 2012                 | 2013                 | 2014                 | 2015                 |
| <b>General Fund</b>                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Reserved                                  | \$ 4,383,855         | \$ 4,537,451         | \$ 4,872,074         | \$ 4,770,633         | \$ 4,065,649         | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Unreserved                                |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Designated                                | 2,449,864            | 2,104,290            | 2,903,446            | 1,625,099            | 2,692,973            | -                    | -                    | -                    | -                    | -                    |
| Undesignated                              | 6,258,524            | 8,000,060            | 8,053,905            | 9,327,392            | 9,412,184            | 5,739,619            | 5,031,218            | 5,098,201            | 5,348,139            | 5,700,629            |
| Restricted                                | -                    | -                    | -                    | -                    | -                    | 571,788              | 83,165               | 91,504               | 104,088              | 195,217              |
| Committed                                 | -                    | -                    | -                    | -                    | -                    | 3,319,880            | 2,780,915            | 2,900,506            | 2,596,759            | 1,644,812            |
| Assigned                                  | -                    | -                    | -                    | -                    | -                    | 6,199,709            | 7,555,399            | 6,367,601            | 8,233,005            | 9,197,066            |
| Unassigned                                | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| <b>Total General Fund</b>                 | <b>\$ 13,092,243</b> | <b>\$ 14,641,801</b> | <b>\$ 15,829,425</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>All Other Governmental Funds</b>       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Reserved                                  | \$ 852,476           | \$ 12,167,520        | \$ 1,349,397         | \$ 1,148,006         | \$ 20,368,705        | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Unreserved, reported in:                  |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Special revenue funds                     | 3,008,922            | 3,940,717            | 263,851              | 725,620              | 962,853              | -                    | -                    | -                    | -                    | -                    |
| Capital projects funds                    | 2,860,546            | 10,657,904           | 10,861,605           | 5,838,954            | 5,800,570            | -                    | -                    | -                    | -                    | -                    |
| Restricted in special revenue funds       | -                    | -                    | -                    | -                    | -                    | 1,657,138            | 1,192,762            | 1,344,671            | 1,759,187            | 1,784,859            |
| Restricted in capital project funds       | -                    | -                    | -                    | -                    | -                    | 8,890,475            | 1,595,831            | 422,516              | 1,088,351            | 8,261                |
| Committed in special revenue funds        | -                    | -                    | -                    | -                    | -                    | 626,256              | 499,100              | 145,530              | 89,124               | 54,655               |
| 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            |
| Unassigned in capital project funds       | -                    | -                    | -                    | -                    | -                    | (1,758,384)          | (678,992)            | (138,467)            | (1,053,250)          | (87,392)             |
| <b>Total all other governmental funds</b> | <b>\$ 6,721,944</b>  | <b>\$ 26,766,141</b> | <b>\$ 12,474,853</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>  |

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

|  | Fiscal Year           |                      |                        |                       |                      |                        |                       |                       |                     |                     |
|--|-----------------------|----------------------|------------------------|-----------------------|----------------------|------------------------|-----------------------|-----------------------|---------------------|---------------------|
|  | 2006                  | 2007                 | 2008                   | 2009                  | 2010                 | 2011                   | 2012                  | 2013                  | 2014                | 2015                |
| <b>Revenues</b>  |                       |                      |                        |                       |                      |                        |                       |                       |                     |                     |
| Ad valorem taxes   | \$ 32,482,953         | \$ 33,726,758        | \$ 36,956,934          | \$ 38,378,263         | \$ 38,461,649        | \$ 38,903,106          | \$ 38,360,223         | \$ 38,543,096         | \$ 40,322,964       | \$ 39,312,777       |
| Local option sales taxes                                 | 9,481,892             | 10,616,103           | 11,547,687             | 8,998,757             | 7,428,181            | 8,835,342              | 9,349,289             | 9,616,974             | 10,914,491          | 11,460,940          |
| Other taxes and licenses                                 | 1,067,196             | 1,152,882            | 1,112,829              | 1,038,496             | 995,663              | 1,011,763              | 862,624               | 957,636               | 993,713             | 980,747             |
| Unrestricted intergovernmental                           | 52,632                | 58,482               | 61,341                 | 61,237                | 19,829               | 1,039,083              | 986,463               | 926,594               | 872,122             | 839,576             |
| Restricted intergovernmental                             | 8,409,895             | 9,311,520            | 10,046,958             | 11,070,408            | 10,888,163           | 11,833,613             | 10,771,349            | 9,516,406             | 10,019,358          | 9,868,897           |
| Permits and fees   | 363,334               | 367,884              | 318,936                | 257,674               | 247,270              | 245,800                | 260,112               | 274,388               | 247,840             | 245,761             |
| Sales and services                                       | 2,088,930             | 2,120,353            | 2,740,167              | 2,241,257             | 2,138,255            | 2,042,916              | 2,711,531             | 2,698,461             | 2,697,581           | 2,732,181           |
| Investment earnings                                      | 846,030               | 1,787,096            | 1,567,654              | 551,572               | 194,719              | 140,549                | 99,881                | 79,463                | 53,938              | 51,102              |
| Miscellaneous  | 499,687               | 599,192              | 472,031                | 599,013               | 499,379              | 401,048                | 469,048               | 481,208               | 702,389             | 795,310             |
| <b>Total revenues</b>                                    | <b>55,292,549</b>     | <b>59,740,270</b>    | <b>64,824,537</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>Expenditures</b>                                      |                       |                      |                        |                       |                      |                        |                       |                       |                     |                     |
| General government                                       | 6,684,886             | 6,628,376            | 7,234,685              | 7,209,472             | 6,588,680            | 7,214,203              | 7,168,476             | 7,963,598             | 7,835,545           | 7,643,351           |
| Public safety  | 7,477,227             | 7,769,698            | 9,540,060              | 9,531,085             | 9,551,377            | 10,900,640             | 11,045,336            | 10,556,249            | 11,380,817          | 12,143,555          |
| Economic and physical development                        | 1,840,574             | 1,875,938            | 1,600,880              | 1,895,074             | 1,705,337            | 3,124,604              | 1,938,528             | 1,694,090             | 1,544,676           | 1,238,614           |
| Human services   | 15,501,884            | 16,738,792           | 16,820,123             | 15,557,648            | 14,110,098           | 13,980,608             | 13,842,381            | 13,854,907            | 13,721,163          | 14,356,332          |
| Education  | 14,798,332            | 15,613,181           | 16,963,573             | 20,590,862            | 19,782,743           | 19,564,162             | 20,133,096            | 20,489,694            | 19,060,363          | 19,167,781          |
| Cultural and recreational                                | 1,776,748             | 1,849,485            | 2,413,544              | 1,879,941             | 1,767,244            | 1,847,347              | 1,888,518             | 1,752,726             | 1,747,045           | 1,793,665           |
| Capital outlay   | 2,939,387             | 11,182,843           | 16,177,723             | 5,782,341             | 2,988,719            | 15,715,193             | 6,339,325             | 1,691,124             | 1,163,021           | 660,198             |
| Debt service   |                       |                      |                        |                       |                      |                        |                       |                       |                     |                     |
| Principal  | 3,797,359             | 3,717,087            | 3,729,142              | 4,306,705             | 4,437,974            | 4,392,526              | 4,881,527             | 5,420,857             | 5,405,279           | 5,414,565           |
| Interest and fees  | 2,161,266             | 2,037,429            | 3,448,471              | 2,934,144             | 2,751,770            | 4,142,025              | 5,398,465             | 3,179,076             | 3,016,113           | 2,774,328           |
| <b>Total expenditures</b>                                | <b>56,917,663</b>     | <b>67,412,829</b>    | <b>77,928,201</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>   |
| Excess of revenues over (under) expenditures             | (1,625,114)           | (7,672,559)          | (13,103,664)           | (6,490,595)           | (2,810,834)          | (16,428,088)           | (8,765,132)           | (3,498,095)           | 1,950,374           | 1,094,902           |
| <b>Other financing sources (uses)</b>                    |                       |                      |                        |                       |                      |                        |                       |                       |                     |                     |
| Transfers in   | 2,304,678             | 2,823,572            | 4,240,438              | 5,411,207             | 7,404,416            | 2,968,428              | 1,847,550             | 1,818,131             | 1,200,043           | 2,610,209           |
| Transfers out  | (2,262,513)           | (2,774,572)          | (4,240,438)            | (5,411,207)           | (7,404,416)          | (2,968,428)            | (1,847,550)           | (1,818,131)           | (1,200,043)         | (2,610,209)         |
| Installment purchase issued                              | -                     | -                    | -                      | -                     | -                    | -                      | -                     | 675,000               | -                   | -                   |
| Certificates of participation issued                     | -                     | -                    | -                      | -                     | -                    | -                      | -                     | -                     | -                   | -                   |
| Original issuance premium                                | -                     | 28,355,000           | -                      | -                     | -                    | -                      | -                     | -                     | -                   | -                   |
| Qualified Zone Academy Bonds issued                      | -                     | 862,314              | -                      | -                     | -                    | -                      | -                     | -                     | -                   | -                   |
| Qualified School Construction Bonds issued               | -                     | -                    | -                      | 1,622,021             | 4,000,000            | -                      | -                     | -                     | -                   | -                   |
| Recovery Zone Economic Development                       | -                     | -                    | -                      | -                     | 6,678,064            | -                      | -                     | -                     | -                   | -                   |
| Bonds issued   | -                     | -                    | -                      | -                     | 12,000,000           | -                      | -                     | -                     | -                   | -                   |
| Refunding certificates of participation issued           | -                     | -                    | -                      | -                     | -                    | -                      | 17,022,000            | -                     | -                   | -                   |
| Payment to refunding escrow agent                        | -                     | -                    | -                      | -                     | -                    | -                      | (15,440,000)          | -                     | -                   | -                   |
| Sale of county assets                                    | -                     | -                    | -                      | -                     | -                    | -                      | -                     | -                     | -                   | 800,000             |
| Total other financing sources (uses)                     | 42,165                | 29,266,314           | -                      | 1,622,021             | 22,678,064           | -                      | 1,582,000             | 675,000               | -                   | 800,000             |
| <b>Net change in fund balances</b>                       | <b>\$ (1,582,949)</b> | <b>\$ 21,593,755</b> | <b>\$ (13,103,664)</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> |
| Debt services as a percentage of noncapital expenditures | 10.6%                 | 8.7%                 | 9.4%                   | 10.6%                 | 11.5%                | 10.9%                  | 14.4%                 | 13.4%                 | 13.3%               | 12.8%               |

