



Comprehensive Annual Financial Report

of the
Lee County Schools
Sanford, North Carolina

For the Fiscal Year Ended June 30, 2012

Prepared by the Business Office
Jeffrey C. Moss, Ed.D., Superintendent
Tammy H. Howington, Assistant Superintendent
Financial and Business Services

**LEE COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS**

| | |
|------------------------------------|-----------------------|
| <u>INTRODUCTORY SECTION</u> | <u>Page No</u> |
|------------------------------------|-----------------------|

| | |
|---|-----|
| Letter of Transmittal | i |
| Board of Education Members and Superintendent | x |
| Organizational Chart | xi |
| Certificates of Excellence | xii |

FINANCIAL SECTION

| | |
|-----------------------|------------------------|
| <u>Exhibit</u> | <u>Page No.</u> |
|-----------------------|------------------------|

| | | |
|----|---|----------|
| | Independent Auditors' Report..... | 1 |
| | Management's Discussion and Analysis | 3 |
| | Basic Financial Statements: | |
| | Government-wide Financial Statements: | |
| 1 | Statement of Net Assets | 10 |
| 2 | Statement of Activities..... | 11 |
| | Fund Financial Statements: | |
| 3 | Balance Sheet - Governmental Funds..... | 12 |
| 4 | Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 13 |
| 5 | Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 14 |
| 6 | Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and Annually Budgeted Major Special Revenue Funds..... | 15 |
| 7 | Statement of Net Assets - Proprietary Fund Type | 19 |
| 8 | Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund Type | 20 |
| 9 | Statement of Cash Flows - Proprietary Fund Type..... | 21 |
| 10 | Statement of Fiduciary Assets and Liabilities – Fiduciary Fund | 22 |
| | Notes to the Financial Statements | 23 |
| | Individual Fund Statement and Schedules: | |
| | Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund | 39 |
| | Schedule of Revenues, Expenditures, and Changes in Fund Balances - Individual Schools Fund..... | 41 |
| | Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Capital Outlay Fund..... | 42 |
| | Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) School Food Service Fund..... | 43 |
| | Statement of Changes in Assets and Liabilities – Fiduciary Fund..... | 44 |

LEE COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS

| | <u>Page No</u> |
|---|-----------------------|
| <u>STATISTICAL SECTION</u> | 45 |
| <i>Unaudited</i> | |
| <u>Schedules</u> | |
| Financial Trend Information | |
| 1 Net Assets by Component | 46 |
| 2 Expenses, Program Revenues and Net (Expense) | 47 |
| 3 General Revenues and Total Change in Net Assets | 49 |
| 4 Fund Balances- Governmental Funds | 50 |
| 5 Changes in Fund Balances – Governmental Funds | 51 |
| Revenue Capacity Information | |
| 6 Assessed Value and Actual Value of Taxable Property | 53 |
| 7 Direct and Overlapping Property Tax Rates | 54 |
| 8 Principal Property Taxpayers | 55 |
| 9 Property Tax Levies and Collections | 56 |
| Debt Capacity Information | |
| 10 Outstanding Debt by Type | 57 |
| 11 Ratio of Outstanding Debt by Type | 58 |
| 12 Ratio of Net General Obligation Bonded Debt Outstanding | 59 |
| 13 Direct and Overlapping Governmental Activities Debt | 60 |
| 14 Legal Debt Margin Information | 61 |
| Demographic and Economic Information | |
| 15 Demographic and Economic Statistics | 62 |
| 16 Principal Employers | 63 |
| Operating Information | |
| 17 Number of Personnel | 64 |
| 18 Schools and Student Programs | 65 |
| 19 School Building Information | 66 |
| 20 Operating Statistics | 68 |
| 21 Teachers' Salaries | 69 |
| 22 Governmental Fund Expenditures by Function | 70 |
| 23 Capital Projects Fund Expenditures | 71 |
| 24 Sources of School Food Service Revenues and Reimbursements | 72 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement 34 with the fiscal year beginning July 1, 2002; therefore, schedules presenting government-wide information include information beginning with June 30, 2003.

COMPLIANCE SECTION

73

Letter of Transmittal

October 10, 2012

*Lee County Schools will teach
each student the social and academic skills needed
to become a responsible and productive citizen.*

To the members of the Lee County Board of Education and Citizens of Lee County, North Carolina:

In compliance with the Public School Laws of North Carolina, the Comprehensive Annual Financial Report of the Lee County Board of Education, operating as the "Lee County Schools", for the fiscal year ended June 30, 2012, is herewith submitted. Responsibility for the accuracy, completeness and clarity of the report rests with the Superintendent and the Assistant Superintendent of Financial and Business Services.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The Board is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations, and the State Single Audit Implementation Act. Information related to this single audit, including the schedule of expenditures of federal and state awards, findings and recommendations, and auditor's reports on internal control and compliance with applicable laws and regulations, are included in the Compliance Section of this report.

The report has been prepared by the Financial and Business Services Office in accordance with generally accepted accounting principles. We believe the data presented is accurate in all material respects and that it is presented in a manner designated to fairly reflect the financial position and results of operations of the Board. All disclosures necessary to enable the reader to gain maximum understanding of the Board's financial activity have been included.

REPORTING ENTITY

The Lee County Board of Education, elected by the citizens of Lee County, is the lowest level of government having control over all activities related to the public schools in Lee County. The Board is not considered a component unit of any other government, nor does it have its own component unit. The Board consists of seven members elected for staggered terms of four years. The Superintendent serves as secretary to the Board. The Board has no tax levying authority or borrowing authority and is required to maintain accounting records according to a Uniform State format. The Board receives local, state and federal government funding and must comply with the legal requirements of each fund. N.C. General Statute 115C-140 empowers the Lee County Board of Education with general control and supervision of all matters pertaining to the schools in the system.

FINANCIAL AND BUDGETARY CONTROL

In order to meet the challenging learning experiences provided to the students attending Lee County Schools, the Board must use a variety of funding resources, including local, state, federal and private grants while complying with legal requirements of each funding source entity. In doing so, the Board is unable to summarize all governmental financial transactions and balances in one accounting entity. Instead, the accounting system is divided into three separate entities; each referred to as a "fund". The Board's funds are divided into governmental, proprietary and fiduciary. Each fund is a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities in accordance with legal requirements, generally accepted accounting principles, special regulations or other limitations. Governmental fund types included general, special revenue and capital projects. The enterprise funds are proprietary fund types, with the expendable trust and agency fund being fiduciary fund types. The enterprise fund and fiduciary fund are presented on a full accrual basis, while the other funds are maintained on a modified accrual basis.

Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments of management. All internal control evaluations occur within the framework just described. We believe that the Board's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

North Carolina General Statutes requires all governmental units in the state to adopt a balanced budget by July 1 of each year. The Board has the final approval over the budget and primary accountability for fiscal matters (including any deficits). The Board's annual Budget Resolution authorizes expenditures by purpose on a modified accrual basis. For internal management purposes, the budget is detailed and compared to expenditures and encumbrances by line item within each function and project. The budget amount reflected in the accompanying financial statements represents the final budget as amended for the fiscal year. The Board also uses a purchase order encumbrance system that records and shows encumbrances outstanding against each line item of expenditures. Outstanding encumbrances at the end of the fiscal year related to normal operations are considered to be continuing contracts and are transferred at the end of the fiscal year to appropriations in future years.

COMPARISON OF BUDGET TO ACTUAL PERFORMANCE

Comparisons of budget to actual performance are provided for all funds in the financial section that follows this introduction section in the CAFR. There were several budget amendments during the year. There were no material violations of legal budgetary requirements during the year, and all variances from the initial and final budgets were expected.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

As required by the State Department of Public Instruction, Lee County Schools maintains a five-year facilities plan that has been submitted and approved by the County Commissioners and the State Department of Public Instruction.

Lee County Schools' diversity reflects the new American demographic: Our Month 01 student population for 2011-2012 was 21.7% African American, 30.2% Hispanic, 43.6% White, and 4.5% Other; our free- and reduced-lunch population was nearly 65%. This data reflects the decade-long trend in Lee County regarding the growing Hispanic population, the decline in the percentage of White and African-American students, and the growing free- and reduced-lunch population. During 2011-2012, the Month 01 free- and reduced-lunch population was 62%; by January 2012, it was 64%. This trend is expected to grow. Overall, in 2011-2012, the total student population growth increased with a Month 01 number of 9707 students. This compared to a 2010-2011 Month 1 total student population of 9602.

Lee County Schools Vision, Beliefs, and Strategic Plan 2013-2017

In December 2011, the Lee County Board of Education embarked on revising the district strategic plan that was ultimately ratified in June 2012. The plan reflects the vision and beliefs of the district and signifies the overall plan to help all students achieve at high levels. The budget of the district is tightly aligned to this plan.

Lee County Schools Strategic Plan 2013-2017 frames the district vision as a pre-requisite for student success in the 21st Century: Lee County Schools, in partnership with the community, will provide challenging learning experiences for students in a safe and supportive environment. We are committed to academic excellence, technological innovations, social responsibility, and life-long learning. Our success will be demonstrated by the achievement of our students and their positive participation in society.

The beliefs supporting this vision provide the basis for the creation of the innovative instructional technology approach currently being utilized to support instructional improvement in Lee County Schools and support for alignment of beliefs throughout the district. The beliefs include:

- All students can achieve at high levels regardless of ethnicity, race, or socioeconomic background.
- Education is Economic Development.
- Data analysis should guide instructional decisions.
- Quality teachers are the key to effective student learning.
- All students and teachers should have access to innovative instructional practices and technology.
- Safe and nurturing schools are a prerequisite for teaching and learning.
- Effective and efficient support systems are necessary to support student and employee success.
- Positive relationships are the key for effective community partnerships.

The district's 2009-2013 Educational Technology Plan and Vision Statement align with the district vision and beliefs: Lee County Schools believes that students need a technology-rich environment to prepare them for life in the 21st century. In a very competitive, digital economy, educational technology is a critical component for providing tools our students need to reach their full potential. It is our goal to

provide technology-supportive schools that will allow diverse options for creative teaching so that all students can acquire the skills needed to be successful in the 21st century global community and workforce. In keeping with the North Carolina vision of building collaborative partners and leadership, a Media and Technology Advisory Committee has developed a system-level technology plan. The presence of relevant software, contemporary delivery systems, and information networks will present students with the means to be globally competitive. The Lee County Schools Technology Plan is based on the academic and administrative needs of the district's students and staff.

The Innovative Digital Platform - Consistent with the aims outlined in both documents, the district has focused on providing students and teachers with the technological tools to expand learning opportunities in and beyond the classroom and to nurture students who can adapt to changing economic conditions, compete on an international scale, and be prepared to fill future jobs that do not yet exist.

The reality of instructional delivery in Lee County Schools places student centered learning at the heart of our classrooms. Teachers have access to the needed digital tools in order to make this happen. Teachers enjoy access to a technology rich classroom. Elementary and middle school classrooms have a SMART Board, document camera, and projector. High schools have either a SMART Board or an interactive tablet, based on the needs of the teacher. High schools have video conferencing equipment utilized for distance learning. Each high school also has an i3D system.

All students in grades 3-12 have a laptop; all teachers in grades 3 through 12 have been provided at least 14 hours of professional development regarding the integrated use of computers in classroom instruction. This includes instruction regarding Web 2.0, various web based sites, use of the district web site for parental communication and posting of instructional activities, and various instructional software packages. The one-to-one laptop initiative included installation of a wireless system at each school, solicitation of feedback from stakeholders, and ongoing training and evaluation.

The use of technology has enabled teachers to use innovative methods to monitor student progress and provide unique real-world learning opportunities. Teachers in all seven elementary schools monitor student mastery of reading and mathematics using a PDA-based software program through mCLASS. Teachers at the middle school level have utilized problem-based learning to develop and solve real-world problems utilizing math and science. Selected classroom teachers at the elementary, middle, and high school levels have "flipped" the classroom to provide students with the opportunities to view classroom instruction at home and complete richer homework activities at school.

Lee County Schools has entered into numerous partnerships that have highlighted the commitment to innovative technology practices. Lee County Schools continues a partnership with Paxton/Patterson to serve as their sole Global Learning Center. The technology platform has also enabled the district to build an international perspective for students in a business partnership with Rosetta Stone. Students in grades Pre-K-12 have access to 25 different languages. The program enables students to learn a foreign language during the school day and at home. During 2011-2012, students accessed 45,000 hours of Rosetta Stone time to learn a foreign language.

To support teacher management of laptops in the classroom, the district has negotiated a partnership with SMART Classroom Suite to provide software to teachers with monitoring capability of student laptops in the classroom. This system also provides better management of instructional activities by

utilizing a classroom response system and giving teachers the ability to seamlessly integrate and monitor technology in the classroom.

The district has also utilized the technology platform to support the use of e-books through myOn reader and NOOKs sent home with pilot cohorts of students to increase reading in the district. These pilots serve as a model for future plans to increase reading achievement.

From a curriculum and instruction perspective, the digital initiatives, combined with the hard work of teachers and students, have produced an increase in the district graduation rate, expectations for students, and test scores overall.

Professional Development - Professional development has been a cornerstone of instructional improvement in Lee County Schools. All teachers are provided with staff development in instructional technology in order to continue the support of the one-to-one laptop initiative. Lee County Schools has supported the full integration of technology and instruction by utilizing seven instructional technology facilitators (ITFs) to provide professional development at each of our 16 schools. The high schools and middle schools each have one ITF, while two technology facilitators are shared at the elementary level. This has allowed the district to fully integrate technology in instruction and provide each teacher more than 30 hours of professional development a year. It provides the support for teachers and ITFs to maintain learning environments that fully utilize and integrate technology across grade levels and teams for professional learning communities. It also supports teachers with the necessary training to ensure an engaging environment for students.

During 2011-2012, all teachers were involved in the transition to Common Core. Lee County Schools chose Understanding by Design (UbD) as the framework to make this change. The district has partnered with Houghton, Mifflin, Harcourt to construct a data management system to provide building level access to detailed state and local student assessment data. The analytics level provides disaggregated data for analysis and comparison. The program also houses a curriculum and instruction component that allows the district to collect, store, and share unit plans and provide staff development via electronic presentations like Camtasia. The district utilized electronic delivery to provide UbD professional development for teachers to write unit plans. Instructional Technology Facilitators have been involved in this process to help teachers embed technology resources in the unit plans.

Leadership, Administration, and Instructional Support - District level leadership has developed the innovative digital vision by working collaboratively with an extensive group of internal and external stakeholders to identify the most critical needs of our students. During this process, the district assessed district strengths and areas in need of improvement, evaluated the availability and allocation of specific resources, monitored economic, technological, and workforce development trends, and formulated evaluation plans to assess major initiatives. Each of these areas have been interwoven into district-level processes in support of innovative technological practices.

The establishment and development of our vision have occurred at many levels throughout the district. The district vision has included input from: school board members, senior leadership, central office directors, building level principals, district teachers and staff, parents, business leaders, and community stakeholders. Specific events including school board retreats, school board committee meetings, district and building level administrative meetings, senior staff meetings, principal meetings, school improvement team meetings, teacher, parent, and student ad hoc committees, advisory group meetings,

and community meetings have been utilized to gather ideas about our district's evolving educational vision. Budget and advisory meetings involving a cross section of constituents have created ownership in the district vision and nurtured the opportunity for dialogue that includes various perspectives. Through each of these groups, a district vision has been established and strengthened to build stakeholder ownership.

Infrastructure & Technical Support - All students in grades 3-12 have a laptop. K-2 classrooms have a minimum of six laptops and have two - six desktops. Additional laptops are available in each elementary school for K-2 to use as needed. All certified staff have laptops. Teachers at three of our schools also have iPads. Every classroom and office has wireless connectivity. This is an 8011.n WLAN. Each LAN has a fiber backbone with GB switches. WAN connections are 1 GB. The district has 500 MB of internet connectivity.

Teachers enjoy access to a technology rich classroom. Elementary and middle school classrooms have a SMART Board, document camera, and projector. High schools have either a SMART Board or an interactive tablet, based on the needs of the teacher. High schools have video conferencing equipment utilized for distance learning. Each high school also has an i3D system.

Twelve of our sixteen schools have a full-time technician onsite. Our two traditional high schools have two full-time technicians. Our four special program schools with lower enrollments have part-time technical support. Employees enter technical requests into an online trouble ticket program.

Students enjoy online educational programs such as BrainPOP and Discovery Education which offer rich media. Skyping is used across the school district to overcome traditional obstacles that previously would have prevented students from accessing different global cultures and perspectives. Teachers and students also interact via Edmodo. Student and classroom projects are spiced with the use of programs such as Animoto. Student work is stored in a network Home or Common folder or in a digital locker provided by Gaggle.

Because of the district transition to a digital platform, the Board of Education and district leadership have made a commitment to ensure that the necessary infrastructure is in place to support the successful deployment and maintenance of program.

Instructional improvements included an increase in the graduation rate for students and various subgroups and various academic indicators to increase student preparation for the post-secondary world:

- Increased the 4 year cohort graduation rate from 63.4% to 84%.
- Increased the 4 year cohort graduation rates for subgroups:

| | |
|------------------------------------|---|
| African Americans (56.9% to 81.2%) | Economically Disadvantaged (62.2% to 83.2%) |
| Females (71.7% to 84.8%) | Hispanics (55.3% to 83.5%) |
| Males (55.5% to 83.2%) | Students with Disabilities (36.4% to 75%) |
| Whites (68% to 86.5%) | |

LOCAL ECONOMIC CONDITION AND OUTLOOK

The information provided in this year's financial report is best understood when it is explained in relation to the local economy.

Local Economy - The Lee County School system is located within one hour of the metropolitan area of Raleigh, the state capital. Lee County in its own right enjoys those qualities that exemplify the charm and grace of living in a community where you have a sense of belonging and still benefit from having a large metropolitan area nearby. Lee County has a population of 58,752 which is lower than the population from two years ago. Another significant distinction of Lee County is that it is located within one hour's drive of the world-famous Research Triangle Park, where some of the most advanced research in the world takes place. The major economic transportation routes of US 15-501, Highway 1 and US 421 will continue to provide for major industrial and commercial expansion in Lee County in the years to come. The reader is directed to the MD&A section of the CAFR for a more detailed explanation of the economic factors concerning the County. Lee County is home to several major industries, such as, manufacturers of pharmaceuticals, automotive components, cosmetics, plumbing fixtures, electronics and brick. Businesses in Lee County continue to feel the impact of the decline in the state and national economy. Lee County is ranked 33rd of the 100 counties in the State in per capita personal income. The county's income has been impacted by the economic slowdown. The County unemployment rate of 12.3% for June 30, 2012 is above the State rate of 9.9%.

The Board had a final average daily membership of 9650 during the fiscal year for kindergarten through twelfth grade increasing from the 2010-11 final membership of 9565. Additionally, pre-k services were provided for 136 students. Services were provided to students in 2 pre-k centers, 7 elementary schools, 1 elementary alternative day treatment center, 3 middle schools, 2 high schools, 1 alternative middle/high, 1 early college high school and 1 school for exceptional children. The projected enrollment for 2012-13 is 9857. The Board anticipates an increased enrollment over the next several years and will need continued increases in classroom space, teachers, and equipment. County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the school district.

We have several school buildings that were originally built in the 1950's. Lee County High School was one of these and we are in the final stages of a renovation project for this campus. The other older campuses, such as, Warren Williams, Floyd L. Knight and Bragg may soon need upgrades due to age. Our East and West Middle schools were built in 1978 and SanLee Middle was built in 2007. Our elementary schools were built over a span of several years. Edwards and Ingram were built in 1987, Greenwood in 1989 and Broadway, Bullock, Deep River and Tramway were built in 1998. Our newest high school building was built in 2005 when Southern Lee High was added.

Long Term Planning - The State of North Carolina continues to struggle economically due to the national recession. Due to funding issues school districts have eliminated positions. The Board now has more options when it comes to recruiting well qualified teachers from within the state and nation. Funding has been cut drastically in recent years for administrative positions at the state level. Local supplements paid to teachers and administrators help the Board to retain well qualified staff but we continue to struggle to compete with neighboring counties. The supplement of teacher is based on 7% of their annual salary and it is paid in two installments to all eligible staff.

Our positive direction has been accomplished despite the recent financial volatility. The State of North Carolina continued and increased the statewide Local Education Agency Adjustment for 2011-12. The adjustment for Lee County was \$2,834,666 which was an increase of \$819,109 from the previous year. In the 2011-12 budget, the county operating allocation increased modestly by \$660,000 while State and

Federal reductions resulted in a net budget reduction of 6%. Employer matching for retirement increased from 10.51% to 13.12% for 2011-2012.

The Board's budget was prepared with the following five priorities: Classroom Teachers, Teacher Assistants, Athletics and Extra curricula activities, Tutors and Pre-Kindergarten. The Board's budget was created to maintain status quo by cutting expenditures and reducing or eliminating services, while attempting to protect core instructional programs and the personnel associated with them. These items require a long-term financial commitment.

INDEPENDENT AUDIT

Anderson Smith & Wike, PLLC has audited the financial records and transactions of the Lee County Board of Education for the year ended June 30, 2012. They are a firm of independent certified public accountants. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133 and the State Single Audit Implementation Act. The auditor's report is included in the financial section of this report.