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

| Fiscal Year | Real Property        |                     | Personal Property | Public Service Companies (1) | Less: Tax Exempt Real Property | Total Taxable Assessed Value | Total Direct Tax Rate (2) | Estimated Actual Taxable Value (3) | Assessed Value as a Percentage of Actual Value |
|-------------|----------------------|---------------------|-------------------|------------------------------|--------------------------------|------------------------------|---------------------------|------------------------------------|--|
|             | Residential Property | Commercial Property |                   |                              |                                |                              |                           |                                    |  |
| 2006        | \$ 2,096,670,300     | \$ 659,680,800      | \$ 1,199,743,255  | \$ 101,758,654               | \$ 139,581,042                 | \$ 3,918,271,967             | 0.79                      | \$ 4,414,954,329                   | 88.75%   |
| 2007        | 2,157,260,462        | 679,908,600         | 1,207,962,419     | 112,251,434                  | 139,678,704                    | 4,017,704,211                | 0.79                      | 4,526,990,660                      | 88.75%   |
| 2008        | 2,292,577,157        | 1,033,165,900       | 1,193,221,817     | 120,626,826                  | 37,898,777                     | 4,601,692,923                | 0.75                      | 4,601,692,923                      | 100.00%  |
| 2009        | 2,594,275,359        | 833,399,480         | 1,205,237,978     | 124,458,265                  | 39,991,203                     | 4,717,379,879                | 0.75                      | 5,021,694,570                      | 93.94%   |
| 2010        | 2,622,808,977        | 850,781,880         | 1,195,236,050     | 123,366,900                  | 44,209,446                     | 4,747,984,361                | 0.75                      | 4,957,694,853                      | 95.77%   |
| 2011        | 2,634,380,868        | 873,830,200         | 1,198,791,941     | 119,918,246                  | 49,289,686                     | 4,777,631,569                | 0.75                      | 4,945,788,374                      | 96.60%   |
| 2012        | 2,646,993,567        | 894,794,400         | 1,159,761,594     | 117,865,942                  | 52,295,319                     | 4,767,120,184                | 0.75                      | 4,839,715,923                      | 98.50%   |
| 2013        | 2,681,678,503        | 904,231,950         | 1,180,223,760     | 116,632,096                  | 53,493,927                     | 4,829,272,382                | 0.75                      | 4,909,293,872                      | 98.37%   |
| 2014        | 2,694,946,922        | 1,038,649,500       | 1,338,835,425     | 114,024,251                  | 54,524,152                     | 5,131,931,946                | 0.72                      | 5,166,547,816                      | 99.33%   |
| 2015        | 2,710,869,570        | 1,046,605,800       | 1,228,580,482     | 112,327,319                  | 55,834,498                     | 5,042,548,673                | 0.72                      | 5,093,483,508                      | 99.00%   |

Source: Lee County Tax Office

Notes:

(1) Public service companies valuations are provided to the County by the North Carolina Department of Revenue. These amounts include both real and personal property.

(2) Per \$100 of value.

(3) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the State Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year.

(4) Property in Lee County is reassessed every four years. The last reassessment was on January 1, 2013.

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

|                                      | 2006    | 2007    | 2008 (1) | 2009    | 2010    | 2011    | 2012    | 2013    | 2014 (1) | 2015    |
|--------------------------------------|---------|---------|----------|---------|---------|---------|---------|---------|----------|---------|
| <b>County:</b>                       |         |         |          |         |         |         |         |         |          |         |
| Lee                                  | \$ 0.79 | \$ 0.79 | \$ 0.75  | \$ 0.75 | \$ 0.75 | \$ 0.75 | \$ 0.75 | \$ 0.75 | \$ 0.72  | \$ 0.72 |
| <b>Municipalities:</b>               |         |         |          |         |         |         |         |         |          |         |
| Town of Broadway                     | 0.490   | 0.470   | 0.440    | 0.440   | 0.440   | 0.440   | 0.440   | 0.440   | 0.440    | 0.440   |
| City of Sanford                      | 0.590   | 0.610   | 0.550    | 0.540   | 0.540   | 0.540   | 0.540   | 0.540   | 0.540    | 0.600   |
| <b>Fire Districts</b>                |         |         |          |         |         |         |         |         |          |         |
| Cameron                              | 0.068   | 0.067   | 0.080    | 0.085   | (4)     | (4)     | (4)     | (4)     | (4)      | (4)     |
| Cape Fear                            | 0.066   | 0.058   | 0.073    | 0.076   | 0.076   | 0.086   | 0.092   | 0.092   | 0.100    | 0.100   |
| Carolina Trace                       | 0.040   | 0.052   | 0.064    | 0.070   | 0.070   | 0.067   | 0.067   | 0.075   | 0.081    | 0.091   |
| Clearwater                           | NA      | NA      | NA       | NA      | NA      | NA      | 0.186   | 0.186   | 0.186    | 0.187   |
| Deep River                           | 0.082   | 0.068   | 0.086    | 0.100   | 0.100   | 0.104   | 0.104   | 0.113   | 0.113    | 0.125   |
| Lemon Springs                        | 0.072   | 0.065   | 0.067    | 0.083   | 0.083   | 0.084   | 0.086   | 0.091   | 0.096    | 0.096   |
| Northview                            | 0.060   | 0.064   | 0.071    | 0.081   | 0.081   | 0.081   | 0.081   | 0.081   | 0.094    | 0.087   |
| Northwest Pocket                     | 0.085   | 0.086   | 0.099    | 0.118   | 0.118   | 0.118   | 0.124   | 0.129   | 0.129    | 0.129   |
| Tramway                              | 0.049   | 0.069   | 0.075    | 0.081   | 0.081   | 0.080   | 0.078   | 0.079   | 0.089    | 0.087   |
| West Sanford                         | 0.082   | 0.091   | 0.086    | 0.109   | 0.109   | (5)     | (5)     | (5)     | (5)      | (5)     |
| <b>Other Districts: (3)</b>          |         |         |          |         |         |         |         |         |          |         |
| Central Business District            | 0.150   | 0.150   | 0.130    | 0.130   | 0.130   | 0.130   | 0.130   | 0.130   | 0.110    | 0.110   |
| Lee County Water & Sewer District #1 | NA      | NA      | NA       | NA      | NA      | NA      | NA      | NA      | NA       | NA      |
| Total Maximum Rate - Fire District   | 0.875   | 0.881   | 0.849    | 0.868   | 0.868   | 0.868   | 0.936   | 0.936   | 0.906    | 0.907   |
| Total Maximum Rate - Municipalities  | 1.530   | 1.550   | 1.430    | 1.420   | 1.420   | 1.420   | 1.420   | 1.420   | 1.370    | 1.430   |

**Notes:**

- (1) Property in Lee County is reassessed every four years. The last reassessment was on January 1, 2013.
- (2) The property tax rates for each of the governments listed above are based on unit-wide tax rates. For each government, certain motor vehicles were taxed at the preceding year's rate.
- (3) The Lee County Water & Sewer District #1 has not enacted property taxes as of June 30, 20145
- (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 2015       |      |  |                        | Fiscal Year 2006 |  |  |  |
|---------------------------------|-----------------------------------|------------------------|------|--|------------------------|------------------|--|--|--|
|                                 |                                   | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank             | Percentage of Total Taxable Assessed Value |  |  |
|                                 |                                   |                        |      |  |                        |                  |  |  |  |
| Pfizer                          | Pharmaceuticals                   | \$ 193,333,689         | 1    | 3.8%                                       | \$ 278,297,903         | 1                | 7.1%                                       |  |  |
| Coty, Inc.                      | Cosmetics                         | 102,297,682            | 2    | 2.0%                                       | 53,628,429             | 3                | 1.4%                                       |  |  |
| Frontier Spinning Mills LLC     | Textiles                          | 78,856,742             | 3    | 1.6%                                       | 35,293,556             | 6                | 0.9%                                       |  |  |
| Donald R. Simpson               | Real Estate                       | 70,808,144             | 4    | 1.4%                                       | 28,963,887             | 9                | 0.7%                                       |  |  |
| Caterpillar                     | Manufactureing                    | 67,093,889             | 5    | 1.3%                                       |                        |                  |  |  |  |
| Duke Energy Progress Inc.       | Utility                           | 46,902,420             | 6    | 0.9%                                       | 34,157,775             | 7                | 0.9%                                       |  |  |
| Magneti Marelli, Inc.           | Automotive Parts                  | 43,985,722             | 7    | 0.9%                                       | 26,988,272             | 10               | 0.7%                                       |  |  |
| Pilgrims Pride                  | Chicken processor                 | 42,807,016             | 8    | 0.8%                                       |                        |                  |  |  |  |
| Static Control                  | Remanufactured printer cartridges | 37,481,432             | 9    | 0.7%                                       |                        |                  |  |  |  |
| Moen, Inc.                      | Plumbing fixtures                 | 36,855,454             | 10   | 0.7%                                       | 37,566,724             | 5                | 1.0%                                       |  |  |
| Windstream Inc.                 | Utility                           | -                      |      | 0.0%                                       | 40,669,990             | 4                | 1.0%                                       |  |  |
| GKN Automotive Components, Inc. | Automotive Parts                  | -                      |      | 0.0%                                       | 74,010,101             | 2                | 1.9%                                       |  |  |
| Commercial Grading, Inc.        | Construction                      | -                      |      | 0.0%                                       | 32,462,189             | 8                | 0.8%                                       |  |  |
| <b>Totals</b>                   |                                   | <b>\$ 720,422,190</b>  |      | <b>14.3%</b>                               | <b>\$ 642,038,826</b>  |                  | <b>16.4%</b>                               |  |  |

Source: Lee County Tax Department

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

| Fiscal Year<br>Ended<br>June 30 | Total<br>Levy for<br>Fiscal Year | Collected within the<br>Fiscal Year of the Levy |                    | Collections in<br>Subsequent Years |                    | Total Collections to Date |                    |
|---------------------------------|----------------------------------|---|--------------------|------------------------------------|--------------------|---------------------------|--------------------|
|                                 |                                  | Amount  | Percentage of Levy | Amount                             | Percentage of Levy | Amount                    | Percentage of Levy |
| 2006                            | \$ 30,865,687                    | \$ 29,860,345                                   | 96.7%              | \$ 943,155                         |                    | \$ 30,803,500             | 99.8%              |
| 2007                            | 31,910,008                       | 30,887,929                                      | 96.8%              | 953,486                            |                    | 31,841,415                | 99.8%              |
| 2008                            | 34,701,980                       | 33,618,528                                      | 96.9%              | 959,212                            |                    | 34,577,740                | 99.6%              |
| 2009                            | 35,560,801                       | 34,701,417                                      | 97.6%              | 782,625                            |                    | 35,484,042                | 99.8%              |
| 2010                            | 35,774,486                       | 34,900,196                                      | 97.6%              | 628,031                            |                    | 35,528,227                | 99.3%              |
| 2011                            | 36,431,441                       | 35,580,416                                      | 97.7%              | 756,371                            |                    | 36,336,787                | 99.7%              |
| 2012                            | 35,810,080                       | 34,992,878                                      | 97.7%              | 692,407                            |                    | 35,685,285                | 99.7%              |
| 2013                            | 36,257,156                       | 35,175,722                                      | 97.0%              | 701,121                            |                    | 35,876,843                | 99.0%              |
| 2014                            | 37,033,563                       | 36,508,688                                      | 98.6%              | 239,671                            |                    | 36,748,359                | 99.2%              |
| 2015                            | 36,363,858                       | 35,935,577                                      | 98.8%              | -                                  |                    | 35,935,577                | 98.8%              |

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

| Fiscal Year | Governmental Activities  |                               |                   |                          | Business-type Activities |                   |                          |                         | Total Primary Government | Percentage of Personal Income (1) | Per Capita (1) |
|-------------|--------------------------|-------------------------------|-------------------|--------------------------|--------------------------|-------------------|--------------------------|-------------------------|--------------------------|-----------------------------------|----------------|
|             | General Obligation Bonds | Certificates of Participation | Installment Loans | General Obligation Bonds | Bond Anticipation Notes  | Installment Loans | General Obligation Bonds | Bond Anticipation Notes |                          |                                   |                |
| 2006        | \$ 16,210,000            | \$ 25,220,000                 | \$ 2,822,304      | \$ -                     | \$ -                     | -                 | \$ -                     | \$ -                    | \$ 44,252,304            | 2.76%                             | \$ 794         |
| 2007        | 13,410,000               | 53,075,000                    | 2,386,899         | -                        | -                        | -                 | -                        | -                       | 68,871,899               | 4.03%                             | 1,210          |
| 2008        | 10,635,000               | 52,575,000                    | 1,932,754         | -                        | -                        | -                 | -                        | -                       | 65,142,754               | 8.03%                             | 1,124          |
| 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               | *                                 | 971            |

\* 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 2014 personal income not available to calculate fiscal year 2015.