FINANCIAL REPORTING AWARDS

The Association of School Business Officials (ASBO) awarded a Certificate of Excellence in Financial Reporting to the Lee County Schools for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This award is a national program that provides unique professional recognition in the preparation and issuance of CAFRs by school systems.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lee County Schools for its comprehensive annual financial report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded these certificates a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. These awards are valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the ASBO and GFOA requirements and we are submitting it to ASBO and GFOA to determine its eligibility for renewed rewards.

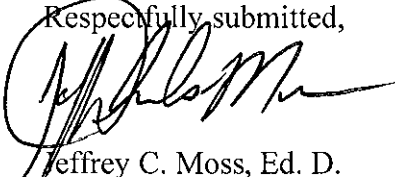
ACHIEVEMENT IN FINANCIAL RESOURCE MANAGEMENT

This award is given to North Carolina school systems with no audit exceptions for certified personnel paid from state or federal funds. The Lee County Schools has received this award for the past eighteen consecutive years.

ACKNOWLEDGEMENTS

The preparation of the Comprehensive Annual Financial Report in a timely manner could not have been accomplished without the efforts and dedication of the Superintendent's staff, Financial and Business Services Office and our independent audit firm. We would like to express appreciation to all staff members who assisted in the preparation of this report. Also, our appreciation is expressed to the Finance Department of the County of Lee for their preparation of the data needed in the statistical section of this report.

Respectfully submitted,



Jeffrey C. Moss, Ed. D.
Superintendent



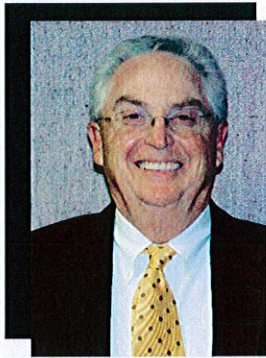
Tammy H. Howington
Assistant Superintendent
Financial and Business Services

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Lee County Schools

Board of Education

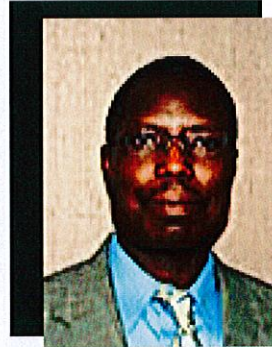
Members and Superintendent



Dr. Lynn H. Smith
Chairman



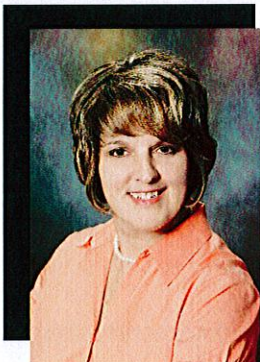
John Bonardi, Jr.
Vice Chairman



Mark K. Akinosho



Tamara Brogan



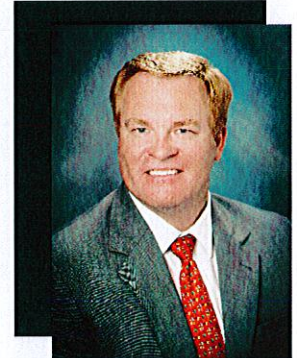
Wendy Carlyle



Cameron Sharpe



Dr. Linda A. Smith



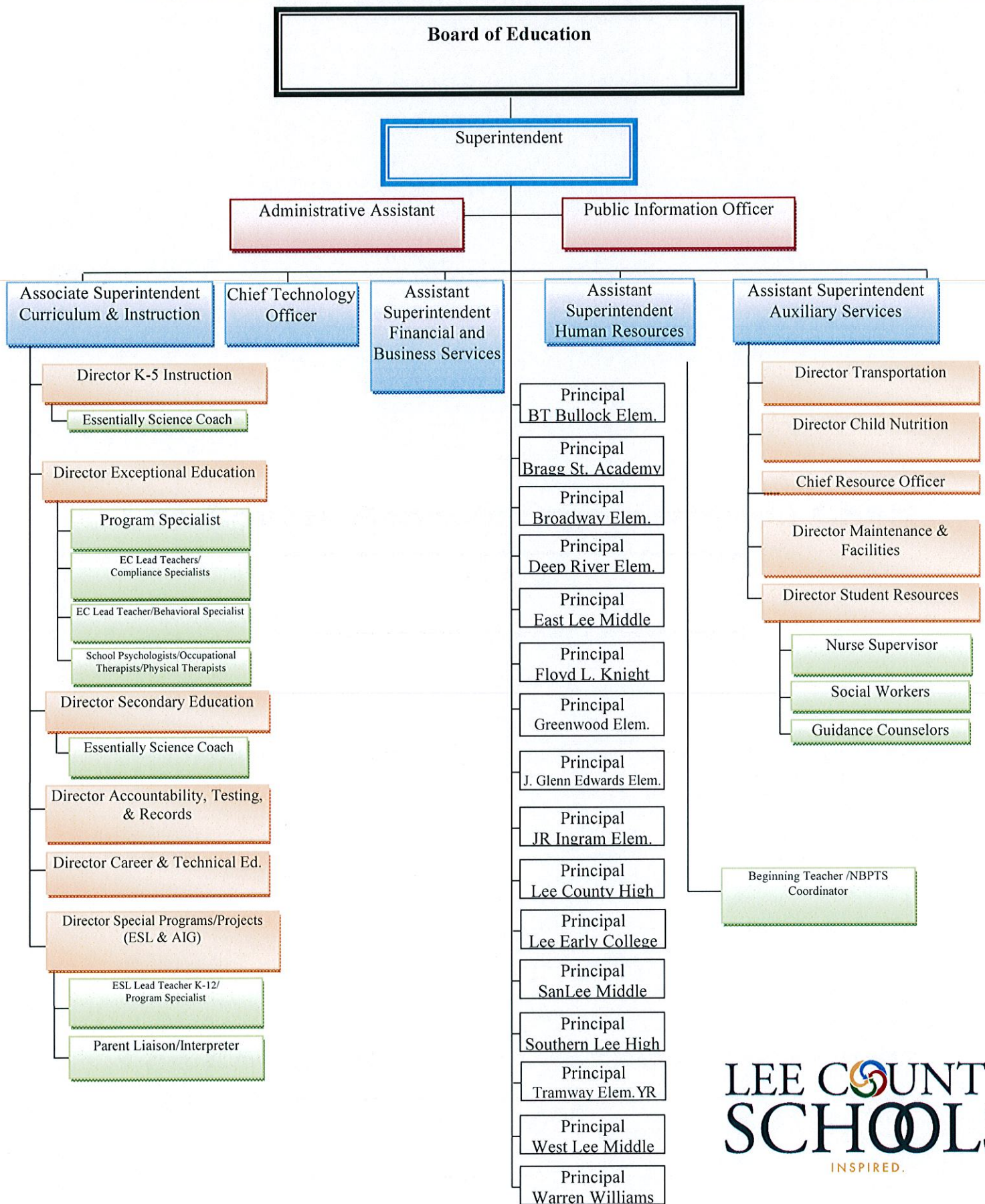
Jeffrey C. Moss, Ed.D.

Jimmy Love
Board Attorney

Officials Issuing Report
Jeffrey C. Moss, Ed.D.
Superintendent

Tammy Howington
Assistant Superintendent, Financial & Business Services

Lee County Schools Organizational Chart



Association of School Business Officials International

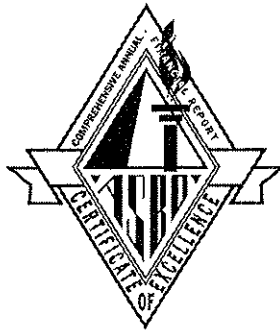


*The Certificate of Excellence in Financial Reporting Award
is presented to*

Lee County Schools

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2011*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



Brian L. Mee, SFO, RSBA
President

John D. Musso, CAE, RSBA
Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lee County Schools
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Linda C. Sanison

President

Jeffrey R. Enen

Executive Director



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Lee County Board of Education
Sanford, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lee County Board of Education, as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lee County Board of Education's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lee County Board of Education as of June 30, 2012, and the respective changes in financial position and its cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School, Federal Grants and Restricted Revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2012 on our consideration of the Lee County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lee County Board of Education's basic financial statements. The individual fund financial statement, nonmajor fund schedule, budgetary schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The individual fund financial statement, nonmajor fund schedule, budgetary schedules and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statement, nonmajor fund schedule, budgetary schedules and the accompanying schedule of expenditures of federal and State awards are fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Anderson Smith & Wike PLLC

October 10, 2012
Rockingham, North Carolina
(910) 997-1418

LEE COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Lee County Board of Education's (the "Board") financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2012. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board realized an increased enrollment of 85 students from the previous year's final month of average daily membership.
- Total government-wide current assets of the Board totaled \$8.7 million and capital assets totaled \$106.9 million for a total of \$115.6 million. This was an increase of \$5.1 million over the previous year.
- Funding from the Lee County Commissioners increased by \$660,000 which was primarily used to support teacher assistant and tutor salaries.
- The renovation project at Lee County High School is in the final stages and should be completed during the 2012-2013 year.
- Total revenues from the State Public School Fund (SPSF) totaled \$51.7 million during the year and accounts for the largest portion of the school system's operational budget. The SPSF budget includes \$2.8 million in discretionary reductions mandated by the NC General Assembly. Remaining federal Education Jobs stimulus funds were used to help offset the impact of these mandated reductions.

Overview of the Financial Statements

The audited financial statements of the Lee County Board of Education consist of four components. They are as follows:

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents budgetary schedules and other schedules for governmental funds and a budgetary schedule for the enterprise fund.*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *Government-wide Statements*. The government-wide statements are presented on the full accrual basis of accounting and include the statement of net assets and the statement of activities. The statement of net assets includes all of the Board's assets and liabilities. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The statement of activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds, proprietary fund and fiduciary fund. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary and fiduciary funds are presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide

LEE COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

information about the Board as an economic unit while the fund financial statements provide information on each of the financial resources of each of the Board's major funds.

Government-wide Statements

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Board's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net assets and how they have changed. Net assets are the difference between the Board's assets and liabilities. This is one way to measure the unit's financial health or position.

- Over time, increases or decreases in the Board's net assets are an indicator of whether its financial position is improving or deteriorating.
- To assess the Board's overall health, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of its school buildings and other physical assets.

The unit's activities are divided into two categories in the government-wide statements:

- *Governmental activities:* Most of the Board's basic services are included here, such as regular and special education, transportation, and administration. County funding and State and federal aid finance most of these activities.
- *Business-type activities:* The Board charges fees to help it cover the costs of certain services it provides. School food service is included here.

The government-wide statements are shown as Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds - not the unit as a whole. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law, such as the State Public School Fund.
- The Board has established other funds to control and manage money for a particular purpose or to show that it is properly using certain revenues, such as in the Federal Grants Fund.

Lee County Board of Education has three types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Restricted Revenue Fund

**LEE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

and the Federal Grants Fund. The governmental fund statements are shown as Exhibits 3, 4, 5 and 6 of this report.

Proprietary funds: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. The Lee County Board of Education has one proprietary fund - an enterprise fund – the School Food Service Fund. The proprietary fund statements are shown as Exhibits 7, 8, and 9 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Lee County Board of Education has one fiduciary fund – an Agency Fund. The Agency Fund is used to account for moneys held for the Flexible Benefits Fund which accounts for monies voluntarily withheld from employees' wages to pay for child care and medical expenses not covered under the employees' medical insurance. The fiduciary fund statement is shown as Exhibit 10 of this report.

Financial Analysis of the Board as a Whole

Net assets are an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$109.6 million as of June 30, 2012 as compared to \$104.7 million as of June 30, 2011, an increase of \$4.9 million. The largest component of net assets is invested in capital assets, net of related debt of \$106.6 million, which comprises 97.3% of the total net assets. Following is a summary of the Statement of Net Assets:

**Table 1
Condensed Statement of Net Assets
As of June 30, 2012 and 2011**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|-------------------------|----------------|--------------------------|--------------|--------------------------|----------------|
| | 6/30/12 | 6/30/11 | 6/30/12 | 6/30/11 | 6/30/12 | 6/30/11 |
| Current assets | \$ 7,298,488 | \$ 6,014,638 | \$ 1,457,980 | \$ 1,429,965 | \$ 8,756,468 | \$ 7,444,603 |
| Capital assets | 106,260,669 | 102,485,497 | 607,402 | 622,391 | 106,868,071 | 103,107,888 |
| Total assets | 113,559,157 | 108,500,135 | 2,065,382 | 2,052,356 | 115,624,539 | 110,552,491 |
| Current liabilities | 1,822,155 | 1,523,778 | 10,612 | 176 | 1,832,767 | 1,523,954 |
| Long-term liabilities | 4,105,825 | 4,201,348 | 105,568 | 109,157 | 4,211,393 | 4,310,505 |
| Total liabilities | 5,927,980 | 5,725,126 | 116,180 | 109,333 | 6,044,160 | 5,834,459 |
| Invested in capital assets, net of related debt | 106,028,829 | 102,178,431 | 607,402 | 622,391 | 106,636,231 | 102,800,822 |
| Restricted net assets | 1,284,531 | 908,285 | - | - | 1,284,531 | 908,285 |
| Unrestricted net assets | 317,817 | (311,707) | 1,341,800 | 1,320,632 | 1,659,617 | 1,008,925 |
| Total net assets | \$ 107,631,177 | \$ 102,775,009 | \$ 1,949,202 | \$ 1,943,023 | \$ 109,580,379 | \$ 104,718,032 |

The net assets of the Board's governmental activities amounted to \$107.6 million at June 30, 2012, an increase of \$4.9 million over the prior year, indicating an improvement in the financial condition of the Board. This improvement is mainly attributable to an increase of \$3.9 million in capital assets, net of related debt. The increase in capital assets relates primarily to improvements made at Lee County High School. Restricted and unrestricted net assets also increased during the year by \$376,000 and \$630,000, respectively. The increase in net assets invested in capital assets, net of related debt is due to an excess of capital additions over depreciation expense for the year.

**LEE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The net assets of the Board's business-type activities amounted to \$1.9 million at June 30, 2012, an increase of \$6,000 over the prior year. This increase is the net profit generated by our school food service operations during the 2012 fiscal year. The following table shows the revenues and expenses of the Board for the current and prior fiscal years:

**Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2012 and 2011**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--------------------------------------|-------------------------|-----------------------|--------------------------|---------------------|--------------------------|-----------------------|
| | 6/30/12 | 6/30/11 | 6/30/12 | 6/30/11 | 6/30/12 | 6/30/11 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 89,600 | \$ 122,001 | \$ 962,485 | \$ 1,004,037 | \$ 1,052,085 | \$ 1,126,038 |
| Operating grants and contributions | 57,434,760 | 55,269,399 | 3,581,937 | 3,433,626 | 61,016,697 | 58,703,025 |
| Capital grants and contributions | 41,746 | 102,283 | - | - | 41,746 | 102,283 |
| General revenues: | | | | | | |
| County appropriations | 22,835,457 | 28,927,949 | - | - | 22,835,457 | 28,927,949 |
| State appropriations | 3,565,278 | 9,043,804 | - | - | 3,565,278 | 9,043,804 |
| Federal appropriations | 15,302 | - | - | - | 15,302 | - |
| Other revenues | 2,179,756 | 1,369,489 | 4,763 | 18,794 | 2,184,519 | 1,388,283 |
| Total revenues | <u>86,161,899</u> | <u>94,834,925</u> | <u>4,549,185</u> | <u>4,456,457</u> | <u>90,711,084</u> | <u>99,291,382</u> |
| Expenses: | | | | | | |
| Governmental activities: | | | | | | |
| Instructional services | 62,568,085 | 66,012,144 | - | - | 62,568,085 | 66,012,144 |
| System-wide support services | 15,927,449 | 15,659,353 | - | - | 15,927,449 | 15,659,353 |
| Ancillary services | 115,954 | 102,571 | - | - | 115,954 | 102,571 |
| Non-programmed charges | 16,797 | 45,505 | - | - | 16,797 | 45,505 |
| Interest on long-term debt | 35,477 | 27,664 | - | - | 35,477 | 27,664 |
| Unallocated depreciation | 2,552,464 | 2,624,741 | - | - | 2,552,464 | 2,624,741 |
| Business-type activities: | | | | | | |
| School food service | - | - | 4,632,511 | 4,233,778 | 4,632,511 | 4,233,778 |
| Total expenses | <u>81,216,226</u> | <u>84,471,978</u> | <u>4,632,511</u> | <u>4,233,778</u> | <u>85,848,737</u> | <u>88,705,756</u> |
| Excess (deficiency) before transfers | 4,945,673 | 10,362,947 | (83,326) | 222,679 | 4,862,347 | 10,585,626 |
| Transfers in (out) | (89,505) | (45,381) | 89,505 | 45,381 | - | - |
| Increase in net assets | 4,856,168 | 10,317,566 | 6,179 | 268,060 | 4,862,347 | 10,585,626 |
| Beginning net assets, as restated | 102,775,009 | 92,457,443 | 1,943,023 | 1,674,963 | 104,718,032 | 94,132,406 |
| Ending net assets | <u>\$ 107,631,177</u> | <u>\$ 102,775,009</u> | <u>\$ 1,949,202</u> | <u>\$ 1,943,023</u> | <u>\$ 109,580,379</u> | <u>\$ 104,718,032</u> |

LEE COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

Total governmental activities generated revenues of \$86.2 million while expenses in this category totaled \$81.2 million for the year ended June 30, 2012, resulting in the aforementioned decrease in net assets of \$4.9 million (including transfers out to business-type activities of \$90,000). Comparatively, revenues were \$94.8 million, expenses totaled \$84.4 million and transfers out were \$45,000 for the year ended June 30, 2011, resulting in an increase in net assets of \$10.3 million. In comparing the two years, revenues decreased by \$8.7 million and expenses decreased by \$3.3 million. The decrease in revenues is primarily attributable to a \$6.1 million decrease in county appropriations from bond funds related to the renovations project at Lee County High School. The majority of federal ARRA grant funds were utilized prior to the 2011-2012 fiscal year which attributed to a decrease in instructional service expenses in 2011-2012.

The Board's primary sources of revenues were funding from the State of North Carolina, Lee County, and the United States Government, which respectively comprised 61.6%, 26.4% and 7.8% of our total revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 77.0% of our total expenditures during the most recent fiscal year. Of the remaining 23.0% of our total expenditures, 19.6% was attributable to system-wide support services.

Our business-type activities generated revenues of \$4.5 million, while expenses in this category totaled \$4.6 million for the year ended June 30, 2012. For the year, net assets increased by \$6,000 (including transfers in of \$90,000). Comparatively, revenues were \$4.5 million, expenses were \$4.2 million and transfers in were \$45,000 for the year ended June 30, 2011, resulting in an increase in net assets of \$268,000. In comparing the two years, the year-over-year decline in profit of \$262,000 is primarily attributable to increased food costs and the payment of \$125,000 in indirect costs in the current year compared to \$0 during the year ended June 30, 2011.

Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of \$5.5 million at June 30, 2012, an increase of \$985,000 over the \$4.5 million reported at June 30, 2011. The Board's General Fund reported a decrease in fund balance for the year ended June 30, 2012 of \$85,000 (including the decrease in reserve for inventories), compared to a decrease of \$200,000 in 2011.

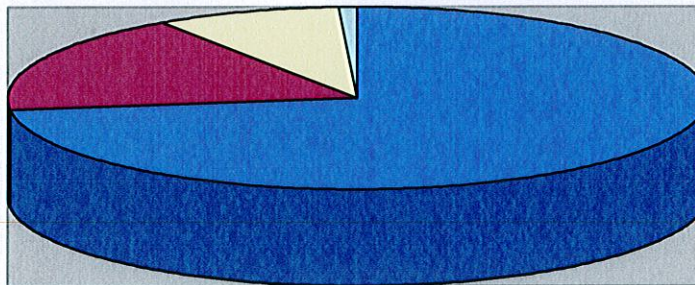
The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues are expended in the year received. Due to the expiration of federal Recovery Act funding, revenues (and expenditures) in the Federal Grants Fund decreased by \$4.5 million in the fiscal year ended June 30, 2012.

The Restricted Revenue Fund reported an increase in fund balance for the year ended June 30, 2012 of \$998,000 compared to an increase of \$45,000 in 2011. The increase over the prior year is primarily attributable to increased revenues from Medicaid reimbursements, federal grants, private grants and programs and other miscellaneous revenues.

The Capital Outlay Fund reported an increase in fund balance for the 2012 year of \$88,000. The most significant revenues and expenditures reported in the Capital Outlay Fund relate to \$6.2 million in Recovery zone Economic Development bonds expended by the County during the year for improvements at Lee County High School.

**LEE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Categorization of Expenditures for Governmental Funds



- **Instructional Services**
- **System-wide Support**
- **Capital Outlay**
- **Other**

Expenditures presented on modified accrual basis of accounting.

Proprietary Fund: The Board's business-type fund, the School Food Service Fund, reported an increase in net assets of \$6,000 for the fiscal year ended June 30, 2012 compared to an increase of \$268,000 for the same 2011 period. As discussed above for business-type activities, the year-over-year profit decline in the School Food Service Fund is primarily attributable to increased food costs and the payment of \$125,000 in indirect costs in the current year compared to \$0 during the year ended June 30, 2011.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and program allocations. Since several revenue sources are either unknown or uncertain at the beginning of the fiscal year when the original budget is adopted, budget revisions are often necessary throughout the year to recognize these adjustments. None of the budget adjustments made during the current year were significant in nature and expenditures did not exceed budget in any category.