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) |
|-------------|--------------------------------------|--|------------------------------------|-----------------------------------|--|----------------|
| 2006        | \$ 16,210,000                        | \$ -                                   | \$ 16,210,000                      | 1.01%                             | 0.41%  | \$ 291         |
| 2007        | 13,410,000                           | -                                      | 13,410,000                         | 0.79%                             | 0.33%  | 236            |
| 2008        | 10,635,000                           | -                                      | 10,635,000                         | 0.59%                             | 0.23%  | 183            |
| 2009        | 7,885,000                            | -                                      | 7,885,000                          | 0.43%                             | 0.17%  | 133            |
| 2010        | 5,085,000                            | -                                      | 5,085,000                          | 0.28%                             | 0.11%  | 84             |
| 2011        | 2,285,000                            | -                                      | 2,285,000                          | 0.12%                             | 0.05%  | 39             |
| 2012        | 735,000                              | -                                      | 735,000                            | 0.04%                             | 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%  | -              |

\* Information not yet available

(1) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Calendar 2014 personal income not available to calculate fiscal year 2015.

(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  |              |              |              |              |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2006         | 2007         | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         |
| Assesses Value of Property  | \$ 3,918,272 | \$ 4,017,704 | \$ 4,601,693 | \$ 4,717,380 | \$ 4,747,984 | \$ 4,777,631 | \$ 4,767,120 | \$ 4,829,272 | \$ 5,131,932 | \$ 5,042,549 |
| Debt Limit, 8% of Assessed Value Statutory Limitation                   | 313,462      | 321,416      | 368,135      | 377,390      | 379,839      | 382,210      | 381,370      | 386,342      | 410,555      | 403,404      |
| Amount of Debt Applicable to Limit                                      |              |              |              |              |              |              |              |              |              |              |
| Gross debt  | 44,252       | 68,872       | 65,143       | 62,458       | 80,698       | 76,306       | 73,006       | 68,260       | 62,855       | 57,440       |
| Less: Debt outstanding for water and sewer purposes                     | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Total net debt applicable to limit                                      | 44,252       | 68,872       | 65,143       | 62,458       | 80,698       | 76,306       | 73,006       | 68,260       | 62,855       | 57,440       |
| Legal debt margin   | \$ 269,210   | \$ 252,544   | \$ 302,992   | \$ 314,932   | \$ 299,141   | \$ 305,904   | \$ 308,364   | \$ 318,082   | \$ 347,700   | \$ 345,964   |
|   | 14.12%       | 21.43%       | 17.70%       | 16.55%       | 21.25%       | 19.96%       | 19.14%       | 17.67%       | 15.31%       | 14.24%       |
| Total net debt applicable to the limit<br>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, 2015**

| <u>Governmental Unit</u>             | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable</u> | <u>Estimated<br/>Share of<br/>Direct and<br/>Underlying<br/>Debt</u> |
|--------------------------------------|-----------------------------|--|--|
| Direct:                              |                             |  |  |
| Lee County                           | \$ 57,957,795               | 100%   | \$ 57,957,795  |
| Total direct debt                    | <u>57,957,795</u>           |  | <u>57,957,795</u>  |
| Underlying Debt:                     |                             |  |  |
| City of Sanford                      | 67,653,673                  | 100%   | 67,653,673   |
| Town of Broadway                     | 381,000                     | 100%   | 381,000  |
| Lee County Water & Sewer District #1 | <u>300,000</u>              | 100%   | <u>300,000</u>   |
| Total underlying debt                | <u>68,334,673</u>           |  | <u>68,334,673</u>  |
| Total direct and overlapping debt    | <u>\$ 126,292,468</u>       |  | <u>\$ 126,292,468</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)</b> | <b>Personal Income (1)<br/>(amounts expressed<br/>in thousands)</b> | <b>Per Capita<br/>Personal<br/>Income (1)</b> | <b>Public<br/>School<br/>Enrollment (2)</b> | <b>Unemployment<br/>Rate (3)</b> |
|--------------------|-----------------------|---|---|---|----------------------------------|
| 2006               | 55,704                | 1,605,399   | 31,444  | 9,219                                       | 5.40%                            |
| 2007               | 56,908                | 1,707,068   | 32,428  | 9,330                                       | 5.60%                            |
| 2008               | 57,973                | 1,811,298   | 33,477  | 9,458                                       | 6.90%                            |
| 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                | *   | *   | 10,062                                      | 7.90%                            |

\* Information not yet available

Notes:

- (1) Bureau of Economic Analysis, U. S. Department of Commerce. Figures are for the prior calendar year.
- (2) Lee County Board of Education
- (3) N.C. Employment Security Commission

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

| Employer                           | Fiscal Year 2015 (1)            |      |                                       | Fiscal Year 2006 |      |                                       |
|------------------------------------|---------------------------------|------|---------------------------------------|------------------|------|---------------------------------------|
|                                    | Approximate Number of Employees | Rank | Percentage of Total County Employment | Employees        | Rank | Percentage of Total County Employment |
| Lee County Schools                 | 1000-1500                       | 1    | 5.40%                                 | 1000-1500        | 3    | 4.93%                                 |
| Pilgrims Pride Corporation         | 500-999                         | 2    | 3.24%                                 | 500-999          | 4    | 2.96%                                 |
| Static Control Components, Inc.    | 500-999                         | 3    | 3.24%                                 | 1000-1500        | 1    | 4.93%                                 |
| Belflex Staffing Network           | 500-999                         | 4    | 3.24%                                 | -                | -    | 0.00%                                 |
| Coty, LLC                          | 500-999                         | 5    | 3.24%                                 | 500-999          | 5    | 2.96%                                 |
| Caterpillar                        | 500-999                         | 6    | 3.24%                                 | 500-999          | 7    | 2.96%                                 |
| Central Carolina Hospital          | 500-999                         | 7    | 3.24%                                 | 500-999          | 8    | 2.96%                                 |
| Pentair Pool Products              | 500-999                         | 8    | 3.24%                                 | 500-999          | 10   | 2.96%                                 |
| Central Carolina Community College | 500-999                         | 9    | 3.24%                                 | -                | -    | 0.00%                                 |
| Frontier Spinning Mills, Inc.      | 500-999                         | 10   | 3.24%                                 | -                | -    | 0.00%                                 |
| Pfizer, Inc.                       | -                               | -    | 0.00%                                 | 1000-1500        | 2    | 4.93%                                 |
| GKN Automotive Components, Inc.    | -                               | -    | 0.00%                                 | 500-999          | 9    | 2.96%                                 |
| Moen, Inc.                         | -                               | -    | 0.00%                                 | 500-999          | 6    | 2.96%                                 |
| <b>Total</b>                       |                                 |      | <b>34.54%</b>                         |                  |      | <b>35.51%</b>                         |

Source: NC Employment Security Commission; total county employment

Notes:

(1) Based on March 2015 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

|                                   | <b>Full-time Equivalent Employees as of June 30</b> |             |             |             |             |             |             |             |             |             |
|-----------------------------------|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Function</b>                   | <b>2006</b>   | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> |
| General government                | 79  | 80          | 80          | 76          | 71          | 72          | 70          | 68          | 72          | 72          |
| Public safety                     | 84  | 85          | 88          | 90          | 86          | 87          | 90          | 92          | 108         | 110         |
| Economic and physical development | 4   | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 2           | 2           |
| Human Services                    | 195   | 195         | 197         | 185         | 176         | 176         | 174         | 174         | 167         | 148         |
| Cultural and recreational         | 38  | 38          | 38          | 36          | 32          | 32          | 31          | 31          | 31          | 31          |
| <b>Total</b>                      | <b>400</b>  | <b>402</b>  | <b>407</b>  | <b>391</b>  | <b>369</b>  | <b>371</b>  | <b>369</b>  | <b>369</b>  | <b>380</b>  | <b>363</b>  |

Source: Lee County Finance Department

Note: The schedule represents the number of approved permanent FTE's as of June 30, 2015.