Capital Assets

Total primary government capital assets were \$106.9 million at June 30, 2012 compared to \$103.1 million at June 30, 2011, an increase of 3.7%. The increase is attributable to an excess of capital additions over depreciation for the year. The most significant capital additions relate to construction in progress at Lee County High School. The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2012 and 2011. More detailed information about the Board's capital assets is contained in note 2 to the financial statements.

**LEE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table 3
Summary of Capital Assets
As of June 30, 2012 and 2011**

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total Primary Government</u> | |
|----------------------------|--------------------------------|-----------------------|---------------------------------|-------------------|---------------------------------|-----------------------|
| | <u>6/30/12</u> | <u>6/30/11</u> | <u>6/30/12</u> | <u>6/30/11</u> | <u>6/30/12</u> | <u>6/30/11</u> |
| Land | \$ 2,182,060 | \$ 2,182,060 | \$ - | \$ - | \$ 2,182,060 | \$ 2,182,060 |
| Construction in progress | 21,242,609 | 14,999,233 | - | - | 21,242,609 | 14,999,233 |
| Buildings and improvements | 79,144,319 | 81,264,661 | - | - | 79,144,319 | 81,264,661 |
| Equipment and furniture | 480,696 | 449,848 | 576,707 | 622,391 | 1,057,403 | 1,072,239 |
| Vehicles | 3,210,985 | 3,589,695 | 30,695 | - | 3,241,680 | 3,589,695 |
| Total | <u>\$ 106,260,669</u> | <u>\$ 102,485,497</u> | <u>\$ 607,402</u> | <u>\$ 622,391</u> | <u>\$ 106,868,071</u> | <u>\$ 103,107,888</u> |

Debt Outstanding

During the year, the Board's long-term debt decreased by \$75,000 from \$307,000 at June 30, 2011 to \$232,000 at June 30, 2012. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. More detailed information about the Board's outstanding debt is contained in note 2 to the financial statements.

Economic Factors

- The Board anticipates an increase enrollment over the next several years and will need continued increases in classroom space, teachers, and equipment. County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the school district. The county's unemployment rate decreased slightly from 13.2% in June 2011 to 12% in June 2012. The County's rate remains above the national average of 8.4% and state average of 9.9%.
- The Board's budget was prepared with the following five priorities: Classroom teachers, Teacher Assistants, Athletics and Extra curricula activities, Tutors and Pre-Kindergarten. The Board's budget was created to maintain status quo by cutting expenditures and reducing or eliminating services, while attempting to protect core instructional programs and the personnel associated with them.

Requests for Information

This report is intended to provide a summary of the financial condition of Lee County Board of Education. Questions or requests for additional information should be addressed to:

Tammy Howington
Assistant Superintendent of Financial Business Services
Lee County Board of Education
Post Office Box 1010
Sanford, NC 27331-1010

LEE COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
June 30, 2012

Exhibit 1

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 6,130,506 | \$ 1,191,374 | \$ 7,321,880 |
| Due from other governments | 790,684 | 99,533 | 890,217 |
| Receivables | 4,949 | 272 | 5,221 |
| Inventories | 372,349 | 166,801 | 539,150 |
| Capital assets: | | | |
| Land and construction in progress | 23,424,669 | - | 23,424,669 |
| Other capital assets, net of depreciation | 82,836,000 | 607,402 | 83,443,402 |
| Total capital assets | 106,260,669 | 607,402 | 106,868,071 |
| Total assets | 113,559,157 | 2,065,382 | 115,624,539 |
| Liabilities | | | |
| Accounts payable and accrued expenses | 466,137 | 24 | 466,161 |
| Accrued salaries and wages payable | 683,642 | - | 683,642 |
| Due to other governments | 672,376 | - | 672,376 |
| Unearned revenue | - | 10,588 | 10,588 |
| Long-term liabilities: | | | |
| Due within one year | 2,980,523 | 94,339 | 3,074,862 |
| Due in more than one year | 1,125,302 | 11,229 | 1,136,531 |
| Total liabilities | 5,927,980 | 116,180 | 6,044,160 |
| Net assets | | | |
| Invested in capital assets, net of related debt | 106,028,829 | 607,402 | 106,636,231 |
| Restricted for: | | | |
| Stabilization by State statute | 185,567 | - | 185,567 |
| School capital outlay | 445,446 | - | 445,446 |
| Instructional services | 140,120 | - | 140,120 |
| Individual schools activities | 513,398 | - | 513,398 |
| Unrestricted | 317,817 | 1,341,800 | 1,659,617 |
| Total net assets | \$ 107,631,177 | \$ 1,949,202 | \$ 109,580,379 |

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

**LEE COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012**

Exhibit 2

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Instructional services: | | | | | | | |
| Regular instructional | \$ 37,045,690 | \$ 72,660 | \$ 31,763,702 | \$ - | \$ (5,209,328) | \$ - | \$ (5,209,328) |
| Special populations | 9,983,706 | - | 9,960,357 | - | (23,349) | - | (23,349) |
| Alternative programs | 4,799,949 | - | 4,598,274 | - | (201,675) | - | (201,675) |
| School leadership | 4,539,064 | - | 3,159,069 | - | (1,379,995) | - | (1,379,995) |
| Co-curricular | 1,582,938 | - | - | - | (1,582,938) | - | (1,582,938) |
| School-based support | 4,616,738 | - | 2,797,271 | - | (1,819,467) | - | (1,819,467) |
| System-wide support services: | | | | | | | |
| Support and development | 622,472 | - | 186,495 | - | (435,977) | - | (435,977) |
| Special population support and development | 351,906 | - | 132,573 | - | (219,333) | - | (219,333) |
| Alternative programs and services | | | | | | | |
| support and development | 307,105 | - | 151,281 | - | (155,824) | - | (155,824) |
| Technology support | 1,261,402 | - | 389,251 | - | (872,151) | - | (872,151) |
| Operational support | 11,128,541 | 16,940 | 3,154,518 | 41,746 | (7,915,337) | - | (7,915,337) |
| Financial and human resource services | 1,130,954 | - | 396,272 | - | (734,682) | - | (734,682) |
| Accountability | 2,586 | - | - | - | (2,586) | - | (2,586) |
| System-wide pupil support | 191,971 | - | 95,588 | - | (96,383) | - | (96,383) |
| Policy, leadership and public relations | 930,512 | - | 484,835 | - | (445,677) | - | (445,677) |
| Ancillary services | 115,954 | - | 9,923 | - | (106,031) | - | (106,031) |
| Non-programmed charges | 16,797 | - | 155,351 | - | 138,554 | - | 138,554 |
| Interest on long-term debt | 35,477 | - | - | - | (35,477) | - | (35,477) |
| Unallocated depreciation expense** | 2,552,464 | - | - | - | (2,552,464) | - | (2,552,464) |
| Total governmental activities | 81,216,226 | 89,600 | 57,434,760 | 41,746 | (23,650,120) | - | (23,650,120) |
| Business-type activities: | | | | | | | |
| School food service | 4,632,511 | 962,485 | 3,581,937 | - | - | (88,089) | (88,089) |
| Total primary government | \$ 85,848,737 | \$ 1,052,085 | \$ 61,016,697 | \$ 41,746 | (23,650,120) | (88,089) | (23,738,209) |
| General revenues: | | | | | | | |
| Unrestricted county appropriations - operating | | | | | 15,838,050 | - | 15,838,050 |
| Unrestricted county appropriations - capital | | | | | 6,997,407 | - | 6,997,407 |
| Unrestricted State appropriations - operating | | | | | 2,766,992 | - | 2,766,992 |
| Unrestricted Federal appropriations - operating | | | | | 15,302 | - | 15,302 |
| Unrestricted State appropriations - capital | | | | | 798,286 | - | 798,286 |
| Investment earnings, unrestricted | | | | | 14,187 | 4,296 | 18,483 |
| Miscellaneous, unrestricted | | | | | 2,165,569 | 467 | 2,166,036 |
| Transfers | | | | | (89,505) | 89,505 | - |
| Total general revenues and transfers | | | | | 28,506,288 | 94,268 | 28,600,556 |
| Change in net assets | | | | | 4,856,168 | 6,179 | 4,862,347 |
| Net assets - beginning, as restated | | | | | 102,775,009 | 1,943,023 | 104,718,032 |
| Net assets - ending | | | | | \$ 107,631,177 | \$ 1,949,202 | \$ 109,580,379 |

**This amount excludes the depreciation that is included in the direct expenses of the various programs.

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

**LEE COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

Exhibit 3

| | Major Funds | | | | | Non-major Fund | | Total Governmental Funds |
|--|---------------------|------------------------|------------------|-----------------------|-------------------|-----------------------|-----------|--------------------------------|
| | General | State Public School | Federal Grants | Restricted Revenue | Capital Outlay | Individual Schools | | |
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 3,294,430 | \$ - | \$ - | \$ 1,886,847 | \$ 435,831 | \$ 513,398 | \$ | \$ 6,130,506 |
| Due from other governments | 80,841 | 619,794 | 57,132 | 23,302 | 9,615 | - | - | 790,684 |
| Accounts receivable | 4,949 | - | - | - | - | - | - | 4,949 |
| Inventories | 372,349 | - | - | - | - | - | - | 372,349 |
| Total assets | \$ 3,752,569 | \$ 619,794 | \$ 57,132 | \$ 1,910,149 | \$ 445,446 | \$ 513,398 | \$ | \$ 7,298,488 |
| Liabilities and Fund balances | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 465,942 | \$ - | \$ - | \$ 195 | \$ - | \$ - | \$ | \$ 466,137 |
| Accrued salaries and wages payable | 6,716 | 619,794 | 57,132 | - | - | - | - | 683,642 |
| Due to other governments | 672,376 | - | - | - | - | - | - | 672,376 |
| Total liabilities | 1,145,034 | 619,794 | 57,132 | 195 | - | - | - | 1,822,155 |
| Fund balances: | | | | | | | | |
| Nonspendable: | | | | | | | | |
| Inventories | 372,349 | - | - | - | - | - | - | 372,349 |
| Restricted: | | | | | | | | |
| Stabilization by State statute | 162,265 | - | - | 23,302 | - | - | - | 185,567 |
| School capital outlay | - | - | - | - | 445,446 | - | - | 445,446 |
| Instructional services | - | - | - | 140,120 | - | - | - | 140,120 |
| Individual schools | - | - | - | - | - | 513,398 | - | 513,398 |
| Assigned: | | | | | | | | |
| Subsequent year's expenditures | 1,248,050 | - | - | - | - | - | - | 1,248,050 |
| Special revenues | - | - | - | 1,746,532 | - | - | - | 1,746,532 |
| Unassigned | 824,871 | - | - | - | - | - | - | 824,871 |
| Total fund balances | 2,607,535 | - | - | 1,909,954 | 445,446 | 513,398 | \$ | 5,476,333 |
| Total liabilities and fund balances | \$ 3,752,569 | \$ 619,794 | \$ 57,132 | \$ 1,910,149 | \$ 445,446 | \$ 513,398 | \$ | \$ 7,298,488 |
| Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because: | | | | | | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | | | | | | |
| Some liabilities, including those for compensated absences, capital leases and installment purchases, are not due and payable in the current period and therefore are not reported in the funds. | | | | | | | | |
| Net assets of governmental activities | | | | | | | | 106,260,669 |
| | | | | | | | | (4,105,825) |
| | | | | | | | | <u>\$ 107,631,177</u> |

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

LEE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

Exhibit 4

| | Major Funds | | | | | Non-major Fund | | Total Governmental Funds |
|---|---------------------|------------------------|------------------|-----------------------|-------------------|-----------------------|----------|--------------------------------|
| | General | State Public School | Federal Grants | Restricted Revenue | Capital Outlay | Individual Schools | | |
| Revenues: | | | | | | | | |
| State of North Carolina | \$ - | \$ 51,761,282 | \$ - | \$ 612,036 | \$ 840,032 | \$ - | \$ | \$ 53,213,350 |
| Lee County | 15,838,050 | - | - | - | 6,997,407 | - | - | 22,835,457 |
| U.S. Government | 155,697 | - | 6,286,784 | 325,841 | - | - | - | 6,768,322 |
| Other | 291,462 | - | - | 2,117,961 | 775 | 1,214,923 | - | 3,625,121 |
| Total revenues | 16,285,209 | 51,761,282 | 6,286,784 | 3,055,838 | 7,838,214 | 1,214,923 | | 86,442,250 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Instructional services: | | | | | | | | |
| Regular instructional | 3,540,831 | 31,982,558 | 1,271,009 | 261,006 | - | - | - | 37,055,404 |
| Special populations | 380,131 | 6,884,744 | 2,551,932 | 169,517 | - | - | - | 9,986,324 |
| Alternative programs | 300,008 | 2,343,338 | 1,868,092 | 289,770 | - | - | - | 4,801,208 |
| School leadership | 1,332,740 | 2,972,426 | 6,900 | 228,188 | - | - | - | 4,540,254 |
| Co-curricular | 351,746 | - | - | 1,611 | - | 1,229,996 | - | 1,583,353 |
| School-based support | 1,264,822 | 2,927,113 | 248,068 | 177,946 | - | - | - | 4,617,949 |
| System-wide support services: | | | | | | | | |
| Support and development | 390,593 | 135,997 | 62,263 | 33,782 | - | - | - | 622,635 |
| Special population support and development | 216,490 | 132,573 | - | 2,935 | - | - | - | 351,998 |
| Alternative programs and services | | | | | | | | |
| support and development | 101,026 | 48,828 | 102,453 | 54,879 | - | - | - | 307,186 |
| Technology support | 562,084 | 699,649 | - | - | - | - | - | 1,261,733 |
| Operational support | 6,498,835 | 2,606,543 | 16,611 | 835,491 | - | - | - | 9,957,480 |
| Financial and human resource services | 817,156 | 396,272 | - | - | - | - | - | 1,213,428 |
| Accountability | 2,587 | - | - | - | - | - | - | 2,587 |
| System-wide pupil support | 96,433 | 95,588 | - | - | - | - | - | 192,021 |
| Policy, leadership and public relations | 445,713 | 484,835 | - | 208 | - | - | - | 930,756 |
| Ancillary services | 103,520 | 5,818 | 4,105 | 2,511 | - | - | - | 115,954 |
| Non-programmed charges | 16,797 | - | 155,351 | - | - | - | - | 172,148 |
| Debt service: | | | | | | | | |
| Principal retirement | 68,560 | - | - | - | 232,486 | - | - | 301,046 |
| Interest and fees | 18,563 | - | - | - | 16,914 | - | - | 35,477 |
| Capital outlay | - | - | - | - | 7,501,307 | - | - | 7,501,307 |
| Total expenditures | 16,508,635 | 51,716,282 | 6,286,784 | 2,057,844 | 7,750,707 | 1,229,996 | | 85,550,248 |
| Revenues over (under) expenditures | (223,426) | 45,000 | - | 997,994 | 87,507 | (15,073) | | 892,002 |
| Other financing sources (uses): | | | | | | | | |
| Transfers to other funds | (44,505) | (45,000) | - | - | - | - | - | (89,505) |
| Capital lease obligations issued | 225,820 | - | - | - | - | - | - | 225,820 |
| Total other financing sources (uses) | 181,315 | (45,000) | - | - | - | - | - | 136,315 |
| Net change in fund balance | (42,111) | - | - | 997,994 | 87,507 | (15,073) | | 1,028,317 |
| Fund balances: | | | | | | | | |
| Beginning of year | 2,692,490 | - | - | 911,960 | 357,939 | 528,471 | | 4,490,860 |
| Decrease in reserve for inventories | (42,844) | - | - | - | - | - | | (42,844) |
| End of year | \$ 2,607,535 | \$ - | \$ - | \$ 1,909,954 | \$ 445,446 | \$ 513,398 | | \$ 5,476,333 |

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

LEE COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Exhibit 5

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|--|---------------------|
| Net changes in fund balances - total governmental funds | \$ 1,028,317 |
| Change in fund balance due to change in reserve for inventory | (42,844) |
| 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. This is the amount by which capital outlays exceeded depreciation expense in the current period. | 3,775,172 |
| The issuance of long-term debt 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 has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts 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. | 75,226 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | |
| Compensated absences | <u>20,297</u> |
| Total changes in net assets of governmental activities | <u>\$ 4,856,168</u> |

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

LEE COUNTY BOARD OF EDUCATION
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

Exhibit 6

| | General Fund | | | Variance with Final Budget Over (Under) |
|-------------------------------------|--------------------|-----------------|--------------|--|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| State of North Carolina | \$ - | \$ - | \$ - | \$ - |
| Lee County | 15,838,050 | 15,838,050 | 15,838,050 | - |
| U.S. Government | 100,000 | 142,319 | 155,697 | 13,378 |
| Other | 264,000 | 223,920 | 291,462 | 67,542 |
| Total revenues | 16,202,050 | 16,204,289 | 16,285,209 | 80,920 |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services | 7,879,617 | 7,800,628 | 7,170,278 | 630,350 |
| System-wide support services | 9,428,894 | 9,369,999 | 9,130,917 | 239,082 |
| Ancillary services | 99,429 | 105,429 | 103,520 | 1,909 |
| Non-programmed charges | 15,000 | 17,000 | 16,797 | 203 |
| Debt service: | | | | |
| Principal retirement | - | 68,560 | 68,560 | - |
| Interest and fees | - | 18,563 | 18,563 | - |
| Total debt service | - | 87,123 | 87,123 | - |
| Total expenditures | 17,422,940 | 17,380,179 | 16,508,635 | 871,544 |
| Revenues over (under) expenditures | (1,220,890) | (1,175,890) | (223,426) | 952,464 |
| Other financing sources (uses): | | | | |
| Transfers to other funds | - | (45,000) | (44,505) | 495 |
| Capital lease obligations issued | - | - | 225,820 | 225,820 |
| Fund balance appropriated | 1,220,890 | 1,220,890 | - | (1,220,890) |
| Net change in fund balance | \$ - | \$ - | (42,111) | \$ (42,111) |
| Fund balances: | | | | |
| Beginning of year | | | 2,692,490 | |
| Decrease in reserve for inventories | | | (42,844) | |
| End of year | | | \$ 2,607,535 | |

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

Exhibit 6 (continued)

LEE COUNTY BOARD OF EDUCATION
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

| | State Public School Fund | | | Variance with Final Budget Over (Under) |
|-------------------------------------|--------------------------|-------------------|-------------------|--|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| State of North Carolina | \$ 52,957,414 | \$ 53,785,445 | \$ 51,761,282 | \$ (2,024,163) |
| Lee County | - | - | - | - |
| U.S. Government | - | - | - | - |
| Other | - | - | - | - |
| Total revenues | <u>52,957,414</u> | <u>53,785,445</u> | <u>51,761,282</u> | <u>(2,024,163)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services | 48,862,308 | 49,088,079 | 47,110,179 | 1,977,900 |
| System-wide support services | 4,050,106 | 4,646,366 | 4,600,285 | 46,081 |
| Ancillary services | - | 6,000 | 5,818 | 182 |
| Non-programmed charges | - | - | - | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fees | - | - | - | - |
| Total debt service | - | - | - | - |
| Total expenditures | <u>52,912,414</u> | <u>53,740,445</u> | <u>51,716,282</u> | <u>2,024,163</u> |
| Revenues over (under) expenditures | 45,000 | 45,000 | 45,000 | - |
| Other financing sources (uses): | | | | |
| Transfers to other funds | (45,000) | (45,000) | (45,000) | - |
| Capital lease obligations issued | - | - | - | - |
| Fund balance appropriated | - | - | - | - |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| Fund balances: | | | | |
| Beginning of year | | | - | |
| Decrease in reserve for inventories | | | - | |
| End of year | | | <u>\$ -</u> | |

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

Exhibit 6 (continued)

LEE COUNTY BOARD OF EDUCATION
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

| | Federal Grants Fund | | | Variance with Final Budget Over (Under) |
|-------------------------------------|---------------------|-----------------|-----------|--|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| State of North Carolina | \$ - | \$ - | \$ - | \$ - |
| Lee County | - | - | - | - |
| U.S. Government | 8,200,363 | 9,015,258 | 6,286,784 | (2,728,474) |
| Other | - | - | - | - |
| Total revenues | 8,200,363 | 9,015,258 | 6,286,784 | (2,728,474) |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services | 6,840,000 | 7,886,220 | 5,946,001 | 1,940,219 |
| System-wide support services | 584,675 | 191,965 | 181,327 | 10,638 |
| Ancillary services | 2,768 | 4,759 | 4,105 | 654 |
| Non-programmed charges | 772,920 | 932,314 | 155,351 | 776,963 |
| Debt service | | | | |
| Principal retirement | - | - | - | - |
| Interest and fees | - | - | - | - |
| Total debt service | - | - | - | - |
| Total expenditures | 8,200,363 | 9,015,258 | 6,286,784 | 2,728,474 |
| Revenues over (under) expenditures | - | - | - | - |
| Other financing sources (uses): | | | | |
| Transfers to other funds | - | - | - | - |
| Capital lease obligations issued | - | - | - | - |
| Fund balance appropriated | - | - | - | - |
| Net change in fund balance | \$ - | \$ - | - | \$ - |
| Fund balances: | | | | |
| Beginning of year | | | - | |
| Decrease in reserve for inventories | | | - | |
| End of year | | | \$ - | |