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

|   | Fiscal Year |         |         |         |         |         |         |         |         |         |
|---|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|   | 2006        | 2007    | 2008    | 2009    | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    |
| Sheriff   |             |         |         |         |         |         |         |         |         |         |
| Civil papers issued   | 8,804       | 10,940  | 10,241  | 10,493  | 10,939  | 11,456  | 10,539  | 4,153   | 7,211   | 7,053   |
| Criminal papers issued  | 5,251       | 4,399   | 4,455   | 4,088   | 4,498   | 2,177   | 3,191   | 2,709   | 2,278   | 2,553   |
| COLTS (County of Lee Transit System)                                  |             |         |         |         |         |         |         |         |         |         |
| Passenger Trips   | 56,612      | 58,535  | 64,864  | 62,454  | 61,763  | 63,579  | 67,138  | 57,786  | 54,542  | 63,228  |
| Senior Services   |             |         |         |         |         |         |         |         |         |         |
| Diners club meals served  | 19,501      | 17,585  | 19,729  | 18,551  | 16,801  | 17,212  | 17,449  | 16,727  | 16,986  | 17,299  |
| Home delivered meals served   | 8,589       | 8,697   | 7,775   | 6,844   | 5,631   | 5,249   | 5,569   | 6,489   | 6,165   | 5,861   |
| Unduplicated persons served using Senior Center Outreach Grant        | 1,915       | 2,205   | 800     | 3,900   | N/A     | N/A     | N/A     | N/A     | N/A     | N/A     |
| Unduplicated persons served using Senior Center General Purpose Grant | 3,517       | 2,900   | 900     | 3,750   | 3,950   | 3,800   | 4,200   | N/A     | N/A     | 2,372   |
| Library   |             |         |         |         |         |         |         |         |         |         |
| Patron visits   | 159,879     | 167,771 | 171,144 | 175,192 | 157,267 | 147,818 | 137,434 | 143,230 | 135,924 | 138,746 |
| Children participating in library programs                            | 14,509      | 10,554  | 7,620   | 8,813   | 8,292   | 6,892   | 6,560   | 4,710   | 4,792   | 5,621   |
| Seniors in outreach program   | 2,474       | 2,256   | 130     | 70      | 75      | 48      | 70      | 70      | 51      | 40      |
| Books in collection   | 142,295     | 144,931 | 146,457 | 147,798 | 146,702 | 148,310 | 137,411 | 135,744 | 121,928 | 130,028 |
| Book circulation  | 128,198     | 128,745 | 128,020 | 135,817 | 125,964 | 123,996 | 115,883 | 103,746 | 96,116  | 97,947  |
| Parks and Recreation  |             |         |         |         |         |         |         |         |         |         |
| Youth recreation:   |             |         |         |         |         |         |         |         |         |         |
| Sports teams  | 115         | 123     | 105     | 110     | 138     | 126     | 125     | 110     | 129     | 117     |
| Participants  | 1,459       | 1,522   | 1,300   | 1,316   | 1,615   | 1,600   | 1,521   | 1,343   | 1,551   | 1,513   |
| Adult recreation:   |             |         |         |         |         |         |         |         |         |         |
| Sports teams  | 41          | 42      | 37      | 40      | 52      | 47      | 32      | 31      | 10      | 6       |
| Participants  | 595         | 600     | 550     | 573     | 710     | 705     | 482     | 500     | 152     | 72      |
| Gymnastics:   |             |         |         |         |         |         |         |         |         |         |
| Participants  | 1,229       | 1,240   | 1,300   | 1,350   | 1,350   | 1,518   | 1,546   | 2,055   | 1,838   | 2,055   |
| San-Lee Park Summer Camps:  |             |         |         |         |         |         |         |         |         |         |
| Participants  | 110         | 127     | 210     | 114     | 145     | 183     | 221     | 244     | 329     | 161     |
| Solid Waste:  |             |         |         |         |         |         |         |         |         |         |
| Waste collected (tons)  | 17,266      | 16,125  | 15,431  | 8,633   | 7,654   | 7,736   | 8,134   | 7,682   | 8,067   | 6,634   |
| Ratio of recyclable to total waste received                           | 18%         | 20%     | 20%     | 26%     | 20%     | 20%     | 24%     | 21%     | 34%     | 23%     |

Sources: Various County departments

Notes:

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

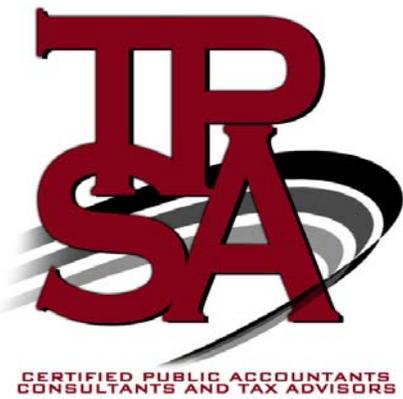
**Lee County, North Carolina  
Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years**

| Function                       | Fiscal Year |             |             |             |             |             |             |             |             |             |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
| Sheriff Protection:            |             |             |             |             |             |             |             |             |             |             |
| Stations                       | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Patrol units                   | 16          | 18          | 20          | 20          | 23          | 21          | 21          | 20          | 20          | 20          |
| 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                   | 327         | 327         | 327         | 337         | 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           | 1           | 1           | 1 (closed)  |
| Convenience Centers            | 6           | 6           | 6           | 6           | 6           | 6           | 6           | 6           | 6           | 6           |
| Education                      |             |             |             |             |             |             |             |             |             |             |
| Schools                        | 13          | 13          | 15          | 15          | 15          | 16          | 16          | 16          | 16          | 16          |
| Teachers                       | 600         | 598         | 606         | 623         | 599         | 612         | 614         | 618         | 625         | 613         |
| Students                       | 9,219       | 9,330       | 9,458       | 9,592       | 9,603       | 9,602       | 9,707       | 9,809       | 10,012      | 10,062      |

Sources: Various County departments. Lee County Board of Education

## COMPLIANCE SECTION

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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, 2015, and the related notes to the financial statements, which collectively comprise the Lee County basic financial statements, and have issued our report thereon dated November 4, 2015.

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.* \_\_\_\_\_

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

Whiteville, NC

November 4, 2015



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  
Circular A-133 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 Circular A-133 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, 2015. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Implementation Act*. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lee County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2015.

## 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 OMB Circular A-133, 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. 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 OMB Circular A-133. 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

November 4, 2015



**Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections OMB Circular A-133 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, 2015. 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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, 2015.

### **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 OMB Circular A-133, 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 OMB Circular A-133. 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

November 4, 2015



LEE COUNTY, NORTH CAROLINA  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015

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

Dollar threshold used to distinguish between  
Type A and Type B Programs \$ 1,935,721

Auditee qualified as low-risk auditee?            \_\_\_ yes            X no

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

Medicaid Cluster

Industrial Development Fund

LEE COUNTY, NORTH CAROLINA  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015

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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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None Reported.

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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, 2015

NONE REPORTED.