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

LEE COUNTY BOARD OF EDUCATION **Exhibit 6 (continued)**
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

| | Restricted Revenue Fund | | | Variance with Final Budget Over (Under) |
|-------------------------------------|-------------------------|-----------------|--------------|--|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| State of North Carolina | \$ 601,144 | \$ 612,036 | \$ 612,036 | \$ - |
| Lee County | - | - | - | - |
| U.S. Government | - | 318,420 | 325,841 | 7,421 |
| Other | 450,876 | 2,106,945 | 2,117,961 | 11,016 |
| Total revenues | 1,052,020 | 3,037,401 | 3,055,838 | 18,437 |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services | 1,678,341 | 2,195,257 | 1,128,038 | 1,067,219 |
| System-wide support services | 292,454 | 1,681,414 | 927,295 | 754,119 |
| Ancillary services | 500 | 2,530 | 2,511 | 19 |
| Non-programmed charges | - | - | - | - |
| Debt service | | | | |
| Principal retirement | - | - | - | - |
| Interest and fees | - | - | - | - |
| Total debt service | - | - | - | - |
| Total expenditures | 1,971,295 | 3,879,201 | 2,057,844 | 1,821,357 |
| Revenues over (under) expenditures | (919,275) | (841,800) | 997,994 | 1,839,794 |
| Other financing sources (uses): | | | | |
| Transfers to other funds | - | - | - | - |
| Capital lease obligations issued | - | - | - | - |
| Fund balance appropriated | 919,275 | 841,800 | - | (841,800) |
| Net change in fund balance | \$ - | \$ - | 997,994 | \$ 997,994 |
| Fund balances: | | | | |
| Beginning of year | | | 911,960 | |
| Decrease in reserve for inventories | | | - | |
| End of year | | | \$ 1,909,954 | |

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

**LEE COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE
June 30, 2012**

Exhibit 7

| | Enterprise Fund |
|--|---------------------|
| | <u>Major Fund</u> |
| | <u>School Food</u> |
| | <u>Service</u> |
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 1,191,374 |
| Due from other governments | 99,533 |
| Receivables | 272 |
| Inventories | 166,801 |
| Total current assets | <u>1,457,980</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Equipment, furniture and vehicles, net | <u>607,402</u> |
| Total assets | <u>2,065,382</u> |
| Liabilities | |
| Current liabilities: | |
| Accounts payable and accrued liabilities | 24 |
| Compensated absences | 94,339 |
| Unearned revenue | 10,588 |
| Total current liabilities | <u>104,951</u> |
| Noncurrent liabilities: | |
| Compensated absences | <u>11,229</u> |
| Total liabilities | <u>116,180</u> |
| Net assets | |
| Invested in capital assets | 607,402 |
| Unrestricted | <u>1,341,800</u> |
| Total net assets | <u>\$ 1,949,202</u> |

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

LEE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2012

Exhibit 8

| | Enterprise Fund Major Fund School Food Service |
|-------------------------------|---|
| Operating revenues: | |
| Food sales | \$ 962,485 |
| Operating expenses: | |
| Food cost: | |
| Purchase of food | 1,496,935 |
| Donated commodities | 260,511 |
| Salaries and benefits | 2,249,062 |
| Indirect costs | 345,330 |
| Materials and supplies | 246,454 |
| Repairs and maintenance | 123,255 |
| Depreciation | 84,408 |
| Non-capitalized equipment | 4,677 |
| Other | 42,209 |
| Total operating expenses | 4,852,841 |
| Operating loss | (3,890,356) |
| Nonoperating revenues: | |
| Federal reimbursements | 3,312,767 |
| Federal commodities | 260,511 |
| State reimbursements | 8,659 |
| Indirect costs not paid | 220,330 |
| Interest earned | 4,296 |
| Other | 467 |
| Total nonoperating revenues | 3,807,030 |
| Loss before transfers | (83,326) |
| Transfers from other funds | 89,505 |
| Change in net assets | 6,179 |
| Net assets, beginning of year | 1,943,023 |
| Net assets, end of year | \$ 1,949,202 |

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

LEE COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2012

Exhibit 9

| | Enterprise Fund Major Fund School Food Service |
|--|---|
| Cash flows from operating activities: | |
| Cash received from customers | \$ 960,386 |
| Cash paid for goods and services | (1,986,420) |
| Cash paid to employees for services | (2,207,651) |
| Net cash used by operating activities | <u>(3,233,685)</u> |
| Cash flows from noncapital financing activities: | |
| Transfers from other funds | 44,505 |
| Federal and State reimbursements | 3,356,297 |
| Other | 467 |
| Net cash provided by noncapital financing activities | <u>3,401,269</u> |
| Cash flows from capital and related financing activities: | |
| Purchase of capital assets | <u>(69,419)</u> |
| Cash flows from investing activities: | |
| Interest earned on investments | <u>4,296</u> |
| Net increase in cash and cash equivalents | 102,461 |
| Cash and cash equivalents, beginning of year | <u>1,088,913</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,191,374</u> |
| Reconciliation of operating loss to net cash used by operating activities: | |
| Operating loss | <u>\$ (3,890,356)</u> |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Depreciation | 84,408 |
| Donated commodities | 260,511 |
| Salaries paid by special revenue fund | 45,000 |
| Indirect costs not paid | 220,330 |
| Changes in assets and liabilities: | |
| Increase in due from other governments | (12,252) |
| Increase in accounts receivable | (272) |
| Decrease in inventories | 52,099 |
| Increase in accounts payable and accrued liabilities | 11 |
| Increase in unearned revenue | 10,425 |
| Decrease in compensated absences payable | (3,589) |
| Total adjustments | <u>656,671</u> |
| Net cash used by operating activities | <u>\$ (3,233,685)</u> |

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$260,511 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund paid salaries and benefits of \$45,000 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as an operating transfer in and an operating expense on Exhibit 8.

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

**LEE COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
June 30, 2012**

Exhibit 10

| | <u>Flexible Benefits Fund</u> |
|---------------------------|---------------------------------------|
| Assets | |
| Cash and cash equivalents | <u>\$ 78,507</u> |
| Liabilities | |
| Benefits payable | <u>\$ 78,507</u> |

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

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lee County Board of Education conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Lee County Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Lee County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity. The Board has no component units.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Board and for each function of the Board'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 are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Board's funds, including its fiduciary fund. 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. The fiduciary fund is presented separately.

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

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are accounted for in another fund.

State Public School Fund. The State Public School Fund includes appropriations from the Department of Public Instruction for the current operating expenditures of the public school system.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

Federal Grants Fund. The Federal Grants Fund includes appropriations from the U.S. Government for the current operating expenditures of the public school system.

Restricted Revenue Fund. The Restricted Revenue Fund is used to account for revenues from reimbursements, including indirect costs, fees for actual costs, tuition, sales tax refunds, gifts and grants restricted as to use, federal and State grants restricted as to use, federal and State appropriations made directly to local school administrative units, funds received for prekindergarten programs and special programs.

Capital Outlay Fund. The Capital Outlay Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). It is mandated by State law [G.S.115C-426]. Capital projects are funded by Lee County appropriations, restricted sales tax moneys, proceeds of county debt issued for public school construction, lottery proceeds as well as certain State assistance.

The Board reports the following nonmajor governmental fund:

Individual Schools Fund. The Individual Schools Fund includes revenues and expenditures of the activity funds of the individual schools. The primary revenue sources include funds held on the behalf of various clubs and organizations, receipts from athletic events, and proceeds from various fund raising activities. The primary expenditures are for athletic teams, club programs, activity buses, and instructional needs.

The Board reports the following major enterprise fund:

School Food Service Fund. The School Food Service Fund is used to account for the food service program within the school system.

The Board reports the following fiduciary fund:

Agency Fund. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the Board holds on behalf of others. The Board maintains one agency fund, the Flexible Benefits Fund, which accounts for monies voluntarily withheld from employees' wages to pay for child care and medical expenses not covered under the employees' medical insurance.

C. Measurement Focus and 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 and 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 Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for 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. Acquisitions under capital leases are reported as other financing sources.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

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

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the private purpose trust fund and the individual schools special revenue fund, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the purpose level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys within a function without the approval of the governing board. The Superintendent may not transfer any amounts between funds or from any contingency appropriation within a fund. Amendments which alter the county appropriation or transfer monies to or from the Capital Outlay Fund also require the approval of the Lee County Board of Commissioners. 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, and Fund Equity

1. Deposits and Investments

All deposits of the Board are made in board-designated official depositories and are secured as required by State law [G.S. 115C-444]. The Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. The Board also has money credited in its name with the State Treasurer and may issue State warrants against these funds.

State law [G.S. 115C-443] authorizes the Board 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; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with State laws and regulations. It is not registered with the SEC. The STIF consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board's investments are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The STIF securities are reported at cost and maintain a constant \$1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

2. Cash and Cash Equivalents

The Board pools money 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.

3. Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. The inventories of the Board's General Fund consist of expendable materials and supplies which are recorded as expenditures when purchased. The General Fund inventories do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is classified as nonspendable. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

4. Capital Assets

The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1950 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

For capital assets utilized in both governmental and business-type activities, it is the policy of the Board to capitalize those assets costing more than \$5,000 with an estimated useful life of two or more years. The cost of normal repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Lee County holds title to certain properties, which are reflected as capital assets in the financial statements of the Board. 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 gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title of the property back to the Board, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 50 |
| Equipment and furniture | 3 - 10 |
| Vehicles | 6 |

Depreciation for assets that serve multiple purposes cannot be allocated ratably and is therefore reported as "unallocated depreciation" on the Statement of Activities.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

6. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2012 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

The sick leave policy of the Board provides 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 Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

7. Net Assets/Fund Balances

Net Assets

Net assets in the government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or the 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 four classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances 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.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted fund balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 115C-425(a)].

Restricted for school capital outlay - portion of fund balance that can only be used for school capital outlay. [G.S. 159-18 through 22]

Restricted for instructional services – grant and other revenues restricted for expenditure for various instructional services, as allowable by the funding source.

Restricted for Individual Schools – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fund raising activities for which they were collected.

Assigned fund balance – portion of fund balance that the Board of Education intends to use for specific purposes.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted. The Board of Education approves the appropriation.

Special revenues – portion of fund balance that represents the residual amount of revenues from certain grants, reimbursements, indirect costs and other financial resources in excess of related expenditures that the Board of Education has assigned to be expended for educational services. This amount can be expended on instructional services, system-wide support services, ancillary services or non-programmed charges.

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

The Board of Education has a management policy for revenue spending that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

8. Reconciliation of Government-wide and Fund Financial Statements

a. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. The net adjustment of \$102,154,844 consists of several elements as follows:

| <u>Description</u> | <u>Amount</u> |
|--|----------------------|
| 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) | \$152,076,339 |
| Less accumulated depreciation | <u>(45,815,670)</u> |
| Net capital assets | 106,260,669 |
| Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements: | |
| Capital leases | (190,094) |
| Installment purchases | (41,746) |
| Compensated absences | <u>(3,873,985)</u> |
| Total adjustment | <u>\$102,154,844</u> |

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

- b. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$3,827,851 as follows:

| <u>Description</u> | <u>Amount</u> |
|--|---------------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities | \$ 6,848,875 |
| 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 | (3,073,703) |
| Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements | 301,046 |
| New debt issued during the year is recorded as a source of funds on the fund Statements; it has no effect on the statement of activities – it only affects the Government-wide statement of net assets | (225,820) |
| 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: | |
| Adjustment due to the use of the consumption method of recording inventory in the government-wide statements | (42,844) |
| Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources | <u>20,297</u> |
| Total adjustment | <u>\$ 3,827,851</u> |

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the Board's 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 securities held by the Board'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 Board, these deposits are considered to be held by the agent in the entity's 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 Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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 Board has no policy regarding custodial credit risk for deposits.

At June 30, 2012, the Board had deposits with banks and savings and loans with a carrying amount of \$5,238,288 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$5,406,724 and \$578,454, respectively. Of these balances, \$769,194 was covered by federal depository insurance and \$5,215,983 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2012, the Board had \$2,162,099 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2012. The Board has no policy for managing interest rate risk or credit risk. The Board places no limit on the amount the Board may invest in any one issuer.

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2012 are as follows:

| | Due from other governments | Other | Total |
|-------------------------------|----------------------------------|-----------------|-------------------|
| Governmental activities: | | | |
| General Fund | \$ 80,841 | \$ 4,949 | \$ 85,790 |
| Other governmental activities | 709,843 | - | 709,843 |
| Total governmental activities | <u>\$ 790,684</u> | <u>\$ 4,949</u> | <u>\$ 795,633</u> |
| Business-type activities: | | | |
| School Food Service Fund | <u>\$ 99,533</u> | <u>\$ 272</u> | <u>\$ 99,805</u> |

Due from other governments consists of the following:

| | | |
|---------------------------|-------------------|---|
| Governmental activities: | | |
| General Fund | \$ 80,841 | Amounts due from County and sales tax |
| State Public School Fund | 619,794 | Operating funds from DPI |
| Federal Grants Fund | 57,132 | Federal grant funds |
| Restricted Revenue Fund | 23,302 | Federal grants and sales tax |
| Capital Outlay Fund | <u>9,615</u> | Sales tax |
| Total | <u>\$ 790,684</u> | |
| Business-type activities: | | |
| School Food Service Fund | <u>\$ 99,533</u> | Federal grant funds and sales tax refunds |

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

4. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|-----------|-----------|--------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,182,060 | \$ - | \$ - | \$ 2,182,060 |
| Construction in progress | 14,999,233 | 6,243,376 | - | 21,242,609 |
| Total capital assets not being depreciated | 17,181,293 | 6,243,376 | - | 23,424,669 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 117,358,462 | 302,259 | 32,110 | 117,628,611 |
| Equipment and furniture | 2,419,076 | 160,711 | - | 2,579,787 |
| Vehicles | 8,381,034 | 142,529 | 80,291 | 8,443,272 |
| Total capital assets being depreciated | 128,158,572 | 605,499 | 112,401 | 128,651,670 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 36,093,801 | 2,422,601 | 32,110 | 38,484,292 |
| Equipment and furniture | 1,969,228 | 129,863 | - | 2,099,091 |
| Vehicles | 4,791,339 | 521,239 | 80,291 | 5,232,287 |
| Total accumulated depreciation | 42,854,368 | 3,073,703 | 112,401 | 45,815,670 |
| Total capital assets being depreciated, net | 85,304,204 | | | 82,836,000 |
| Governmental activity capital assets, net | \$ 102,485,497 | | | \$ 106,260,669 |
| | Beginning Balances | Increases | Decreases | Ending Balances |
| Business-type activities: | | | | |
| School Food Service Fund: | | | | |
| Capital assets being depreciated: | | | | |
| Equipment and furniture | \$ 2,594,115 | \$ 38,071 | \$ - | \$ 2,632,186 |
| Vehicles | 26,883 | 31,348 | - | 58,231 |
| Total capital assets being depreciated | 2,620,998 | 69,419 | - | 2,690,417 |
| Less accumulated depreciation for: | | | | |
| Equipment and furniture | 1,971,724 | 83,755 | - | 2,055,479 |
| Vehicles | 26,883 | 653 | - | 27,536 |
| Total accumulated depreciation | 1,998,607 | 84,408 | - | 2,083,015 |
| School Food Service capital assets, net | \$ 622,391 | | | \$ 607,402 |

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

Depreciation was charged to governmental functions as follows:

| | |
|------------------------------|---------------------|
| System-wide support services | \$ 521,239 |
| Unallocated depreciation | <u>2,552,464</u> |
| Total | <u>\$ 3,073,703</u> |

5. Significant Commitments

The Board has contracts outstanding with an architect and general contractor as of June 30, 2012 related to improvements being made at Lee County High School. The remaining commitments on these contracts amounted to approximately \$432,000 at June 30, 2012.

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. Lee County Board of Education contributes to the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS provides retirement benefits to plan members and beneficiaries. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Teachers' and State 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 TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 7.44% of annual covered payroll. The contribution requirements of plan members and Lee County Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2012, 2011, and 2010 were \$3,442,495, \$2,367,396, and \$1,731,265, respectively, equal to the required contributions for each year.

b. Other Postemployment Benefits

Healthcare Benefits

Plan Description. The postemployment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Comprehensive Major Medical Plan (also, referred

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2012, 2011, and 2010, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$2,313,505, \$2,352,990, and \$2,157,015, respectively. These contributions represented 5.00%, 4.90%, and 4.50% of covered payroll, respectively.

Long-term Disability Benefits

Plan Description. Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan. The DIPNC is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System. Long-term disability benefits are payable as another postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan accumulates contributions from employers and any earnings on those contributions in the Disability Income Plan Trust Fund. The plan does not provide for automatic post-retirement benefit increases.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the DIPNC. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Funding Policy. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For members with five or more years of membership service as of July 31, 2007, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S.127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which the member might be entitled should the member become age 62 during the first 36 months. After 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and is in receipt of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2012, 2011, and 2010, the Board paid all annual required contributions to the DIPNC for disability benefits of \$240,605, \$249,705, and \$249,255, respectively. These contributions represented 0.52% of covered payroll for each of the three fiscal years.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

2. Accounts Payable

Accounts payable as of June 30, 2012 are as follows:

| | <u>Vendors</u> | <u>Due to Other Governments</u> | <u>Total</u> |
|-------------------------------|-------------------|---------------------------------|---------------------|
| Governmental activities: | | | |
| General Fund | \$ 465,942 | \$ 672,376 | \$ 1,138,318 |
| Other governmental activities | <u>195</u> | <u>-</u> | <u>195</u> |
| Total governmental activities | <u>\$ 466,137</u> | <u>\$ 672,376</u> | <u>\$ 1,138,513</u> |
| Business-type activities: | | | |
| School Food Service Fund | <u>\$ 24</u> | <u>\$ -</u> | <u>\$ 24</u> |

3. Unearned Revenues

The balance in unearned revenues at year-end is composed of the following elements

| | |
|---|------------------|
| Business-type activities: | |
| Prepayments of meals (School Food Service Fund) | <u>\$ 10,588</u> |

4. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit for both general liability and errors and omissions of \$2,550,000 each. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability coverage. Statutory workers' compensation coverage is purchased through a private insurer for employees to the extent they are paid from Federal and local funds. Workers' compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on flood, earthquake, business interruption and extra expense. \$10 million per occurrence is provided on increased cost of construction.

The Board does not carry supplemental flood insurance in case of natural disasters since there are no Board-owned properties in flood zones.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

up to a \$5 million lifetime limit. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

The Board carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past three fiscal years.

5. Contingent Liabilities

As of the date of our report, the Board was a defendant to a legal claim. The Board's management and the Board's attorney have been unable to determine the amount of loss, if any, the Board will incur as a result of this legal matter.

6. Long-Term Obligations

a. Capital Leases

As authorized in State law [G.S. 115C-528(a)], the Board entered into lease agreements for the lease of mobile classroom units. The leasing arrangement was made for a term of 5 years. At the conclusion of the lease term, ownership is transferred to the Board. The lease agreement qualifies as a capital lease for accounting purposes; therefore, the obligation has been recorded at the present value of the future minimum lease payments as of the date of its inception. At June 30, 2012, the assets recorded under the capital lease, net of accumulated depreciation of \$4,514, amounted to \$221,306. The following is a schedule of future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2012:

| <u>Year Ending June 30:</u> | <u>Governmental Activities</u> |
|---|--------------------------------|
| 2013 | \$ 53,658 |
| 2014 | 53,658 |
| 2015 | 53,658 |
| 2016 | <u>53,657</u> |
| Total minimum lease payments | 214,631 |
| Less amount representing interest | <u>(24,537)</u> |
| Present value of the minimum lease payments | <u>\$ 190,094</u> |

b. Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through special third party financing arrangements. During the 2010-2011 fiscal year, the Board entered into a financing contract for the purchase of school buses. The financing contract requires four principal-only payments with the first payment due within 10 days of receipt of the buses and the following 3 payments due on the next 3 immediately following November 15th dates. The future minimum payments of the installment purchases as of June 30, 2012 are as follows:

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

| <u>Year Ending June 30,</u> | <u>Governmental Activities</u> <u>Principal</u> |
|-----------------------------|--|
| 2013 | \$ 20,873 |
| 2014 | <u>20,873</u> |
| Totals | <u>\$ 41,746</u> |

c. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2012:

| | <u>July 1, 2011</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2012</u> | <u>Current Portion</u> |
|-------------------------------|---------------------|---------------------|---------------------|----------------------|------------------------|
| Governmental activities: | | | | | |
| Capital lease | \$ 223,574 | \$ 225,820 | \$ 259,300 | \$ 190,094 | \$ 41,672 |
| Installment purchases | 83,492 | - | 41,746 | 41,746 | 20,873 |
| Compensated absences | <u>3,894,282</u> | <u>2,912,969</u> | <u>2,933,266</u> | <u>3,873,985</u> | <u>2,917,978</u> |
| Total governmental activities | <u>\$ 4,201,348</u> | <u>\$ 3,138,789</u> | <u>\$ 3,234,312</u> | <u>\$ 4,105,825</u> | <u>\$ 2,980,523</u> |
| Business-type activities: | | | | | |
| Compensated absences | <u>\$ 109,157</u> | <u>\$ 93,957</u> | <u>\$ 97,546</u> | <u>\$ 105,568</u> | <u>\$ 94,339</u> |

Compensated absences related to governmental activities are typically liquidated by the General and other governmental funds.

C. Interfund Balances and Activity

Transfers to/from other Funds

Transfers to/from other funds at June 30, 2012 consist of the following:

| | |
|--|------------------|
| From the State Public School Fund to the School Food Service Fund for administrative costs | <u>\$ 45,000</u> |
| From the General Fund to the School Food Service Fund for administrative costs | <u>\$ 44,505</u> |

D. Fund Balance

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 | \$ 2,607,535 |
| Less: | |
| Inventories | (372,349) |
| Stabilization by State statute | (162,265) |
| Appropriated Fund Balance in 2013 budget | <u>(1,248,050)</u> |
| Remaining fund balance | <u>\$ 824,871</u> |

**LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances outstanding at June 30, 2012 are as follows:

| | <u>Encumbrances</u> |
|---------------------|---------------------|
| General Fund | \$ 76,475 |
| Capital Outlay Fund | 120,272 |

NOTE 3 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Board 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 moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

NOTE 4 – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2012, the Board reported the following prior period adjustment:

Capital lease obligations payable were decreased by \$121,131 to correct an error in the amount recorded as payable at inception of the lease. As a result, governmental activities' net assets as of June 30, 2011 increased by the same amount. Such changes to governmental activities' net assets have been reflected in Exhibit 1 and Exhibit 2.

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2012

| | Final Budget | Actual | Variance Over (Under) |
|--|-----------------|---------------|-----------------------------|
| Revenues: | | | |
| Lee County: | | | |
| County appropriation | \$ 15,838,050 | \$ 15,838,050 | \$ - |
| U.S. Government: | | | |
| Impact Aid | 14,663 | 15,302 | 639 |
| ROTC | 127,656 | 140,395 | 12,739 |
| U.S. Government | 142,319 | 155,697 | 13,378 |
| Other: | | | |
| Fines and forfeitures | 171,153 | 193,494 | 22,341 |
| Interest earned on investment | 12,706 | 13,412 | 706 |
| Insurance proceeds | 21,026 | 21,026 | - |
| Rental of school property | 15,730 | 16,940 | 1,210 |
| Miscellaneous | 3,305 | 46,590 | 43,285 |
| Total other | 223,920 | 291,462 | 67,542 |
| Total revenues | 16,204,289 | 16,285,209 | 80,920 |
| Expenditures: | | | |
| Current: | | | |
| Instructional services: | | | |
| Regular instructional | - | 3,540,831 | - |
| Special populations | - | 380,131 | - |
| Alternative programs | - | 300,008 | - |
| School leadership | - | 1,332,740 | - |
| Co-curricular | - | 351,746 | - |
| School-based support | - | 1,264,822 | - |
| Total instructional services | 7,800,628 | 7,170,278 | 630,350 |
| System-wide support services: | | | |
| Support and development | - | 390,593 | - |
| Special population support and development | - | 216,490 | - |
| Alternative programs and services | | | |
| support and development | - | 101,026 | - |
| Technology support | - | 562,084 | - |
| Operational support | - | 6,498,835 | - |
| Financial and human resource services | - | 817,156 | - |
| Accountability | - | 2,587 | - |
| System-wide pupil support | - | 96,433 | - |
| Policy, leadership and public relations | - | 445,713 | - |
| Total system-wide support services | 9,369,999 | 9,130,917 | 239,082 |

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)
GENERAL FUND
For the Fiscal Year Ended June 30, 2012

| | Final Budget | Actual | Variance Over (Under) |
|-------------------------------------|-------------------|---------------------|-----------------------------|
| Expenditures: (Continued) | | | |
| Current: | | | |
| Ancillary services: | | | |
| Community | - | 103,215 | - |
| Nutrition | - | 305 | - |
| Total ancillary services | <u>105,429</u> | <u>103,520</u> | <u>1,909</u> |
| Non-programmed charges | | | |
| Payments to other governments | <u>17,000</u> | <u>16,797</u> | <u>203</u> |
| Debt service: | | | |
| Principal retirement | 68,560 | 68,560 | - |
| Interest and fees | <u>18,563</u> | <u>18,563</u> | - |
| Total debt service | <u>87,123</u> | <u>87,123</u> | - |
| Total expenditures | <u>17,380,179</u> | <u>16,508,635</u> | <u>871,544</u> |
| Revenues over (under) expenditures | (1,175,890) | (223,426) | 952,464 |
| Other financing sources (uses): | | | |
| Transfers to other funds | (45,000) | (44,505) | 495 |
| Capital lease obligations issued | - | 225,820 | 225,820 |
| Fund balance appropriated | <u>1,220,890</u> | <u>-</u> | <u>(1,220,890)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>(42,111)</u> | <u>\$ (42,111)</u> |
| Fund balance: | | | |
| Beginning of year | | 2,692,490 | |
| Decrease in reserve for inventories | | <u>(42,844)</u> | |
| End of year | | <u>\$ 2,607,535</u> | |

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
INDIVIDUAL SCHOOLS FUND
For the Fiscal Year Ended June 30, 2012

| | <u>Revenues</u> | <u>Expenditures</u> | <u>Net change in fund balance</u> | <u>Fund balances June 30, 2011</u> | <u>Fund balances June 30, 2012</u> |
|-----------------------------|---------------------|---------------------|---|--|--|
| Lee County High | \$ 399,510 | \$ 419,457 | \$ (19,947) | \$ 133,600 | \$ 113,653 |
| Southern Lee High | 293,412 | 278,560 | 14,852 | 73,607 | 88,459 |
| East Lee Middle | 60,623 | 64,779 | (4,156) | 25,393 | 21,237 |
| West Lee Middle | 48,745 | 53,539 | (4,794) | 55,905 | 51,111 |
| SanLee Middle | 57,521 | 61,552 | (4,031) | 55,983 | 51,952 |
| B.T. Bullock Elementary | 18,444 | 17,175 | 1,269 | 18,725 | 19,994 |
| Broadway Elementary | 16,017 | 15,592 | 425 | 7,866 | 8,291 |
| Deep River Elementary | 13,271 | 13,553 | (282) | 11,367 | 11,085 |
| Floyd L. Knight Elementary | 85,544 | 88,037 | (2,493) | 23,232 | 20,739 |
| Greenwood Elementary | 24,813 | 26,418 | (1,605) | 36,206 | 34,601 |
| J. G. Edwards Elementary | 41,571 | 37,613 | 3,958 | 50,720 | 54,678 |
| J.R. Ingram, Jr. Elementary | 36,225 | 37,544 | (1,319) | 14,266 | 12,947 |
| Tramway Elementary | 97,937 | 94,692 | 3,245 | 12,204 | 15,449 |
| Lee Early College | <u>21,290</u> | <u>21,485</u> | <u>(195)</u> | <u>9,397</u> | <u>9,202</u> |
| Totals | <u>\$ 1,214,923</u> | <u>\$ 1,229,996</u> | <u>\$ (15,073)</u> | <u>\$ 528,471</u> | <u>\$ 513,398</u> |

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL OUTLAY FUND
For the Fiscal Year Ended June 30, 2012

| | Final Budget | Actual | Variance Over (Under) |
|--|-----------------|------------|-----------------------------|
| Revenues: | | | |
| State of North Carolina: | | | |
| State appropriations - buses | \$ 41,746 | \$ 41,746 | \$ - |
| Public School Capital Fund - Lottery | 1,312,743 | 798,286 | (514,457) |
| Total State of North Carolina | 1,354,489 | 840,032 | (514,457) |
| Lee County: | | | |
| Recovery zone economic development bonds | - | 6,243,376 | 6,243,376 |
| Qualified zone academy bonds | - | 200 | 200 |
| County appropriations | 753,831 | 753,831 | - |
| Total Lee County | 753,831 | 6,997,407 | 6,243,576 |
| Other: | | | |
| Interest earned on investments | 725 | 775 | 50 |
| Total revenues | 2,109,045 | 7,838,214 | 5,729,169 |
| Expenditures: | | | |
| Debt service: | | | |
| Principal retirement | 232,486 | 232,486 | - |
| Interest and fees | 16,914 | 16,914 | - |
| Total debt service | 249,400 | 249,400 | - |
| Capital Outlay: | | | |
| Buildings and improvements: | | | |
| Greenwood Elementary - Lottery | - | 10,861 | - |
| East Lee Middle - Lottery | - | 267,591 | - |
| Southern Lee High - Lottery | - | 7,265 | - |
| West Lee Middle - Lottery | - | 267,591 | - |
| B.T. Bullock Elementary - Lottery | - | 230,493 | - |
| Deep River Elementary - Lottery | - | 6,165 | - |
| Lee County High - Lottery | - | 4,770 | - |
| Other - Lottery | - | 3,550 | - |
| Other buildings and improvements | - | 6,477,225 | - |
| Total buildings and improvements | 1,621,055 | 7,275,511 | (5,654,456) |
| Furnishings and equipment | 128,299 | 128,199 | 100 |
| Vehicles | 192,836 | 97,597 | 95,239 |
| Total capital outlay | 1,942,190 | 7,501,307 | (5,559,117) |
| Total expenditures | 2,191,590 | 7,750,707 | (5,559,117) |
| Revenues over (under) expenditures | (82,545) | 87,507 | 170,052 |
| Fund balance appropriated | 82,545 | - | (82,545) |
| Net change in fund balance | \$ - | 87,507 | \$ 87,507 |
| Fund balance: | | | |
| Beginning of year | | 357,939 | |
| End of year | | \$ 445,446 | |

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
SCHOOL FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2012

| | Final Budget | Actual | Variance Over (Under) |
|--|-----------------|-------------|-----------------------------|
| Operating revenues - food sales | \$ 967,000 | \$ 962,485 | \$ (4,515) |
| Operating expenditures: | | | |
| Business support services: | | | |
| Purchase of food | - | 1,444,836 | - |
| Donated commodities | - | 260,511 | - |
| Salaries and benefits | - | 2,252,651 | - |
| Indirect costs | - | 345,330 | - |
| Materials and supplies | - | 246,454 | - |
| Repairs and maintenance | - | 123,255 | - |
| Non-capitalized equipment | - | 4,677 | - |
| Other | - | 42,209 | - |
| Capital outlay | - | 69,419 | - |
| Total operating expenditures | 4,949,200 | 4,789,342 | 159,858 |
| Operating loss | (3,982,200) | (3,826,857) | 155,343 |
| Nonoperating revenues: | | | |
| Federal reimbursements and grants | 3,315,000 | 3,312,767 | (2,233) |
| Federal commodities | 265,000 | 260,511 | (4,489) |
| State reimbursements | 9,000 | 8,659 | (341) |
| Indirect costs not paid | 221,000 | 220,330 | (670) |
| Interest earned | 4,500 | 4,296 | (204) |
| Other | 1,000 | 467 | (533) |
| Total nonoperating revenues | 3,815,500 | 3,807,030 | (8,470) |
| Excess (deficiency) of revenues over expenditures before other financing sources and appropriated fund balance | (166,700) | (19,827) | 146,873 |
| Other financing sources: | | | |
| Transfers from other funds | 90,000 | 89,505 | (495) |
| Fund balance appropriated | 76,700 | - | (76,700) |
| Net change in fund balance | \$ - | 69,678 | \$ 69,678 |
| Reconciliation of modified accrual to full accrual basis: | | | |
| Reconciling items: | | | |
| Depreciation | | (84,408) | |
| Equipment purchases | | 69,419 | |
| Decrease in compensated absences payable | | 3,589 | |
| Decrease in inventories | | (52,099) | |
| Change in net assets (full accrual) | | \$ 6,179 | |

LEE COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2012

| | Balance July 1, 2011 | Additions | Deductions | Balance June 30, 2012 |
|-------------------------------|----------------------------|------------|------------|-----------------------------|
| Flexible Benefits Fund | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 79,454 | \$ 169,126 | \$ 170,073 | \$ 78,507 |
| Liabilities | | | | |
| Benefits payable | \$ 79,454 | \$ 169,126 | \$ 170,073 | \$ 78,507 |

STATISTICAL SECTION

Financial Trends

These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.

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Financial Trend Information
Schedule 1

LEE COUNTY SCHOOLS
NET ASSETS BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|--|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Governmental activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 106,028,829 | \$ 102,057,300 | \$ 91,262,739 | \$ 91,765,480 | \$ 93,846,311 | \$ 87,206,902 | \$ 72,129,510 | \$ 72,484,255 | \$ 50,639,280 | \$ 51,439,751 |
| Restricted | 1,284,531 | 908,285 | 482,343 | 468,305 | 481,331 | 556,365 | 546,007 | 465,513 | 485,506 | 456,460 |
| Unrestricted | 317,817 | (311,707) | 591,231 | (227,827) | (32,104) | 147,507 | 143,685 | 743,697 | 241,355 | 691,563 |
| Total governmental activities net assets | \$ 107,631,177 | \$ 102,653,878 | \$ 92,336,313 | \$ 92,005,958 | \$ 94,295,538 | \$ 87,910,774 | \$ 72,819,202 | \$ 73,693,465 | \$ 51,366,141 | \$ 52,587,774 |
| Business-type activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 607,402 | \$ 622,391 | \$ 655,861 | \$ 727,994 | \$ 555,953 | \$ 650,004 | \$ 751,907 | \$ 716,521 | \$ 790,336 | \$ 920,388 |
| Unrestricted | 1,341,800 | 1,320,632 | 1,019,102 | 821,050 | 898,829 | 1,162,018 | 1,245,420 | 1,259,344 | 1,266,889 | 1,076,123 |
| Total business-type activities net assets | \$ 1,949,202 | \$ 1,943,023 | \$ 1,674,963 | \$ 1,549,044 | \$ 1,454,782 | \$ 1,812,022 | \$ 1,997,327 | \$ 1,975,865 | \$ 2,057,225 | \$ 1,996,511 |
| Government-wide | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 106,636,231 | \$ 102,679,691 | \$ 91,918,600 | \$ 92,493,474 | \$ 94,402,264 | \$ 87,856,906 | \$ 72,881,417 | \$ 73,200,776 | \$ 51,429,616 | \$ 52,360,139 |
| Restricted | 1,284,531 | 908,285 | 482,343 | 468,305 | 481,331 | 556,365 | 546,007 | 465,513 | 485,506 | 456,460 |
| Unrestricted | 1,659,617 | 1,008,925 | 1,610,333 | 593,223 | 866,725 | 1,309,525 | 1,389,105 | 2,003,041 | 1,508,244 | 1,767,686 |
| Total government-wide net assets | \$ 109,580,379 | \$ 104,596,901 | \$ 94,011,276 | \$ 93,555,002 | \$ 95,750,320 | \$ 89,722,796 | \$ 74,816,529 | \$ 75,669,330 | \$ 53,423,366 | \$ 54,584,285 |

Note: Lee County Schools began to report accrual information when it implemented GASB Statement 34 in 2003.

LEE COUNTY SCHOOLS
EXPENSES, PROGRAM REVENUES AND NET (EXPENSE)
Last Ten Fiscal Years
(accrual basis of accounting)

Financial Trend Information
Schedule 2
(continued)

| | Fiscal Year | | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | |
| Expenses | | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | | |
| Instructional programs | | | | \$ 64,161,345 | \$ 61,373,844 | \$ 51,066,262 | \$ 48,857,183 | \$ 46,135,412 | \$ 43,728,609 | \$ 42,107,772 | |
| Regular Instruction | \$ 37,045,690 | \$ 40,606,841 | \$ 37,180,288 | | | | | | | | |
| Special Populations | 9,983,706 | 10,152,434 | 9,754,784 | | | | | | | | |
| Alternative Programs | 4,799,949 | 5,347,664 | 5,471,241 | | | | | | | | |
| School Leadership | 4,539,064 | 4,698,826 | 4,534,424 | | | | | | | | |
| Co-Curricular | 1,582,938 | 366,573 | 343,369 | | | | | | | | |
| School-Based | 4,616,738 | 4,839,806 | 4,443,923 | | | | | | | | |
| Support services | | | | 19,379,473 | 13,507,983 | 32,333,522 | 15,524,447 | 14,109,071 | 13,722,341 | 13,657,593 | |
| Support and Development | 622,472 | 616,400 | 1,027,915 | | | | | | | | |
| Special Populations Support & Development | 351,906 | 319,387 | 223,251 | | | | | | | | |
| Alternative Programs | 307,105 | 291,226 | 298,419 | | | | | | | | |
| Technology Support | 1,261,402 | 1,027,259 | 936,419 | | | | | | | | |
| Operational Support | 11,128,541 | 11,046,387 | 10,846,986 | | | | | | | | |
| Financial and Human Resources | 1,130,954 | 1,195,477 | 1,101,603 | | | | | | | | |
| Accountability | 2,586 | 12,889 | 2,687 | | | | | | | | |
| System-Wide Pupil Support | 191,971 | 121,673 | 3,685 | | | | | | | | |
| Policy, Leadership and Public Relations | 930,512 | 1,028,655 | 916,892 | | | | | | | | |
| Ancillary | 115,954 | 102,571 | 142,200 | | | | | | | | |
| Non-Programmed Charges | 16,797 | 45,505 | 46,440 | | | | | | | | |
| Interest on Long-Term Debt | 35,477 | 27,664 | | | | | | | | | |
| Unallocated depreciation expense | 2,552,464 | 2,624,741 | 2,624,486 | 2,506,130 | 2,036,132 | 2,082,192 | 1,994,089 | 1,549,697 | 1,448,206 | 1,366,544 | |
| Other | | | | 257,627 | 256,306 | 153,453 | 181,002 | 128,089 | 141,459 | 99,612 | |
| Total governmental activities expenses | 81,216,226 | 84,471,978 | 79,899,012 | 86,304,575 | 77,174,265 | 85,635,428 | 66,556,721 | 61,922,269 | 59,040,615 | 57,231,521 | |
| Business-type activities: | | | | | | | | | | | |
| Child nutrition | 4,632,511 | 4,233,778 | 4,290,957 | 4,637,538 | 4,553,165 | 4,381,775 | 4,174,877 | 3,959,035 | 3,588,344 | 3,447,142 | |
| Total government-wide expenses | 85,848,737 | 88,705,756 | 84,189,969 | 90,942,113 | 81,727,430 | 90,017,204 | 70,731,598 | 65,881,304 | 62,628,959 | 60,678,663 | |

Note: Lee County Schools began to report accrual information when it implemented GASB Statement 34 in 2003. Lee County Schools began reporting by function beginning in 2010 to provide more detail.

LEE COUNTY SCHOOLS
EXPENSES, PROGRAM REVENUES AND NET (EXPENSE)
Last Ten Fiscal Years
(accrual basis of accounting)

Financial Trend Information
Schedule 2
(continued)

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Regular Instruction | 72,660 | 107,048 | 110,356 | 110,661 | 180,518 | 146,354 | 169,516 | 143,235 | 167,843 | 98,679 |
| Operational Support | 16,940 | 14,953 | 22,445 | | | | | | | |
| Operating grants and contributions | | | | 61,880,784 | 59,119,707 | 52,252,186 | 49,399,802 | 48,032,707 | 45,264,296 | 44,852,918 |
| Regular Instruction | 31,763,702 | 29,921,769 | 30,988,204 | | | | | | | |
| Special Populations | 9,960,357 | 9,402,322 | 9,077,680 | | | | | | | |
| Alternative Programs | 4,598,274 | 4,643,050 | 4,711,987 | | | | | | | |
| School Leadership | 3,159,069 | 2,921,899 | 3,168,969 | | | | | | | |
| School-Based Support | 2,797,271 | 3,168,200 | 3,004,164 | | | | | | | |
| Support and Development | 186,495 | 217,302 | 719,884 | | | | | | | |
| Special Populations Support & Development | 132,573 | 192,424 | 142,002 | | | | | | | |
| Alternative Programs | 151,281 | 202,018 | 233,146 | | | | | | | |
| Technology Support | 389,251 | 336,868 | 285,397 | | | | | | | |
| Operational Support | 3,154,518 | 3,230,718 | 3,716,692 | | | | | | | |
| Financial and Human Resources | 396,272 | 492,045 | 369,448 | | | | | | | |
| Accountability | | 1,636 | 2,691 | | | | | | | |
| System-Wide Pupil Support | 95,588 | 29,954 | | | | | | | | |
| Policy, Leadership and Public Relations | 484,835 | 461,538 | 422,784 | | | | | | | |
| Ancillary | 9,923 | 47,656 | 78,973 | | | | | | | |
| Non-Programmed charges | 155,351 | | | | | | | | | |
| Capital grants and contributions | | | | | | | | | | |
| Operational Support | 41,746 | 102,283 | 75,295 | 2,511,461 | 8,000,742 | 16,253,276 | 585,030 | 644,135 | 683,163 | 1,669,094 |
| Total governmental activities program revenues | 57,566,106 | 55,493,683 | 57,130,117 | 64,502,906 | 67,300,967 | 68,651,816 | 50,154,348 | 48,820,077 | 46,115,302 | 46,620,691 |
| Business-type activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Child Nutrition | 962,485 | 1,004,037 | 1,064,215 | 1,116,034 | 1,247,547 | 1,286,450 | 1,317,207 | 1,355,363 | 1,312,672 | 1,367,763 |
| Operating grants and contributions | | | | | | | | | | |
| Child Nutrition | 3,581,937 | 3,433,626 | 3,264,774 | 3,344,449 | 2,908,554 | 2,859,708 | 2,836,504 | 2,494,529 | 2,320,693 | 2,113,441 |
| Capital grants and contributions | | | | | | | | | | |
| Total business-type activities program revenues | 4,544,422 | 4,437,663 | 4,361,277 | 4,709,756 | 4,156,101 | 4,146,158 | 4,153,711 | 3,849,892 | 3,633,365 | 3,481,204 |
| Total government-wide program revenues | 62,110,528 | 59,931,346 | 61,491,394 | 69,212,662 | 71,457,068 | 72,797,974 | 54,308,059 | 52,669,969 | 49,748,667 | 50,101,895 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | (23,650,120) | (28,978,295) | (22,768,895) | (21,801,669) | (9,873,298) | (16,983,613) | (16,402,373) | (13,102,192) | (12,925,313) | (10,610,830) |
| Business-type activities | (88,089) | 203,885 | 70,320 | 72,218 | (397,064) | (235,617) | (21,166) | (109,143) | 45,021 | 34,062 |
| Total primary government net expense | <u>\$(23,738,209)</u> | <u>\$(28,774,410)</u> | <u>\$(22,698,575)</u> | <u>\$(21,729,451)</u> | <u>\$(10,270,362)</u> | <u>\$(17,219,230)</u> | <u>\$(16,423,539)</u> | <u>\$(13,211,335)</u> | <u>\$(12,880,292)</u> | <u>\$(10,576,768)</u> |

Note: Lee County Schools began to report accrual information when it implemented GASB Statement 34 in 2003. Lee County Schools began reporting by function beginning in 2010 to provide more detail.