**LEE COUNTY, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2015**

| <b>Grantor/Pass-through<br/>Grantor/Program title</b>   | <b>Federal<br/>CFDA<br/>Number</b> | <b>State/<br/>Pass-through<br/>Grantor's<br/>Number</b> | <b>Federal<br/>Expenditures</b> | <b>State<br/>Expenditures</b> | <b>Local<br/>Expenditures</b> |
|---|------------------------------------|---|---------------------------------|-------------------------------|-------------------------------|
| <b><u>FEDERAL GRANTS</u></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 Public Health</b>  |                                    |   |                                 |                               |                               |
| <b>Administration:</b>  |                                    |   |                                 |                               |                               |
| Special Supplemental Nutrition Program for Women, Infants, & Children   | 10.557                             |   | \$ 302,887                      | \$ -                          | \$ -                          |
| <b>Direct Benefit Payments:</b>   |                                    |   |                                 |                               |                               |
| Special Supplemental Nutrition Program for Women, Infants, & Children   | 10.557                             |   | 2,307,155                       | -                             | -                             |
| <b>Passed through N.C. Department of Health and Human Services</b>  |                                    |   |                                 |                               |                               |
| <b>Division of Social Services</b>  |                                    |   |                                 |                               |                               |
| <b>Administration:</b>  |                                    |   |                                 |                               |                               |
| Supplemental Nutrition Assist. Program Cluster: State Administrative Matching Grants for Supplemental Nutrition Assist. Program | 10.561                             |   | 489,635                         | -                             | 491,848                       |
| <b>Passed through Triangle J Council of Governments:</b>  |                                    |   |                                 |                               |                               |
| Nutrition Services Incentive  | 10.570                             |   | 17,360                          | -                             | -                             |
| Total US Department of Agriculture  |                                    |   | <u>3,117,037</u>                | <u>-</u>                      | <u>491,848</u>                |
| <b>U.S. Department of Commerce</b>  |                                    |   |                                 |                               |                               |
| <b>Economic Development Administration</b>  |                                    |   |                                 |                               |                               |
| <b>Direct Program</b>   |                                    |   |                                 |                               |                               |
| Economic Development Cluster: Investments for Public Works and Economic Development Facilities                                  | 11.300                             |   | 584,663                         | -                             | -                             |
| Total U.S. Department of Commerce   |                                    |   | <u>584,663</u>                  | <u>-</u>                      | <u>-</u>                      |

(Continued)

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

| <b>Grantor/Pass-through<br/>Grantor/Program title</b>  | <b>Federal<br/>CFDA<br/>Number</b> | <b>State/<br/>Pass-through<br/>Grantor's<br/>Number</b> | <b>Federal<br/>Expenditures</b> | <b>State<br/>Expenditures</b> | <b>Local<br/>Expenditures</b> |
|--|------------------------------------|---|---------------------------------|-------------------------------|-------------------------------|
| <b><u>FEDERAL GRANTS (Continued)</u></b>   |                                    |   |                                 |                               |                               |
| <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                             |   | 31,376                          | -                             | -                             |
| Well-Integrated Screening and Evaluation for Women Across the Nation   | 93.094                             |   | 5,180                           | -                             | -                             |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs  | 93.116                             |   | 28                              | -                             | -                             |
| Immunization Grants  | 93.268                             |   | 16,739                          | -                             | -                             |
| Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)     | 93.758                             |   | 13,757                          | -                             | -                             |
| Comprehensive Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Program          | 93.919                             |   | 6,224                           | -                             | -                             |
| Preventive Health Services - Sexually Transmitted Diseases Control Grants  | 93.977                             |   | 25                              | -                             | -                             |
| Statewide Health Promotion Program   | 93.991                             |   | 6,789                           | -                             | -                             |
| Maternal and Child Health Services Block Grant   | 93.994                             |   | 61,232                          | 45,930                        | -                             |
| <b>Office of Population Affairs</b>  |                                    |   |                                 |                               |                               |
| <b>Passed through N. C. Department of Health and Human Services</b>  |                                    |   |                                 |                               |                               |
| <b>Office of Population Affairs</b>  |                                    |   |                                 |                               |                               |
| Family Planning Services   | 93.217                             |   | 32,857                          | -                             | -                             |
| <b>Passed through N. C. Department of Health and Human Services</b>  |                                    |   |                                 |                               |                               |
| <b>Division of Social Services</b>   |                                    |   |                                 |                               |                               |
| Foster Care and Adoption Cluster:  |                                    |   |                                 |                               |                               |
| Title IV-E Foster Care-Administration  | 93.658                             |   | 151,322                         | 144,507                       | 125,304                       |
| Title IV-E Optional Adoption Training  | 93.659                             |   | 3,349                           | -                             | 2,993                         |
| Foster Care - Direct Benefit Payments  | 93.658                             |   | 73,377                          | 20,019                        | 21,050                        |
| Adoption Assistance - Direct Benefit Payments  | 93.659                             |   | 139,239                         | 35,825                        | 73,578                        |
| Total Foster Care and Adoption   |                                    |   | 367,287                         | 200,351                       | 222,925                       |

(Continued)

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

| <b>Grantor/Pass-through<br/>Grantor/Program title</b>               | <b>Federal<br/>CFDA<br/>Number</b> | <b>State/<br/>Pass-through<br/>Grantor's<br/>Number</b> | <b>Federal<br/>Expenditures</b> | <b>State<br/>Expenditures</b> | <b>Local<br/>Expenditures</b> |
|---|------------------------------------|---|---------------------------------|-------------------------------|-------------------------------|
| <b><u>FEDERAL GRANTS (Continued)</u></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>                                  |                                    |   |                                 |                               |                               |
| Temporary Assistance for Needy Families Cluster:                    |                                    |   |                                 |                               |                               |
| Temporary Assistance for  |                                    |   |                                 |                               |                               |
| Needy Families/Work First   | 93.558                             |   | 487,257                         | -                             | 712,314                       |
| Temporary Assistance for Needy Families                             | 93.558                             |   | 6,867                           | -                             | -                             |
| <b>Direct Benefit Payments:</b>                                     |                                    |   |                                 |                               |                               |
| Temporary Assistance for Needy Families                             | 93.558                             |   | <u>302,485</u>                  | -                             | -                             |
| Total TANF Cluster  |                                    |   | <u>796,609</u>                  | -                             | <u>712,314</u>                |
|   |                                    |   |                                 |                               |                               |
| N. C. Child Support Enforcement Section                             | 93.563                             |   | 546,733                         | -                             | 278,257                       |
| Low-Income Home Energy Assistance                                   | 93.568                             |   | 529,602                         | -                             | 14,744                        |
| Child Welfare Services - State Grants -                             |                                    |   |                                 |                               |                               |
| Permanency Planning - Families for Kids                             | 93.645                             |   | 13,746                          | -                             | 7,263                         |
| SSBG - Other Service and Training                                   | 93.667                             |   | 281,129                         | 43,853                        | 363,889                       |
| Independent Living Grant  | 93.674                             |   | 2,828                           | 707                           | -                             |
| <b>Direct Benefit Payments:</b>                                     |                                    |   |                                 |                               |                               |
| Permanency Planning:  |                                    |   |                                 |                               |                               |
| Child Welfare Services - Families for Kids                          | 93.645                             |   | -                               | 16,059                        | 43,764                        |
| Family Reunification  | 93.556                             |   | 20,015                          | -                             | -                             |
|   |                                    |   |                                 |                               |                               |
| <b>Division of Child Development</b>                                |                                    |   |                                 |                               |                               |
| Subsidized Child Care   |                                    |   |                                 |                               |                               |
| Child Care Development Fund Cluster:                                |                                    |   |                                 |                               |                               |
| Division of Social Services   |                                    |   |                                 |                               |                               |
| Childcare Development Fund -  |                                    |   |                                 |                               |                               |
| Administration  | 93.596                             |   | 101,456                         | -                             | 4,654                         |
| Division of Child Development                                       |                                    |   |                                 |                               |                               |
| Child Care and Development Block Grant                              | 93.575                             |   | 830,201                         | -                             | -                             |
| Child Care and Development Fund -                                   |                                    |   |                                 |                               |                               |
| Mandatory   | 93.596                             |   | 388,036                         | -                             | -                             |
| Child Care and Development Fund - Match                             | 93.596                             |   | <u>115,620</u>                  | -                             | -                             |
| Total Child Care Development Fund Cluster                           |                                    |   | <u>1,435,313</u>                | -                             | <u>4,654</u>                  |
|   |                                    |   |                                 |                               |                               |
| Temporary Assistance for Needy Families                             | 93.558                             |   | 517,758                         | -                             | -                             |
| Foster Care Title IV-E  | 93.658                             |   | 23,723                          | 12,286                        | -                             |
| State Funds:  |                                    |   |                                 |                               |                               |
| State Appropriations  |                                    |   | -                               | 174,303                       | -                             |
| Maintenance of Effort   |                                    |   | -                               | <u>14,077</u>                 | -                             |
|   |                                    |   |                                 |                               |                               |
| Total Subsidized Child Care   |                                    |   | <u>1,976,794</u>                | <u>200,666</u>                | <u>4,654</u>                  |