Financial Trend Information
Schedule 3

LEE COUNTY SCHOOLS
GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS
Last Ten Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Net (Expense) Governmental activities | (23,650,120) | (28,978,295) | (22,768,895) | (21,801,669) | (9,873,298) | (16,983,613) | (16,402,373) | (13,102,192) | (12,925,313) | (10,610,830) |
| Net (Expense) Business-type activities | (88,089) | 203,885 | 70,320 | 72,218 | (397,064) | (235,617) | (21,166) | (109,143) | 45,021 | 34,062 |
| Total primary government-wide net (expense) | \$ (23,738,209) | \$ (28,774,410) | \$ (22,698,575) | \$ (21,729,451) | \$ (10,270,362) | \$ (17,219,230) | \$ (16,423,539) | \$ (13,211,335) | \$ (12,880,292) | \$ (10,576,768) |
| General revenues and transfers: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| State of North Carolina - capital | 798,286 | 1,253,821 | 1,412,769 | 2,058,073 | 979,990 | 518,535 | 644,189 | 256,158 | 428,098 | 338,066 |
| Federal - capital | | 13,146,068 | 1,923,941 | | | | | | | |
| State & Federal - operating | 2,782,294 | 7,789,983 | 3,086,512 | | | | | | | |
| Lee County - unrestricted - operating | 15,838,050 | 15,178,050 | 14,978,050 | 15,602,134 | 13,502,134 | 12,666,167 | 12,171,984 | 9,871,984 | 9,127,384 | 8,705,974 |
| Lee County - unrestricted - capital | 6,997,407 | 603,831 | 953,831 | 1,444,963 | 721,812 | 16,808,163 | 743,000 | 743,000 | 1,048,841 | 397,800 |
| Other revenues | 2,179,756 | 1,369,489 | 789,197 | 406,919 | 1,054,126 | 2,082,320 | 1,968,937 | 1,597,375 | 1,099,357 | 877,952 |
| Transfers in (out) | (89,505) | (45,381) | (45,050) | - | - | - | - | - | - | - |
| Total governmental activities general revenues and transfers | 28,506,288 | 39,295,861 | 23,099,250 | 19,512,089 | 16,258,062 | 32,075,185 | 15,528,110 | 12,468,517 | 11,703,680 | 10,319,792 |
| Business-type activities: | | | | | | | | | | |
| Other revenues | 4,763 | 18,794 | 10,549 | 22,044 | 39,822 | 50,314 | 42,628 | 27,783 | 15,693 | 20,071 |
| Transfers in (out) | 89,505 | 45,381 | 45,050 | - | - | - | - | - | - | - |
| Total business-type activities general revenues and transfers | 94,268 | 64,175 | 55,599 | 22,044 | 39,822 | 50,314 | 42,628 | 27,783 | 15,693 | 20,071 |
| Total government-wide general revenues and transfers | 28,600,556 | 39,360,036 | 23,154,849 | 19,534,133 | 16,297,884 | 32,125,499 | 15,570,738 | 12,496,300 | 11,719,373 | 10,339,863 |
| Change in Net Assets | | | | | | | | | | |
| Governmental activities | 4,856,168 | 10,317,566 | 330,355 | (2,289,580) | 6,384,764 | 15,091,572 | (874,263) | (633,675) | (1,221,633) | (291,038) |
| Business-type activities | 6,179 | 268,060 | 125,919 | 94,262 | (357,242) | (185,303) | 21,462 | (81,360) | 60,714 | 54,133 |
| Total primary government change in net assets | \$ 4,862,347 | \$ 10,585,626 | \$ 456,274 | \$ (2,195,318) | \$ 6,027,522 | \$ 14,906,269 | \$ (852,801) | \$ (715,035) | \$ (1,160,919) | \$ (236,905) |

Notes: Lee County Schools began to report accrual information when it implemented GASB Statement 34 in 2003.
State of North Carolina revenues for fiscal year 2004 include state funding for a construction project.

Financial Trend Information
Schedule 4

LEE COUNTY SCHOOLS
FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | 2012 | 2011 | 2010 | Fiscal Year 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---------------------|---------------------|------|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General Fund | | | | | | | | | | |
| Nonspendable: | | | | | | | | | | |
| Inventories | | \$ 415,193 | | \$ 508,961 | \$ 645,053 | \$ 1,160,174 | \$ 790,428 | \$ 1,148,331 | \$ 815,196 | \$ 546,363 |
| Stabilization by State Statute | \$ 372,349 | \$ 294,558 | | 2,553,973 | 2,125,172 | 1,623,056 | 2,020,786 | 1,941,263 | 2,045,573 | 2,272,350 |
| Assigned: | 162,265 | | | \$ 3,062,934 | \$ 2,770,225 | \$ 2,783,230 | \$ 2,811,214 | \$ 3,089,594 | \$ 2,860,769 | \$ 2,818,713 |
| Subsequent year's expenditure: | 1,248,050.00 | 1,157,867.00 | | | | | | | | |
| Unassigned | 824,871 | 824,872 | | | | | | | | |
| Total general fund | \$ 2,607,535 | \$ 2,692,490 | | | | | | | | |
| All Other Governmental Funds | | | | | | | | | | |
| Restricted: | | | | | | | | | | |
| Stabilization by State Statute | \$ 23,302 | \$ 70,160 | | \$ - | \$ - | \$ 7,120 | \$ 196,675 | \$ 207,737 | \$ 296,149 | \$ 220,072 |
| Capital projects fund | 445,446 | 357,939 | | | | | | | | |
| Instructional Services | 140,120 | | | | | | | | | |
| Special revenue funds | 513,398 | 528,471 | | | | | | | | |
| Assigned: | | | | | | | | | | |
| Special Revenues | 1,746,532 | 841,800 | | | | | | | | |
| Total all other governmental funds | \$ 2,868,798 | \$ 1,798,370 | | | | | | | | |
| Total fund balance | \$ 5,476,333 | \$ 4,490,860 | | | | | | | | |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | | | | | | | | | | |
| Other funds | | | | | | | | | | |
| Capital projects fund | | | | | | | | | | |
| Unreserved, reported in: | | | | | | | | | | |
| Other funds | | | | | | | | | | |
| Capital projects fund | | | | | | | | | | |
| Special revenue funds | | | | | | | | | | |
| Total all other governmental funds | \$ 1,673,350 | \$ 778,967 | | | | | | | | |
| Total fund balance | \$ 5,476,333 | \$ 4,490,860 | | | | | | | | |

Source: Information taken from District's financial statements. Fund Balance classifications changed with GASB 54 in 2011.

| | Fiscal Year | | | | | | | | | |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Revenues: | | | | | | | | | | |
| State of North Carolina | \$ 53,213,350 | \$ 52,387,462 | \$ 51,369,475 | \$ 56,247,721 | \$ 54,009,449 | \$ 48,125,895 | \$ 45,512,640 | \$ 43,426,871 | \$ 40,672,345 | \$ 40,250,942 |
| U. S. Government | 6,768,322 | 10,886,776 | 9,118,117 | 6,127,209 | 5,197,487 | 5,234,089 | 4,990,721 | 5,410,969 | 4,748,127 | 4,611,903 |
| Local sources: | | | | | | | | | | |
| Lee County - unrestricted | 15,838,050 | 15,178,050 | 14,978,050 | 15,602,134 | 13,502,134 | 12,666,167 | 12,171,984 | 9,871,984 | 9,127,384 | 8,705,974 |
| Lee County - restricted | 6,997,407 | 13,749,899 | 2,877,772 | 3,956,424 | 8,722,554 | 16,808,163 | 743,000 | 743,000 | 1,048,841 | 397,800 |
| Other revenues | 3,625,121 | 2,920,645 | 2,207,837 | 2,198,255 | 2,448,028 | 2,129,781 | 2,524,566 | 2,099,508 | 2,044,866 | 1,867,782 |
| Total revenues | 86,442,250 | 95,122,832 | 80,551,251 | 84,131,743 | 83,879,652 | 84,964,095 | 65,942,911 | 61,552,332 | 57,641,563 | 55,834,401 |
| Expenditures: | | | | | | | | | | |
| Instructional programs | | | | | 61,158,385 | 51,039,520 | 48,603,620 | 46,400,069 | 43,396,293 | 41,958,214 |
| Regular | 37,055,404 | 40,426,066 | 37,219,158 | 39,042,536 | | | | | | |
| Special | 9,986,324 | 10,101,577 | 9,768,939 | 9,797,050 | | | | | | |
| Alternative | 4,801,208 | 5,320,876 | 5,479,180 | 5,307,265 | | | | | | |
| School Leadership | 4,540,254 | 4,675,288 | 4,541,004 | 4,960,086 | | | | | | |
| Co-Curricular | 1,583,353 | 364,737 | 343,867 | 379,976 | | | | | | |
| School-based support | 4,617,949 | 4,815,562 | 4,450,372 | 4,492,786 | | | | | | |
| System-wide support services | | | | | 12,766,126 | 16,398,213 | 15,869,140 | 13,654,184 | 12,804,244 | 13,010,233 |
| Support and development | 622,635 | 613,312 | 1,029,407 | 1,048,113 | | | | | | |
| Special populations support | 351,998 | 317,787 | 223,575 | 236,383 | | | | | | |
| Alternative programs | 307,186 | 289,767 | 298,852 | 267,829 | | | | | | |
| Technology support | 1,261,733 | 979,250 | 888,282 | 725,668 | | | | | | |
| Operational support | 9,957,480 | 9,537,411 | 8,844,847 | 9,102,901 | | | | | | |
| Financial and human resource | 1,213,428 | 1,189,488 | 1,103,202 | 1,143,053 | | | | | | |
| Accountability | 2,587 | 12,824 | 2,691 | 578 | | | | | | |
| System-wide pupil support | 192,021 | 121,063 | 3,690 | 6,230 | | | | | | |
| Policy, leadership & public relations | 930,756 | 1,023,502 | 918,224 | 968,446 | | | | | | |
| Ancillary services | 115,954 | 102,571 | 142,200 | 104,853 | | | | | | |
| Non-programmed charges | 172,148 | 310,659 | 291,894 | 239,227 | | | | | | |

Note: Lee County Schools began reporting by function beginning in 2009 to provide more detail.

LEE COUNTY SCHOOLS
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

Financial Trend Information
Schedule 5
(continued)

| | Fiscal Year | | | | | | | | | | |
|---|--------------|-------------|------------|-------------|-------------|-------------|--------------|------------|------------|-------------|--|
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | |
| Debt service: | | | | | | | | | | | |
| Principal retirement | 301,046 | 368,450 | 523,533 | 969,160 | | | | | | | |
| Interest and fees | 35,477 | 27,664 | 46,440 | 30,296 | | | | | | | |
| Capital Outlay: | 7,501,307 | | | | 9,300,415 | 18,130,594 | 1,255,991 | 1,236,904 | 1,120,763 | 725,576 | |
| Real property and buildings | | 14,449,811 | 3,494,313 | 5,463,495 | | | | | | | |
| Furnishings and equipment | | 68,330 | 153,887 | 352,404 | | | | | | | |
| Vehicles and other | | 139,956 | 68,457 | 1,093,311 | | | | | | | |
| Other | | | | | 1,008,609 | 809,953 | 434,673 | 500,667 | 218,876 | 155,363 | |
| Total expenditures | 85,550,248 | 95,255,951 | 79,836,014 | 85,731,646 | 84,233,535 | 86,378,280 | 66,163,424 | 61,791,824 | 57,540,176 | 55,849,386 | |
| Revenues over (under) expenditures | 892,002 | (133,119) | 715,237 | (1,599,903) | (353,883) | (1,414,185) | (220,513) | (239,492) | 101,387 | (14,985) | |
| Other financing (uses) | | | | | | | | | | | |
| Transfers to Other Funds | (89,505) | (45,381) | (45,050) | | | | | | | | |
| Installment purchase obligations issued | 225,820 | 83,493 | - | 845,895 | 274,335 | 236,448 | - | 447,566 | - | - | |
| Capital lease obligations issued | - | - | - | 768,686 | 57,653 | 1,181,024 | - | 21,319 | 19,252 | - | |
| Total other financing (uses) | 136,315 | 38,112 | (45,050) | 1,614,581 | 331,988 | 1,417,472 | - | 468,885 | 19,252 | - | |
| Net change in fund balances | \$ 1,028,317 | \$ (95,007) | \$ 670,187 | \$ 14,678 | \$ (21,895) | \$ 3,287 | \$ (220,513) | \$ 229,393 | \$ 120,639 | \$ (14,985) | |
| Debt Service as a percentage of noncapital expenditures | 0.43% | 0.49% | 0.75% | 1.27% | | | | | | | |

Note: Lee County Schools began reporting by function beginning in 2009 to provide more detail.

LEE COUNTY, NC
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 | | | | | | | |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 2005 | 2,165,767,500 | 641,559,100 | 1,031,506,417 | 100,485,686 | 267,506,752 | 3,671,811,951 | 0.67 | 3,841,611,164 | 95.58% |
| 2004 | 2,042,744,100 | 603,641,300 | 1,052,518,849 | 96,087,790 | 172,891,586 | 3,622,100,453 | 0.67 | 3,622,100,453 | 100.00% |
| 2003 | 1,692,094,500 | 420,771,100 | 1,023,584,061 | 77,065,305 | 195,895,632 | 3,017,619,334 | 0.78 | 4,010,125,361 | 75.25% |

Source: Lee County Tax Office

Notes:

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

LEE COUNTY, NC
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Per \$100.00 of Assessed Value)

| | Year Taxes Are Payable | | | | | | | | | |
|--------------------------------------|------------------------|-------|-------|-------|----------|-------|-------|-------|----------|-------|
| | 2012 | 2011 | 2010 | 2009 | 2008 (1) | 2007 | 2006 | 2005 | 2004 (1) | 2003 |
| County: | | | | | | | | | | |
| Lee | 0.750 | 0.750 | 0.750 | 0.750 | 0.750 | 0.790 | 0.790 | 0.670 | 0.670 | 0.780 |
| Municipalities: | | | | | | | | | | |
| Town of Broadway | 0.440 | 0.440 | 0.440 | 0.440 | 0.440 | 0.470 | 0.490 | 0.490 | 0.490 | 0.530 |
| City of Sanford | 0.540 | 0.540 | 0.540 | 0.540 | 0.550 | 0.610 | 0.590 | 0.590 | 0.560 | 0.570 |
| Fire Districts | | | | | | | | | | |
| Cameron | (4) | (4) | (4) | 0.085 | 0.080 | 0.067 | 0.068 | 0.068 | 0.071 | 0.066 |
| Cape Fear | 0.092 | 0.086 | 0.076 | 0.076 | 0.730 | 0.058 | 0.066 | 0.066 | 0.068 | 0.082 |
| Carolina Trace | 0.067 | 0.067 | 0.070 | 0.070 | 0.064 | 0.052 | 0.040 | 0.037 | 0.037 | 0.038 |
| Cleanwater | 0.186 | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| Deep River | 0.104 | 0.104 | 0.100 | 0.100 | 0.086 | 0.068 | 0.082 | 0.076 | 0.076 | 0.085 |
| Lemon Springs | 0.086 | 0.084 | 0.083 | 0.083 | 0.067 | 0.065 | 0.072 | 0.072 | 0.070 | 0.053 |
| Northview | 0.081 | 0.081 | 0.081 | 0.081 | 0.071 | 0.064 | 0.060 | 0.077 | 0.070 | 0.061 |
| Northwest Pocket | 0.124 | 0.118 | 0.118 | 0.118 | 0.099 | 0.086 | 0.085 | 0.079 | 0.084 | 0.084 |
| Tramway | 0.078 | 0.080 | 0.081 | 0.081 | 0.075 | 0.069 | 0.049 | 0.042 | 0.038 | 0.041 |
| West Sanford | (5) | (5) | 0.109 | 0.109 | 0.086 | 0.091 | 0.082 | 0.082 | 0.088 | 0.103 |
| Other Districts: (3) | | | | | | | | | | |
| Central Business District | 0.130 | 0.130 | 0.130 | 0.130 | 0.130 | 0.150 | 0.150 | 0.130 | 0.130 | 0.130 |
| Lee County Water & Sewer District #1 | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |

Notes:

- (1) Property in Lee County is reassessed every four years. The last reassessment was on January 1, 2007.
- (2) The property tax rates for each of the governments listed above are based on unit-wide tax rates. For each government, certain motor vehicles were taxed at the preceding year's rate.
- (3) The Lee County Water & Sewer District # 1 has not enacted property taxes as of June 30, 2012.
- (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, NC
PRINCIPAL PROPERTY TAX PAYERS
Current Year and Nine Years Ago

| Taxpayer | Type of Business | Fiscal Year 2012 | | | Fiscal Year 2003 | | |
|---------------------------------|---------------------|------------------------|------|--|------------------------|------|--|
| | | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| | | | | | | | |
| Pfizer | Pharmaceuticals | \$ 265,628,185 | 1 | 5.6% | \$ 84,794,132 | 1 | 2.8% |
| Coty, Inc. | Cosmetics | 92,388,524 | 2 | 1.9% | 43,207,993 | 5 | 1.4% |
| Frontier Spinning Mills LLC | Textiles | 72,619,307 | 3 | 1.5% | 76,691,099 | 2 | 2.5% |
| Donald R. Simpson | Real Estate | 66,023,726 | 4 | 1.4% | 27,321,079 | 8 | 0.9% |
| Progress Energy | Utility | 47,372,414 | 5 | 1.0% | 22,526,646 | 10 | 0.7% |
| Windstream, Inc. | Utility | 36,505,809 | 6 | 0.8% | 31,987,774 | 6 | 1.1% |
| Moen, Inc. | Plumbing Fixtures | 32,279,810 | 7 | 0.7% | 46,272,882 | 4 | 1.5% |
| Lee Brick | Brick Manufacturing | 31,340,334 | 8 | 0.7% | - | - | - |
| Magneti Marelli, Inc. | Automotive Parts | 29,601,031 | 9 | 0.6% | 27,611,898 | 7 | 0.9% |
| The Pantry, Inc. | Convenience Stores | 28,141,586 | 10 | 0.6% | - | - | - |
| GKN Automotive Components, Inc. | Automotive Parts | - | - | - | 74,816,455 | 3 | 2.5% |
| Parkdale America LLC | Textiles | - | - | - | 23,776,448 | 9 | 0.8% |
| Totals | | \$ 701,900,726 | | 14.8% | \$ 459,006,406 | | 15.1% |

Source: Lee County Tax Department

LEE COUNTY, NC
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(in thousands)

| Fiscal Year Ended June 30 | Total Levy for Fiscal Year | Collected within the | | Collections in | | Total Collections to Date | |
|---------------------------------|----------------------------------|-------------------------|--------------------|------------------|--------------------|---------------------------|--------------------|
| | | Fiscal Year of the Levy | | Subsequent Years | | Amount | |
| | | Amount | Percentage of Levy | Amount | Percentage of Levy | Amount | Percentage of Levy |
| 2012 | 35,810,080 | 34,992,878 | 97.7% | - | | \$ 34,992,878 | 97.7% |
| 2011 | 36,431,441 | 35,580,416 | 97.7% | 626,358 | | \$ 36,206,774 | 99.4% |
| 2010 | 35,774,486 | 34,900,196 | 97.6% | 560,631 | | \$ 35,460,827 | 99.1% |
| 2009 | 35,560,801 | 34,701,417 | 97.6% | 746,967 | | \$ 35,448,384 | 99.7% |
| 2008 | 34,701,980 | 33,618,528 | 96.9% | 931,538 | | \$ 34,550,066 | 99.6% |
| 2007 | 31,910,008 | 30,887,929 | 96.8% | 932,142 | | \$ 31,820,071 | 99.7% |
| 2006 | 30,865,687 | 29,860,345 | 96.7% | 928,360 | | \$ 30,788,705 | 99.8% |
| 2005 | 24,701,551 | 23,797,835 | 96.3% | 779,284 | | \$ 24,577,119 | 99.5% |
| 2004 | 24,499,755 | 23,471,377 | 95.8% | 911,843 | | \$ 24,383,220 | 99.5% |
| 2003 | 23,574,692 | 22,393,187 | 95.0% | 1,075,867 | | \$ 23,469,054 | 99.6% |

Source: Lee County Tax Department

Note: The total tax levy includes penalties assessed and releases or discoveries made after the original assessment of taxable value.

LEE COUNTY SCHOOLS
Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year | Real Property | | Total Primary Government | Population Estimate | Percentage of Personal Income | Per Capita |
|-------------|----------------|-----------------------|--------------------------|---------------------|-------------------------------|------------|
| | Capital Leases | Installment Purchases | | | | |
| 2012 | \$190,094 | \$41,746 | \$231,840 | 58,752 | * | 3.95 |
| 2011 | 344,705 | 83,492 | 428,197 | 57,866 | 0.02% | 7.40 |
| 2010 | 582,920 | 130,234 | 713,154 | 60,477 | 0.04% | 11.79 |
| 2009 | 824,488 | 412,199 | 1,236,687 | 59,091 | 0.07% | 20.93 |
| 2008 | 188,788 | 402,478 | 591,266 | 57,973 | 0.03% | 10.20 |
| 2007 | 200,862 | 704,708 | 905,570 | 56,908 | 0.05% | 15.91 |
| 2006 | 6,401 | 42,219 | 48,620 | 55,704 | 0.00% | 0.87 |
| 2005 | 20,270 | 191,408 | 211,678 | 54,417 | 0.01% | 3.89 |
| 2004 | 17,209 | 10,799 | 28,008 | 53,421 | 0.00% | 0.52 |
| 2003 | 9,230 | 9,230 | 18,460 | 52,058 | 0.00% | 0.35 |

* Information not yet available

Sources: Information taken from District's financial statements and other sources including Bureau of Economic Analysis, U.S. Department of Commerce.

Note: Lee County Schools began to report accrual information when it implemented GASB Statement 34 in 2003. The Board's debt is reported on Lee County School's financials as required. Details regarding the Board's outstanding long-term obligations can be found in the notes to the financial statements.

LEE COUNTY, NC
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 | | | | |
| 2012 | 735,000 | 47,957,000 | 24,314,110 | - | - | - | 73,006,110 | * | \$1,243 | |
| 2011 | 2,285,000 | 48,855,000 | 25,165,634 | - | - | - | 76,305,634 | 4.09% | 1,319 | |
| 2010 | 5,085,000 | 50,165,000 | 25,448,160 | - | - | - | 80,698,160 | 4.37% | 1,334 | |
| 2009 | 7,885,000 | 51,475,000 | 3,098,070 | - | - | - | 62,458,070 | 3.41% | 1,057 | |
| 2008 | 10,635,000 | 52,575,000 | 1,932,754 | - | - | - | 65,142,754 | 3.65% | 1,124 | |
| 2007 | 13,410,000 | 53,075,000 | 2,386,899 | - | - | - | 68,871,899 | 4.06% | 1,210 | |
| 2006 | 16,210,000 | 25,220,000 | 2,822,304 | - | - | - | 44,252,304 | 2.85% | 794 | |
| 2005 | 19,030,000 | 25,720,000 | 3,240,187 | - | - | - | 47,990,187 | 3.33% | 882 | |
| 2004 | 21,875,000 | 26,220,000 | 3,641,693 | 8,030,000 | - | - | 59,766,693 | 4.45% | 1,119 | |
| 2003 | 24,805,000 | - | 4,027,844 | 8,116,500 | - | - | 36,949,344 | 2.80% | 710 | |

* Information not yet available

Source: County of Lee, North Carolina, Annual Financial Report for the year ended June 30, 2012.

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule 15 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Calendar 2011 personal income not available to calculate fiscal year 2012.

LEE COUNTY, NC
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) |
|--------------------|---|---|---|--|---|-----------------------|
| 2012 | \$ 735,000 | - | \$ 735,000 | * | 0.02% | \$13 |
| 2011 | 2,285,000 | - | 2,285,000 | 0.12% | 0.05% | 39 |
| 2010 | 5,085,000 | - | 5,085,000 | 0.28% | 0.11% | 84 |
| 2009 | 7,885,000 | - | 7,885,000 | 0.43% | 0.17% | 133 |
| 2008 | 10,635,000 | - | 10,635,000 | 0.60% | 0.23% | 183 |
| 2007 | 13,410,000 | - | 13,410,000 | 0.79% | 0.33% | 236 |
| 2006 | 16,210,000 | - | 16,210,000 | 1.04% | 0.41% | 291 |
| 2005 | 19,030,000 | - | 19,030,000 | 1.32% | 0.52% | 350 |
| 2004 | 29,905,000 | 8,030,000 | 21,875,000 | 1.63% | 0.60% | 409 |
| 2003 | 32,921,500 | 8,116,500 | 24,805,000 | 1.88% | 0.82% | 476 |

* Information not yet available

Source: County of Lee, North Carolina, Annual Financial Report for the year ended June 30, 2012.

Note: Details regarding the County's outstanding debt can be found in the notes to the Financial Statements.

(1) See Schedule 15 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Calendar 2011 personal income not available to calculate fiscal year 2012.

(2) See Schedule 6 for property value data.

LEE COUNTY, NC
Direct and Overlapping Governmental Activities Debt
General Obligation Bonds
As of June 30, 2012

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Direct and Underlying Debt |
|--------------------------------------|-----------------------------|--|--|
| Direct: | | | |
| Lee County | \$ 735,000 | 100% | \$ 735,000 |
| Total direct debt | 735,000 | | 735,000 |
| Underlying Debt: | | | |
| Town of Broadway | 555,000 | 100% | 555,000 |
| Lee County Water & Sewer District #1 | 600,000 | 100% | 600,000 |
| Total underlying debt | 1,155,000 | | 1,155,000 |
| Total direct and overlapping debt | \$ 1,890,000 | | \$ 1,890,000 |

Note: Percentage of overlap based on assessed property values. County issues debt for the school system as needed.

Source: County of Lee, North Carolina, Annual Financial Report for the year ended June 30, 2012.

LEE COUNTY, NC
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

| | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Assessed Value of Property | \$ 4,767,120 | \$ 4,777,631 | \$ 4,747,984 | \$ 4,717,380 | \$ 4,601,693 | \$ 4,017,704 | \$ 3,918,272 | \$ 3,671,812 | \$ 3,622,100 | \$ 3,017,619 |
| Debt Limit, 8% of Assessed Value Statutory Limitation | 381,370 | 382,210 | 379,839 | 377,390 | 368,135 | 321,416 | 313,462 | 293,745 | 289,768 | 241,410 |
| Amount of Debt Applicable to Limit | | | | | | | | | | |
| Gross debt | 73,006 | 76,306 | 80,698 | 62,458 | 65,143 | 68,872 | 44,252 | 47,990 | 60,901 | 38,083 |
| Less: Debt outstanding for water and sewer purposes | - | - | - | - | - | - | - | - | 9,164 | 9,251 |
| Total net debt applicable to limit | 73,006 | 76,306 | 80,698 | 62,458 | 65,143 | 68,872 | 44,252 | 47,990 | 51,737 | 28,833 |
| Legal debt margin | \$ 308,364 | \$ 305,904 | \$ 299,141 | \$ 314,932 | \$ 302,992 | \$ 252,544 | \$ 269,210 | \$ 245,755 | \$ 238,031 | \$ 212,577 |

| | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total net debt applicable to the limit | 19.14% | 19.96% | 21.25% | 16.55% | 17.70% | 21.43% | 14.12% | 16.34% | 17.85% | 11.94% |
| as a percentage of debt limit | | | | | | | | | | |

Source: County of Lee, North Carolina, Annual Financial Report for the year ended June 30, 2012.

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 SCHOOLS
Demographic and Economic Statistics for Lee County
Last Ten Fiscal Years

| Fiscal Year | Population (1) | Personal Income (1) (amounts expressed in thousands) | Per Capita Personal Income (1) | Public School Enrollment (2) | Unemployment Rate (3) |
|------------------------|-----------------------|---|---|---|----------------------------------|
| 2012 | 58,752 | * | * | 9,707 | 12.30% |
| 2011 | 57,866 | 1,863,902 | 32,193 | 9,602 | 12.70% |
| 2010 | 60,477 | 1,844,828 | 30,505 | 9,603 | 12.50% |
| 2009 | 59,091 | 1,832,000 | 30,983 | 9,592 | 14.80% |
| 2008 | 57,973 | 1,786,000 | 30,878 | 9,458 | 7.20% |
| 2007 | 56,908 | 1,695,000 | 28,975 | 9,330 | 5.50% |
| 2006 | 55,704 | 1,554,422 | 26,777 | 9,219 | 5.40% |
| 2005 | 54,417 | 1,439,609 | 26,455 | 9,056 | 5.60% |
| 2004 | 53,421 | 1,342,616 | 25,218 | 8,924 | 6.00% |
| 2003 | 52,058 | 1,320,754 | 25,371 | 8,834 | 7.60% |

* 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, NC
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

| Employer | Fiscal Year 2012 (1) | | | Fiscal Year 2003 | | |
|------------------------------------|---------------------------------------|------|---|------------------|------|---|
| | Approximate Number of Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| | | | | | | |
| Lee County Schools | 1000-1500 | 1 | 5.35% | 1000-1500 | 3 | 5.30% |
| Pilgrim's Pride Corporation | 1000-1500 | 2 | 5.35% | 1000-1500 | 1 | 5.30% |
| Static Control Components, Inc. | 500-999 | 3 | 3.21% | 1000-1500 | 2 | 5.30% |
| Coty, LLC | 500-999 | 4 | 3.21% | 500-999 | 4 | 5.30% |
| The Pantry, Inc. | 500-999 | 5 | 3.21% | - | | 0.00% |
| Pfizer, inc. | 500-999 | 6 | 3.21% | 500-999 | 5 | 5.30% |
| Central Carolina Hospital | 500-999 | 7 | 3.21% | 500-999 | 6 | 5.30% |
| Central Carolina Community College | 500-999 | 8 | 3.21% | 250-499 | 10 | 0.00% |
| County of Lee | 500-999 | 9 | 3.21% | - | | 0.00% |
| Pentair Pool Products | 500-999 | 10 | 3.21% | - | | 0.00% |
| Magnetix Marelli USA, Inc. | - | | 0.00% | 500-999 | 8 | 5.30% |
| Moen, Inc. | - | | 0.00% | 500-999 | 7 | 5.30% |
| GKN Automotive Components, Inc. | - | | 0.00% | 500-999 | 9 | 5.30% |
| Total | - | | <u>36.38%</u> | - | | <u>47.70%</u> |

Source: NC Employment Security Commission; total county employment

Notes:

(1) Based on March 2012 employment information which is most recent information provided by the NC Employment Security Commission.

**LEE COUNTY SCHOOLS
NUMBER OF PERSONNEL
Last Ten Fiscal Years**

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|--|-------------|-------------|-------------|-------------|-------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Officials, Administrators, Managers | | | | | | | | | | |
| Principals | 17 | 17 | 15 | 16 | 16 | 601 | 598 | 581 | 575 | 572 |
| Assistant Principals | 16 | 16 | 15 | 15 | 228 | 234 | 230 | 227 | 218 | 220 |
| Elementary Classroom Teachers | 19 | 20 | 20 | 20 | 37 | 40 | 37 | 32 | 32 | 32 |
| Secondary Classroom Teachers | 419 | 412 | 401 | 209 | 885 | 875 | 865 | 840 | 825 | 824 |
| Other Classroom Teachers | 182 | 183 | 182 | 183 | Total Instructional Programs | | | | | |
| Guidance | 13 | 17 | 16 | 231 | | | | | | |
| Psychological | 21 | 23 | 24 | 23 | Support Services: | | | | | |
| Librarians, Audiovisual Staff | 5 | 5 | 5 | 5 | 7 | 6 | 6 | 5 | 4 | 4 |
| Consultants, Supervisors of Instruction | 11 | 12 | 12 | 13 | 35 | 30 | 32 | 31 | 28 | 28 |
| Other Professional Staff | 20 | 31 | 28 | 15 | 15 | 14 | 13 | 14 | 16 | 15 |
| Teacher Assistants | 37 | 28 | 28 | 37 | 34 | 34 | 32 | 28 | 27 | 27 |
| Technicians | 198 | 204 | 195 | 260 | 83 | 82 | 80 | 76 | 76 | 76 |
| Clerical, Secretarial Staff | 17 | 12 | 10 | 9 | 147 | 156 | 152 | 143 | 151 | 149 |
| Service Workers | 47 | 66 | 66 | 82 | 321 | 322 | 315 | 297 | 302 | 299 |
| | 124 | 154 | 158 | 150 | Total Support Services | | | | | |
| Total | 1146 | 1200 | 1175 | 1268 | 1206 | 1197 | 1180 | 1137 | 1127 | 1123 |

Source: NCDPI SS200 Full-Time Personnel Report. The reporting classifications changed in 2008-09.

**LEE COUNTY SCHOOLS
SCHOOLS AND STUDENT PROGRAMS**
Last Ten Fiscal Years

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Number of Schools | | | | | | | | | | |
| Elementary | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Middle | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 |
| High | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 1 | 1 | 1 |
| Alternative | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Exceptional | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Total | 16 | 16 | 15 | 15 | 14 | 14 | 13 | 12 | 12 | 12 |
| Child Nutrition | | | | | | | | | | |
| Average breakfasts served daily | 2372 | 2258 | 2153 | 2187 | 1995 | 2210 | 2173 | 2214 | 2186 | 2155 |
| Average lunches served daily | 6400 | 6322 | 6279 | 6368 | 7239 | 7813 | 7573 | 7273 | 7686 | 7138 |
| Exceptional Children's Program | | | | | | | | | | |
| Number of disabled students | 1080 | 1079 | 1064 | 1070 | 1061 | 1057 | 1071 | 1089 | 1114 | 1107 |
| Number of academically/ intellectually gifted students | 1005 | 954 | 926 | 1041 | 1189 | 1109 | 1202 | 1269 | 1335 | 1346 |
| English as a Second Language Program (ESL) | | | | | | | | | | |
| Number of students served | 1410 | 1445 | 1556 | 1645 | 1535 | 1280 | 1129 | 1104 | 1097 | 1200 |
| Number of schools with ESL | 13 | 13 | 13 | 13 | 13 | 13 | 12 | 12 | 12 | 12 |
| Number of languages spoken | 27 | 27 | 24 | 24 | 27 | 24 | 23 | 20 | 16 | 20 |
| Athletic Programs | | | | | | | | | | |
| Middle Schools | | | | | | | | | | |
| Men's sports | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Women's sports | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| High Schools | | | | | | | | | | |
| Men's sports | 11 | 11 | 11 | 11 | 11 | 11 | | 11 | 11 | 11 |
| Women's sports | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 11 | 11 | 11 |

Source: Information taken from District's financial statements and other sources.

**LEE COUNTY SCHOOLS
SCHOOL BUILDING INFORMATION
Last Ten Fiscal Years**

| School | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Elementary | | | | | | | | | | |
| B.T. Bullock | | | | | | | | | | |
| Square feet | 78,768 | 78,768 | 78,768 | 78,768 | 78,768 | 78,768 | 78,768 | 78,768 | 78,768 | 78,768 |
| Capacity | 594 | 594 | 594 | 594 | 594 | 594 | 594 | 594 | 594 | 594 |
| First month membership | 643 | 627 | 634 | 642 | 621 | 612 | 616 | 613 | 539 | 562 |
| Broadway | | | | | | | | | | |
| Square Feet | 86,615 | 86,615 | 86,615 | 86,615 | 86,615 | 86,615 | 86,615 | 86,615 | 86,615 | 86,615 |
| Capacity | 638 | 638 | 638 | 638 | 638 | 638 | 638 | 638 | 638 | 638 |
| First month membership | 557 | 587 | 592 | 609 | 621 | 619 | 675 | 672 | 675 | 672 |
| Deep River | | | | | | | | | | |
| Square Feet | 78,768 | 78,768 | 78,768 | 78,768 | 78,768 | 78,768 | 78,768 | 78,768 | 78,768 | 78,768 |
| Capacity | 594 | 594 | 594 | 594 | 594 | 594 | 594 | 594 | 594 | 594 |
| First month membership | 647 | 649 | 664 | 667 | 652 | 628 | 519 | 512 | 523 | 549 |
| Greenwood | | | | | | | | | | |
| Square Feet | 94,324 | 94,324 | 94,324 | 94,324 | 94,324 | 94,324 | 94,324 | 94,324 | 94,324 | 94,324 |
| Capacity | 660 | 660 | 660 | 660 | 660 | 660 | 660 | 660 | 660 | 660 |
| First month membership | 664 | 664 | 652 | 666 | 635 | 631 | 659 | 625 | 615 | 613 |
| J. Glenn Edwards | | | | | | | | | | |
| Square Feet | 70,229 | 70,229 | 70,229 | 70,229 | 70,229 | 70,229 | 70,229 | 70,229 | 70,229 | 70,229 |
| Capacity | 682 | 682 | 682 | 682 | 682 | 682 | 682 | 682 | 682 | 682 |
| First month membership | 695 | 676 | 682 | 676 | 638 | 626 | 625 | 649 | 629 | 615 |
| Tramway | | | | | | | | | | |
| Square Feet | 78,768 | 78,768 | 78,768 | 78,768 | 78,768 | 78,768 | 78,768 | 78,768 | 78,768 | 78,768 |
| Capacity | 594 | 594 | 594 | 594 | 594 | 594 | 594 | 594 | 594 | 594 |
| First month membership | 700 | 697 | 690 | 657 | 639 | 645 | 657 | 661 | 691 | 680 |
| J.R. Ingram | | | | | | | | | | |
| Square Feet | 70,229 | 70,229 | 70,229 | 70,229 | 70,229 | 70,229 | 70,229 | 70,229 | 70,229 | 70,229 |
| Capacity | 682 | 682 | 682 | 682 | 682 | 682 | 682 | 682 | 682 | 682 |
| First month membership | 701 | 668 | 684 | 708 | 706 | 713 | 655 | 613 | 574 | 582 |
| Middle | | | | | | | | | | |
| East Lee | | | | | | | | | | |
| Square Feet | 95,983 | 95,983 | 95,983 | 95,983 | 95,983 | 95,983 | 95,983 | 95,983 | 95,983 | 95,983 |
| Capacity | 880 | 880 | 880 | 880 | 880 | 880 | 880 | 880 | 880 | 880 |
| First month membership | 686 | 649 | 632 | 626 | 964 | 986 | 1,018 | 1,055 | 1,090 | 1,057 |
| San Lee | | | | | | | | | | |
| Square Feet | 137,396 | 137,396 | 137,396 | 137,396 | See Notes | See Notes | See Notes | See Notes | See Notes | See Notes |
| Capacity | 836 | 836 | 836 | 836 | Below | Below | Below | Below | Below | Below |
| First month membership | 811 | 804 | 793 | 776 | Below | Below | Below | Below | Below | Below |

**LEE COUNTY SCHOOLS
SCHOOL BUILDING INFORMATION
Last Ten Fiscal Years**

| School | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|-------------|-------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| West Lee | | | | | | | | | | |
| Square Feet | 95,983 | 95,983 | 95,983 | 95,983 | 95,983 | 95,983 | 95,983 | 95,983 | 95,983 | 95,983 |
| Capacity | 880 | 880 | 880 | 880 | 880 | 880 | 880 | 880 | 880 | 880 |
| First month membership | 732 | 710 | 684 | 723 | 1,116 | 1,107 | 1,082 | 1,084 | 1,071 | 1,100 |
| High | | | | | | | | | | |
| Lee County | | | | | | | | | | |
| Square Feet | 332,989 | 332,989 | 332,989 | 332,989 | 332,989 | 332,989 | 332,989 | 332,989 | 332,989 | 332,989 |
| Capacity | 1,675 | 1,675 | 1,675 | 1,675 | 1,675 | 1,675 | 1,675 | 1,675 | 1,675 | 1,675 |
| First month membership | 1,391 | 1,372 | 1,395 | 1,406 | 1,429 | 1,479 | 1,762 | 2,575 | 2,522 | 2,441 |
| Southern Lee | | | | | | | | | | |
| Square Feet | 183,520 | 183,520 | 183,520 | 183,520 | 183,520 | 183,520 | 183,520 | See Notes Below | See Notes Below | See Notes Below |
| Capacity | 1,375 | 1,375 | 1,375 | 1,375 | 1,375 | 1,375 | 1,375 | See Notes Below | See Notes Below | See Notes Below |
| First month membership | 1,071 | 1,104 | 1,108 | 1,126 | 1,166 | 1,106 | 904 | See Notes Below | See Notes Below | See Notes Below |
| Lee Early College | | | | | | | | | | |
| Square Feet | N/A | N/A | N/A | N/A | N/A | N/A | See Notes Below | See Notes Below | See Notes Below | See Notes Below |
| Capacity | 400 | 400 | 400 | 300 | 200 | 100 | See Notes Below | See Notes Below | See Notes Below | See Notes Below |
| First month membership | 292 | 298 | 280 | 217 | 167 | 73 | See Notes Below | See Notes Below | See Notes Below | See Notes Below |
| Alternative | | | | | | | | | | |
| Bragg Street Academy | | | | | | | | | | |
| Square Feet | 10,893 | 10,893 | 10,893 | 10,893 | 10,893 | 10,893 | 10,893 | 10,893 | 10,893 | 10,893 |
| Capacity | 62 | 62 | 62 | 62 | 62 | 62 | 62 | 62 | 62 | 62 |
| First month membership | 52 | 46 | 40 | 35 | 41 | 46 | 34 | 37 | 41 | 33 |
| Warren Williams Elementary Alternative | | | | | | | | | | |
| Square Feet | 19,401 | 19,401 | See Notes Below | See Notes Below | See Notes Below | See Notes Below | See Notes Below | See Notes Below | See Notes Below | See Notes Below |
| Capacity | 120 | 120 | See Notes Below | See Notes Below | See Notes Below | See Notes Below | See Notes Below | See Notes Below | See Notes Below | See Notes Below |
| First month membership | 7 | - | - | - | - | - | - | - | - | - |
| Special | | | | | | | | | | |
| F.L. Knight/The Children's Center | | | | | | | | | | |
| Square Feet | 20,841 | 20,841 | 20,841 | 20,841 | 20,841 | 20,841 | 20,841 | 20,841 | 20,841 | 20,841 |
| Capacity | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 |
| First month membership | 64 | 63 | 69 | 69 | 71 | 59 | 61 | 62 | 58 | 45 |

Source: Information taken from District's financial statements

Notes: SanLee Middle opened in 2008-09 to serve grades 6-8. Southern Lee High School opened in 2005-06 to serve grades 9-11 and began to serve grades 9-12 in 2006-07. Lee Early College opened in 2006-07 to serve 9th grade only. Lee Early College served grades 9-10 in 2007-08, grades 9-11 in 2008-09 and grades 9-12 in 2009-10. This campus is housed on the local community college campus. Warren Williams Elementary Alternative School opened in February 2011. This information does not include mobile unit square footage.