(Continued)

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

| <b>Grantor/Pass-through<br/>Grantor/Program title</b>   | <b>Federal<br/>CFDA<br/>Number</b> | <b>State/<br/>Pass-through<br/>Grantor's<br/>Number</b> | <b>Federal<br/>Expenditures</b> | <b>State<br/>Expenditures</b> | <b>Local<br/>Expenditures</b> |
|---|------------------------------------|---|---------------------------------|-------------------------------|-------------------------------|
| <b>FEDERAL GRANTS (Continued)</b>   |                                    |   |                                 |                               |                               |
| <b>U.S. Department of Health and Human Services (Continued)</b>                                       |                                    |   |                                 |                               |                               |
| <b>Administration on Aging</b>  |                                    |   |                                 |                               |                               |
| <b>Division of Aging and Adult Services</b>   |                                    |   |                                 |                               |                               |
| <b>Passed through Triangle J Council of Governments</b>   |                                    |   |                                 |                               |                               |
| Special Programs for the Aging - Title III-F<br>Disease Prevention & Health Promotion<br>Services     | 93.043                             |   | 2,472                           | 145                           | 291                           |
| National Family Caregiver Support   | 93.052                             |   | 34,153                          | 2,277                         | -                             |
| Aging Cluster:  |                                    |   |                                 |                               |                               |
| Special Programs for the Aging -<br>Title III B, Grants for Supportive Services<br>and Senior Centers | 93.044                             |   | 141,667                         | 8,333                         | 136,736                       |
| Special Programs for the Aging -<br>Title III C - Nutrition Service                                   | 93.045                             |   | 75,556                          | 4,444                         | 95,482                        |
| Social Services Block Grant (SSBG) -<br>In Home Services  | 93.667                             |   | 121,267                         | 3,465                         | 116,571                       |
| Total Aging Cluster   |                                    |   | <u>338,490</u>                  | <u>16,242</u>                 | <u>348,789</u>                |
| <b>Centers for Medicare and Medicaid Services</b>   |                                    |   |                                 |                               |                               |
| <b>Passed through NC Department of Insurance</b>  |                                    |   |                                 |                               |                               |
| Centers for Medicare and Medicaid<br>Services Research, Demonstrations<br>and Evaluations             | 93.779                             |   | 9,694                           | -                             | -                             |
| <b>Centers for Medicare and Medicaid Services</b>   |                                    |   |                                 |                               |                               |
| <b>Passed through N. C. Department of Health and Human Services</b>                                   |                                    |   |                                 |                               |                               |
| Medicaid Cluster:   |                                    |   |                                 |                               |                               |
| <b>Division of Medical Assistance</b>   |                                    |   |                                 |                               |                               |
| <b>Direct Benefit Payments:</b>   |                                    |   |                                 |                               |                               |
| Medical Assistance Program  | 93.778                             |   | 52,245,731                      | 28,558,732                    | 243,778                       |
| <b>Division of Social Services</b>  |                                    |   |                                 |                               |                               |
| <b>Administration and Services:</b>   |                                    |   |                                 |                               |                               |
| Medical Assistance Program  | 93.778                             |   | 1,802,955                       | 8,070                         | 551,898                       |
| Total Medicaid Cluster  |                                    |   | <u>54,048,686</u>               | <u>28,566,802</u>             | <u>795,676</u>                |
| <b>Division of Medical Assistance</b>   |                                    |   |                                 |                               |                               |
| <b>Direct Benefit Payments:</b>   |                                    |   |                                 |                               |                               |
| State Children's Insurance Program  | 93.767                             |   | 1,112,658                       | 350,381                       | -                             |
| <b>Division of Social Services</b>  |                                    |   |                                 |                               |                               |
| <b>Administration and Services:</b>   |                                    |   |                                 |                               |                               |
| State Children's Insurance Program  | 93.767                             |   | 28,495                          | 3,099                         | 5,781                         |
| Total U.S. Department of Health and Human Services  |                                    |   | <u>60,283,598</u>               | <u>29,446,512</u>             | <u>2,798,347</u>              |

(Continued)

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

| <b>Grantor/Pass-through<br/>Grantor/Program title</b>                        | <b>Federal<br/>CFDA<br/>Number</b> | <b>State/<br/>Pass-through<br/>Grantor's<br/>Number</b> | <b>Federal<br/>Expenditures</b> | <b>State<br/>Expenditures</b> | <b>Local<br/>Expenditures</b> |
|--|------------------------------------|---|---------------------------------|-------------------------------|-------------------------------|
| <b><u>FEDERAL GRANTS (Continued)</u></b>                                     |                                    |   |                                 |                               |                               |
| <b>U.S. Department of Homeland Security</b>                                  |                                    |   |                                 |                               |                               |
| <b>Passed through N.C. Department of<br/>Crime Control and Public Safety</b> |                                    |   |                                 |                               |                               |
| <b>Division of Emergency Management:</b>                                     |                                    |   |                                 |                               |                               |
| Emergency Management - Performance<br>Grants                                 | 97.042                             |   | 38,220                          | -                             | -                             |
| Total U.S. Department of Homeland Security                                   |                                    |   | 38,220                          | -                             | -                             |
| <b>U.S. Department of Justice</b>  |                                    |   |                                 |                               |                               |
| <b>Bureau of Justice Assistance</b>  |                                    |   |                                 |                               |                               |
| <b>Direct Program</b>  |                                    |   |                                 |                               |                               |
| State Criminal Alien Assistance Program                                      | 16.606                             |   | 4,701                           | -                             | -                             |
| <b>Passed through N.C. Department of<br/>Crime Control and Public Safety</b> |                                    |   |                                 |                               |                               |
| <b>Governors Crime Commission</b>  |                                    |   |                                 |                               |                               |
| Edward Byrne Memorial Justice Assistance<br>Grant Program                    | 16.738                             |   | 30,990                          | -                             | -                             |
| Total U.S. Department of Justice   |                                    |   | 35,691                          | -                             | -                             |
| <b>U.S. Department of Transportation</b>                                     |                                    |   |                                 |                               |                               |
| <b>Passed through N.C. Department of<br/>Transportation:</b>                 |                                    |   |                                 |                               |                               |
| Nonurbanized Area Formula Program  | 20.509                             | 14-CT-061<br>WBS. #36233.65.15.1                        | 79,533                          | 4,970                         | 14,916                        |
| Nonurbanized Area Formula Program  | 20.509                             | 14-CT-061<br>WBS. #36233.65.15.3                        | 148,937                         | 18,617                        | 18,618                        |
| Nonurbanized Area Formula Program  | 20.509                             | 15-CT-061<br>WBS #36233.65.16.1                         | 78,135                          | 4,883                         | 14,652                        |
| Nonurbanized Area Formula Program  | 20.509                             | 15-CT-061<br>WBS #36233.65.16.3                         | 4,240                           | 530                           | -                             |
| Nonurbanized Area Formula Program  | 20.509                             | 15-AR-061<br>WBS #51003.79.1-STT1                       | 37,073                          | 4,635                         | 4,635                         |
| Transit Services Programs Cluster:   |                                    |   |                                 |                               |                               |
| Elderly and Elderly with Disabilities - Operating                            | 20.513                             | 13-ED-061<br>WBS #51001.11.2.2                          | 12,043                          | -                             | -                             |
| Elderly and Elderly with Disabilities - Capital                              | 20.513                             | 13-ED-061<br>WBS. #51001-11.2.3                         | 1,741                           | 218                           | 219                           |
| Elderly and Elderly with Disabilities - Capital                              | 20.513                             | 15-ED-061<br>WBS. #51001-11.3.2                         | 6,491                           | -                             | -                             |
| Total Transit Services Programs Cluster                                      |                                    |   | 20,275                          | 218                           | 219                           |
| Total U.S. Department of Transportation                                      |                                    |   | 368,193                         | 33,853                        | 53,040                        |