**LEE COUNTY SCHOOLS
OPERATING STATISTICS
Last Ten Fiscal Years**

| Fiscal Year | Average Daily Membership | Average Daily Attendance | Fund Operating Expenditures | Per Pupil Expenditure | % Change | NC | | Ratio of Pupil- Certified Ratio | Student Attendance Percentage | Students Receiving Free or Reduced-Price Meals |
|----------------|--------------------------------|--------------------------------|-----------------------------------|--------------------------|-------------|--------------------------|------|--|-------------------------------------|--|
| | | | | | | Per Pupil Expenditure | Rank | | | |
| 2012 | 9650 | 9242 | \$80,513,577 | \$8,343 | -3.2% | | 82 | 13.6 | 95.8% | 64.7% |
| 2011 | 9565 | 9136 | 82,461,257 | 8,621 | 5.4% | | 69 | 13.5 | 95.5% | 63.3% |
| 2010 | 9545 | 9099 | 78,079,578 | 8,180 | -4.0% | | 87 | 13.7 | 95.3% | 60.2% |
| 2009 | 9498 | 9059 | 80,887,707 | 8,516 | 4.1% | | 82 | 13.3 | 95.4% | 57.9% |
| 2008 | 9396 | 8993 | 76,865,834 | 8,181 | 7.3% | | 87 | 13.7 | 95.7% | 55.4% |
| 2007 | 9258 | 8829 | 70,559,325 | 7,621 | 2.9% | | 94 | 13.7 | 95.4% | 55.8% |
| 2006 | 9133 | 8710 | 67,646,764 | 7,407 | 6.4% | | 81 | 13.5 | 95.4% | 54.9% |
| 2005 | 9056 | 8657 | 63,061,423 | 6,964 | 5.0% | | 92 | 13.9 | 95.6% | 50.9% |
| 2004 | 8924 | 8542 | 59,190,682 | 6,633 | 1.7% | | 94 | 14.3 | 95.7% | 49.8% |
| 2003 | 8834 | 8472 | 57,637,420 | 6,525 | 2.4% | | 83 | 13.8 | 95.9% | 48.1% |

Sources: Lee County Schools Child Nutrition Department, Students Receiving Free or Reduced-Price Meals
North Carolina Department of Public Instruction, all other information reported.

Notes: The amounts shown for per pupil expenditures represent the per pupil expenditures as computed and reported by the North Carolina Department of Public Instruction (NCDPI). NCDPI computes this statistic by dividing current expense expenditures by average daily membership. Consequently, capital expense expenditures and certain other expenditures (community services, Head Start, and inter/intra fund transfers) are excluded to improve the comparability of per pupil expenditures between fiscal years and between other North Carolina school districts. This computation is considered the official per pupil expenditure reported for Lee County Schools.

**LEE COUNTY SCHOOLS
TEACHERS' SALARIES
Last Ten Fiscal Years**

| <u>Year Ended June 30th</u> | <u>Minimum</u> | <u>Maximum</u> | <u>Average</u> |
|---------------------------------|----------------|----------------|----------------|
| 2012 | \$32,956 | \$65,538 | \$41,571 |
| 2011 | 32,560 | 64,756 | 45,221 |
| 2010 | 32,560 | 71,990 | 44,255 |
| 2009 | 32,560 | 71,990 | 45,823 |
| 2008 | 32,560 | 73,044 | 45,684 |
| 2007 | 30,506 | 70,363 | 41,556 |
| 2006 | 29,505 | 68,714 | 41,206 |
| 2005 | 27,199 | 67,725 | 40,925 |
| 2004 | 27,008 | 63,770 | 39,773 |
| 2003 | 27,008 | 63,770 | 39,652 |

Source: Lee County Schools' Finance Department

Note: The above table includes base pay from the state salary schedule and the systemwide local salary supplement.

LEE COUNTY SCHOOLS
GOVERNMENTAL FUND EXPENDITURES BY FUNCTION
Last Ten Fiscal Years

| Fiscal Year | Regular Instructional | Special Instructional | Other Instructional | Support Development | Special Populations | Alternative Programs | Technology Support | Operational Support | Financial/ HR | Other Policy/ Leadership | Ancillary Services | Non-Programmed Charges | | Total |
|----------------|--------------------------|--------------------------|------------------------|------------------------|--------------------------|---------------------------|--------------------------|------------------------|--------------------|--------------------------------|-----------------------|---------------------------|--|--------------|
| | | | | | | | | | | | | | | |
| 2012 | \$37,055,404 | \$9,986,324 | \$15,542,764 | \$622,635 | \$351,998 | \$307,186 | \$1,261,733 | \$9,957,480 | \$1,213,428 | \$1,125,364 | \$115,954 | \$172,148 | | \$77,712,418 |
| 2011 | 40,426,066 | 10,101,577 | 15,176,463 | 613,312 | 317,787 | 289,767 | 979,250 | 9,537,411 | 1,189,488 | 1,157,389 | 102,571 | 310,659 | | 80,201,740 |
| 2010 | 37,219,158 | 9,768,939 | 14,814,423 | 1,029,407 | 223,575 | 298,852 | 888,282 | 8,844,847 | 1,103,202 | 924,605 | 142,200 | 291,894 | | 75,549,384 |
| 2009 | 39,042,536 | 9,797,050 | 15,140,113 | 1,048,113 | 236,383 | 267,829 | 725,668 | 9,102,901 | 1,143,053 | 975,254 | 104,853 | 239,227 | | 77,822,980 |
| 2008 | 38,321,437 | 8,947,146 | 13,889,802 | 1,001,878 | 148,219 | 219,262 | 717,719 | 8,717,102 | 1,117,529 | 844,417 | 140,498 | 211,249 | | 74,276,258 |
| Fiscal Year | Regular Instructional | Special Instructional | Other Instructional | Pupil Support | Instructional Support | General Administration | School Administration | Business Support | Central Support | Support Services | Community Services | Other | | Total |
| 2007 | 29,804,500 | 6,218,741 | 15,016,279 | 82,683 | 748,217 | 1,396,105 | 3,549,282 | 7,706,989 | 460,948 | 2,453,989 | 78,751 | 165,353 | | 67,681,837 |
| 2006 | 28,805,537 | 5,694,230 | 14,103,853 | 89,075 | 638,726 | 1,388,616 | 3,402,756 | 7,464,486 | 462,794 | 2,422,687 | 82,514 | 187,849 | | 64,743,123 |
| 2005 | 27,667,924 | 5,747,676 | 12,984,469 | 87,026 | 723,023 | 1,360,059 | 3,077,207 | 6,008,506 | 416,445 | 1,991,303 | 58,848 | 166,298 | | 60,288,784 |
| 2004 | 25,099,057 | 6,598,429 | 11,698,807 | 70,388 | 659,803 | 1,320,640 | 2,865,422 | 5,845,356 | 384,738 | 1,706,578 | 79,091 | 127,880 | | 56,456,189 |
| 2003 | 25,319,958 | 6,026,031 | 10,612,225 | 732,220 | 652,469 | 1,340,671 | 2,811,982 | 5,481,623 | 419,244 | 1,601,226 | 73,770 | 66,980 | | 55,138,399 |

Note: 2007-08 was the first year the revised chart of accounts was in effect.
Lee County Schools began to report accrual information when it implemented GASB Statement 34 in 2003.

LEE COUNTY SCHOOLS
CAPITAL PROJECTS FUND EXPENDITURES
Last Ten Fiscal Years

| Fiscal Year | Sites and Building Improvements | Furniture and Equipment | Vehicles and Other | | Total |
|----------------|---------------------------------------|-------------------------------|--------------------------|--|-------------|
| | | | | | |
| 2012 | \$7,275,511 | \$128,199 | \$346,997 | | \$7,750,707 |
| 2011 | 14,449,811 | 68,330 | 536,070 | | 15,054,211 |
| 2010 | 3,494,313 | 153,887 | 638,430 | | 4,286,630 |
| 2009 | 5,463,495 | 352,404 | 2,092,767 | | 7,908,666 |
| 2008 | 8,708,677 | 238,040 | 1,010,560 | | 9,957,277 |
| 2007 | 16,598,897 | 469,755 | 1,627,791 | | 18,696,443 |
| 2006 | 875,206 | 96,775 | 448,320 | | 1,420,301 |
| 2005 | 530,017 | 131,354 | 851,054 | | 1,512,425 |
| 2004 | 773,406 | 82,696 | 166,907 | | 1,023,009 |
| 2003 | 236,916 | 88,315 | 76,892 | | 402,123 |

Note: Lee County Schools began to report accrual information when it implemented GASB Statement 34 in 2003.

LEE COUNTY SCHOOLS
Sources of School Food Service Revenues and Reimbursements
For The Last Ten Years

| <u>Year Ended June 30</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Food Sales | \$962,485 | \$1,016,863 | \$1,066,051 | \$1,118,033 | \$1,249,747 | \$1,286,450 | \$1,317,207 | \$1,355,363 | \$1,300,506 | \$1,358,210 |
| USDA Reimbursement | 3,312,767 | 3,118,879 | 2,953,269 | 2,740,291 | 2,512,589 | 2,526,481 | 2,344,118 | 2,155,336 | 1,991,777 | 1,896,122 |
| Donated Commodities | 260,511 | 310,771 | 308,098 | 287,780 | 276,634 | 233,931 | 217,270 | 220,617 | 220,747 | 197,879 |
| Other | 233,752 | 9,944 | 12,120 | 336,423 | 156,953 | 149,610 | 137,833 | 146,359 | 132,390 | 49,064 |
| Local Reimbursement | - | - | - | - | - | - | - | - | 3,638 | - |
| Total | \$4,769,515 | \$4,456,457 | \$4,339,538 | \$4,482,527 | \$4,195,923 | \$4,196,472 | \$4,016,428 | \$3,877,675 | \$3,649,058 | \$3,501,275 |
| Food Sales | 20% | 23% | 25% | 25% | 30% | 31% | 33% | 35% | 36% | 39% |
| USDA Reimbursement | 69% | 70% | 68% | 61% | 60% | 60% | 58% | 56% | 55% | 54% |
| Donated Commodities | 5% | 7% | 7% | 6% | 7% | 6% | 5% | 6% | 6% | 6% |
| Other | 5% | 0% | 0% | 8% | 4% | 4% | 3% | 4% | 4% | 1% |
| State/Local Reimbursement | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Source: Exhibit 8 in Financial Section.

Notes:

The State Reimbursements in 2004 are for the Kindergarten breakfast program.

Other revenues include such things as investment income, indirect cost not paid, disposition of fixed assets, donations and miscellaneous revenue.
Unaudited.

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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

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*

To the Lee County Board of Education
Sanford, North Carolina

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lee County Board of Education, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Lee County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated October 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lee County Board of Education'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*.

We noted certain matters that we reported to management of the Board in a separate letter dated October 10, 2012.

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

Anderson Smith & Wike PLLC

*October 10, 2012
Rockingham, North Carolina*

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

To the Lee County Board of Education
Sanford, North Carolina

Compliance

We have audited Lee County Board of Education, North Carolina's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2012. The Lee County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Lee County Board of Education's management. Our responsibility is to express an opinion on the Lee County Board of Education's compliance based on our audit.

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

In our opinion, the Lee County Board of Education complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the Lee County Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Lee County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Lee County Board of Education'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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Anderson Smith & Wike PLLC

*October 10, 2012
Rockingham, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

Report On Compliance with Requirements Applicable to Each Major State
Program and Internal Control Over Compliance in Accordance with Applicable Sections of
OMB Circular A-133 and the State Single Audit Implementation Act

To the Lee County Board of Education
Sanford, North Carolina

Compliance

We have audited Lee County Board of Education, 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 the Board's major State programs for the year ended June 30, 2012. The Lee County Board of Education's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program is the responsibility of the Lee County Board of Education, North Carolina's management. Our responsibility is to express an opinion on the Lee County Board of Education's compliance based on our audit.

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

In our opinion, the Lee County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major State programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Lee County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Lee County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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 Lee County Board of Education'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 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.

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

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

Anderson Smith & Wike PLLC

*October 10, 2012
Rockingham, North Carolina*

**LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *No*

Noncompliance material to financial statements noted *No*

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *No*

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 *No*

Identification of major federal programs:

| CFDA Numbers | Names of Federal Program or Cluster |
|---------------------|---|
| 81.128 | Energy Efficiency and Conservation Block Grant - ARRA |
| | Title I Cluster: |
| 84.010 | Title I, Educationally Deprived Children |
| 84.389 | Title I, Educationally Deprived Children - ARRA |
| 84.395 | Race to the Top – ARRA |
| 84.410 | Education Jobs Fund - ARRA |
| 84.367 | Improving Teacher Quality |

**LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012**

Section I - Summary of Auditors' Results (Continued)

Dollar threshold used to distinguish between Type A
and Type B Programs \$ 310,248

Auditee qualified as low-risk auditee? Yes

State Awards

Internal control over major State programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not
considered to be material weaknesses No

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

Any audit findings disclosed that are required to be
reported in accordance with the State Single Audit
Implementation Act No

Identification of major State programs:

Program Name

State Public School Fund
Vocational Education – State Months of Employment

Section II - Financial Statement Findings

No findings were noted that are required to be reported under *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

No findings and questioned costs related to the audit of federal awards aggregating \$10,000 or more were noted.

Section IV - State Award Findings and Questioned Costs

No findings and questioned costs related to the audit of State awards aggregating \$10,000 or more were noted.

LEE COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2012

There were no audit findings reported in the prior year.

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2012

Page 1 of 3

| <u>Grantor/Pass-through</u> <u>Grantor/Program Title</u> | <u>Federal</u> <u>CFDA</u> <u>Number</u> | <u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u> | <u>Expenditures</u> |
|---|--|---|---------------------|
| Federal Grants: | | | |
| <u>U.S. Department of Agriculture</u> | | | |
| Passed-through the N.C. Department of Public Instruction: | | | |
| Child Nutrition Cluster: | | | |
| Noncash Assistance (Commodities): | | | |
| National School Lunch Program | 10.555 | | \$ 260,511 |
| Cash Assistance: | | | |
| School Breakfast Program | 10.553 | | 727,893 |
| National School Lunch Program | 10.555 | | 2,584,874 |
| Cash Assistance Subtotal | | | 3,312,767 |
| Total Child Nutrition Cluster | | | 3,573,278 |
| <u>U.S. Department of Energy</u> | | | |
| Passed-through the Town of Knightdale: | | | |
| Energy Efficiency and Conservation Block Grant - ARRA | 81.128 | | 317,175 |
| <u>U.S. Department of Education</u> | | | |
| Office of Elementary and Secondary Education | | | |
| Direct Programs: | | | |
| Impact Aid (School Assistance in Federally Affected Areas) | 84.041 | | 15,302 |
| Accelerated English Language Acquisition | 84.215 | | 8,666 |
| Passed-through the N.C. Department of Public Instruction: | | | |
| Title I Cluster: | | | |
| Title I, Grants to Local Educational Agencies | 84.010 | PRC 050 | 1,896,421 |
| Title I, Grants to Local Educational Agencies - ARRA | 84.389 | PRC 141 | 33 |
| Total Title I Cluster | | | 1,896,454 |
| Even Start (Title I of IASA) | 84.213 | PRC 065 | 29,669 |
| Title II, Math and Science Partnership | 84.366 | PRC 112 | 173,270 |
| Improving Teacher Quality | 84.367 | PRC 103 | 432,147 |
| Language Acquisition Grant | 84.365 | PRC 104, 111 | 82,821 |
| Education for Homeless Children and Youth Cluster: | | | |
| Education for Homeless Children and Youth | 84.196 | PRC 026 | 18,839 |
| Education for Homeless Children and Youth - ARRA | 84.387 | PRC 148 | 4,028 |
| Total Education for Homeless Children and Youth Cluster | | | 22,867 |
| Vocational Education - Tech Prep Education | 84.243 | PRC 023 | 6,595 |
| Race to the Top - ARRA | 84.395 | PRC 156, 158 | 330,990 |
| Education Jobs Fund - ARRA | 84.410 | PRC 155 | 568,175 |
| State Fiscal Stabilization Fund - Education State Grants - ARRA | 84.394 | PRC 140 | 1,678 |

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2012

Page 2 of 3

| <u>Grantor/Pass-through</u> <u>Grantor/Program Title</u> | <u>Federal</u> <u>CFDA</u> <u>Number</u> | <u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u> | <u>Expenditures</u> |
|---|--|---|--------------------------|
| Special Education Cluster: | | | |
| Grants to States - IDEA, part B (611) | 84.027 | PRC 060 | 2,287,172 |
| Special Needs Targeted Assistance | 84.027 | PRC 118 | 22,658 |
| Special Education - Capacity Building and Improvement | 84.027 | PRC 044 | 49,341 |
| Special Education - Grants to States - ARRA | 84.391 | PRC 144 | 3,380 |
| Preschool Grants - IDEA, Part B (619) | 84.173 | PRC 049 | 83,821 |
| Preschool Targeted Assistance | 84.173 | PRC 119 | 64,453 |
| Special Education - Preschool Grants - ARRA | 84.392 | PRC 145 | 2,085 |
| Total Special Education Cluster | | | <u>2,512,910</u> |
| Title VI-B, Education of the Handicapped | 84.323 | PRC 082 | <u>7,009</u> |
| Career and Technical Education - Basic Grants to States Program Development | 84.048 | PRC 017 | <u>126,833</u> |
| Total U.S. Department of Education | | | <u>6,215,386</u> |
| <u>U.S. Department of Health and Human Services</u> | | | |
| Health Resources and Services Administration | | | |
| Passed-through the N.C. Department of Public Instruction: Abstinence Education | 93.235 | PRC 101 | <u>95,366</u> |
| <u>U.S. Department of Defense</u> | | | |
| Direct Program: ROTC | None | | <u>140,395</u> |
| Total Federal Assistance | | | <u>10,341,600</u> |
| State Grants: | | | |
| <u>N.C. Department of Public Instruction:</u> | | | |
| Cash Assistance: | | | |
| State Public School Fund | | | 48,747,346 |
| Vocational Education | | | |
| State Months of Employment | | PRC 013 | 2,545,614 |
| Program Support Funds | | PRC 014 | 127,427 |
| Driver Training | | PRC 012 | 176,187 |
| School Technology Fund | | PRC 015 | 120,219 |
| Passed-through Lee County: | | | |
| Public School Capital Fund - Lottery | | | <u>798,286</u> |
| Cash assistance subtotal | | | <u>52,515,079</u> |

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2012

Page 3 of 3

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State/ Pass-through Grantor's Number</u> | <u>Expenditures</u> |
|---|------------------------------------|---|-----------------------------|
| Non-Cash Assistance: | | | |
| State Buses Appropriation | | | 41,746 |
| Textbooks | | PRC 130 | <u>44,489</u> |
| Non-cash assistance subtotal | | | <u>86,235</u> |
| Total NC Department of Public Instruction | | | <u>52,601,314</u> |
| <u>N.C. Department of Agriculture:</u> | | | |
| State Reduced Breakfast Program | | | <u>8,659</u> |
| <u>N.C. Department of Health and Human Services:</u> | | | |
| Division of Child Development | | | |
| NC Pre-Kindergarten Program | | | 452,036 |
| State School Nurse Initiative | | | <u>150,000</u> |
| Total NC Department of Health and Human Services | | | <u>602,036</u> |
| <u>N.C. Department of Cultural Resources</u> | | | |
| LSTA School Library Collection Development Grant | | | <u>10,000</u> |
| Total State Assistance | | | <u>53,222,009</u> |
| Total Federal and State Assistance | | | <u>\$ 63,563,609</u> |

Notes to the Schedule of Expenditures of Federal and State Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Lee County Board of Education and is presented 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.