(Continued)

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

| <b>Grantor/Pass-through<br/>Grantor/Program title</b>        | <b>Federal<br/>CFDA<br/>Number</b> | <b>State/<br/>Pass-through<br/>Grantor's<br/>Number</b> | <b>Federal<br/>Expenditures</b> | <b>State<br/>Expenditures</b> | <b>Local<br/>Expenditures</b> |
|--|------------------------------------|---|---------------------------------|-------------------------------|-------------------------------|
| <b><u>FEDERAL GRANTS (Continued)</u></b>                     |                                    |   |                                 |                               |                               |
| <b>U.S. Department of Housing and<br/>Urban Development</b>  |                                    |   |                                 |                               |                               |
| <b>Passed through N.C. Department<br/>of Commerce</b>        |                                    |   |                                 |                               |                               |
| <b>Division of Community Assistance</b>                      |                                    |   |                                 |                               |                               |
| CDBG-State-Administered CDBG Cluster:                        |                                    |   |                                 |                               |                               |
| Community Development Block Grant                            | 14.228                             |   | 96,637                          | -                             | -                             |
| Total U.S. Department of Housing and Urban Development       |                                    |   | 96,637                          | -                             | -                             |
| <b><u>STATE GRANTS</u></b>                                   |                                    |   |                                 |                               |                               |
| <b>N.C. Department of Health and Human Services</b>          |                                    |   |                                 |                               |                               |
| <b>Division of Aging</b>                                     |                                    |   |                                 |                               |                               |
| <b>Passed through Triangle J Council<br/>of Governments:</b> |                                    |   |                                 |                               |                               |
| Senior Center Grant  |                                    |   | -                               | 11,679                        | 4,517                         |
| Fans Program   |                                    |   | -                               | 1,579                         | -                             |
| <b>N.C. Department of Transportation</b>                     |                                    |   |                                 |                               |                               |
| Elderly and Handicapped Transportation<br>Assistance Program |                                    |   |                                 |                               |                               |
|  |                                    |   | -                               | 79,649                        | -                             |
| Rural Public Transportation Assistance                       |                                    |   |                                 |                               |                               |
|  |                                    |   | -                               | 68,342                        | -                             |
| <b>N.C. Department of Commerce</b>                           |                                    |   |                                 |                               |                               |
| One NC Fund  |                                    |   |                                 |                               |                               |
|  |                                    |   | -                               | 177,000                       | -                             |
| Industrial Development Fund                                  |                                    |   |                                 |                               |                               |
|  |                                    |   | -                               | 302,793                       | -                             |
| Rural Grant  |                                    |   |                                 |                               |                               |
|  |                                    |   | -                               | 226,722                       | -                             |
| <b>N.C. Department of Cultural Resources</b>                 |                                    |   |                                 |                               |                               |
| <b>Division of State Library</b>                             |                                    |   |                                 |                               |                               |
| State Aid to Libraries                                       |                                    |   |                                 |                               |                               |
|  |                                    |   | -                               | 106,201                       | -                             |
| <b>N.C. Department of Justice</b>                            |                                    |   |                                 |                               |                               |
| Safe Roads Act   |                                    |   |                                 |                               |                               |
|  |                                    |   | -                               | 3,803                         | -                             |

(Continued)

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

| <u>Grantor/Pass-through<br/>Grantor/Program title</u>                 | <u>Federal<br/>CFDA<br/>Number</u> | <u>State/<br/>Pass-through<br/>Grantor's<br/>Number</u> | <u>Federal<br/>Expenditures</u> | <u>State<br/>Expenditures</u> | <u>Local<br/>Expenditures</u> |
|---|------------------------------------|---|---------------------------------|-------------------------------|-------------------------------|
| <b>STATE GRANTS (Continued)</b>                                       |                                    |   |                                 |                               |                               |
| <b>N.C. Department of Health and Human Services</b>                   |                                    |   |                                 |                               |                               |
| <b>Division of Public Health</b>                                      |                                    |   |                                 |                               |                               |
| Food and Lodging Fees   |                                    |   | -                               | 16,957                        | -                             |
| General Aid to Counties   |                                    |   | -                               | 88,960                        | -                             |
| General Communicable Disease Control                                  |                                    |   | -                               | 3,464                         | -                             |
| Tuberculosis  |                                    |   | -                               | 8,509                         | -                             |
| TB Medical Services   |                                    |   | -                               | 1,529                         | -                             |
| Maternal Health (HMHC)  |                                    |   | -                               | 3,134                         | -                             |
| Women's Health Service Fund   |                                    |   | -                               | 641                           | -                             |
| Risk Reduction/Health Promotion                                       |                                    |   | -                               | 6,286                         | -                             |
| Breast and Cervical Cancer Program                                    |                                    |   | -                               | 1,275                         | -                             |
| Child Health  |                                    |   | -                               | 1,284                         | -                             |
| HMHC-Family Planning  |                                    |   | -                               | 3,263                         | -                             |
| HIV/STD State   |                                    |   | -                               | 400                           | -                             |
| HIV/STD SSBG Aid  |                                    |   | -                               | 100                           | -                             |
| Sexually Transmitted Diseases   |                                    |   | -                               | 70                            | -                             |
| School Nurse Funding Initiative                                       |                                    |   | -                               | 143,719                       | -                             |
| <b>Administration and Services:</b>                                   |                                    |   |                                 |                               |                               |
| CP&L Energy Program   |                                    |   | -                               | 5,876                         | -                             |
| <b>Direct Benefit Payments:</b>                                       |                                    |   |                                 |                               |                               |
| State/County Special Assistance for Adults                            |                                    |   | -                               | 375,460                       | 375,460                       |
| State Foster Care Benefits Program                                    |                                    |   | -                               | 37,272                        | 37,272                        |
| <b>N.C. Department of Juvenile Justice and Delinquency Prevention</b> |                                    |   |                                 |                               |                               |
| JCPC Funding  |                                    |   | -                               | 150,664                       | -                             |
| <b>N.C. Department of Public Instruction</b>                          |                                    |   |                                 |                               |                               |
| Public School Building Capital Fund                                   |                                    |   | -                               | 176,571                       | -                             |
| Total Assistance  |                                    |   | <u>\$ 64,524,039</u>            | <u>\$ 31,483,567</u>          | <u>\$ 3,760,484</u>           |

**Notes to the Preceding Schedule:**

**Note 1 - Basis of Presentation**

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

(Continued)

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

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**Notes to the Preceding Schedule: (continued)**

**Note 2 - Cluster of Programs**

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

**Note 3 - CFDA's Funded by Multiple Pass-Through Divisions**

The following CFDA's were funded by multiple pass-through divisions (agencies, etc.). The following provides our total expenditures for those CFDA's.

| <u>CFDA #</u> | <u>Federal Expenditures</u> | <u>State Expenditures</u> | <u>Local Expenditures</u> |
|---------------|-----------------------------|---------------------------|---------------------------|
| 93.558        | \$ 1,314,367                | \$ -                      | \$ 712,314                |
| 93.596        | 605,112                     | -                         | 4,654                     |
| 93.645        | 13,746                      | 16,059                    | 51,027                    |
| 93.658        | 248,422                     | 176,812                   | 146,357                   |
| 93.667        | 402,396                     | 47,318                    | 480,460                   |
| 93.767        | 1,141,153                   | 353,480                   | 5,781                     |
| 93.778        | 54,048,686                  | 28,566,802                | 795,676                   |

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