



Comprehensive Annual Financial Report

of the
Lee County Schools
Sanford, North Carolina

For the Fiscal Year Ended June 30, 2010

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

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

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

Letter of Transmittal

October 21, 2010

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, 2010, 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

The Chair and Vice Chair of the Board of Education have quarterly dialogue with the Chair and Vice Chair of the County Commissioners, County Manager and School Superintendent on issues facing the school system. They have identified common funding challenges and discussed strategies which are shared with each board respectively. From these meetings there is a greater sense of the financial condition of the schools and the condition of the plant facilities.

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

The Board is in the beginning stages of a major renovation project at Lee County High School. There will be many repairs and renovations to the fifty plus year old campus over the next few years.

Lee County Schools is committed to provide support for educational initiatives in our Pre-K-12 system. Lee County Schools has taken the stance that education is economic development. Because of changes in technology and economic shifts with outsourcing and the evolution of new, high skill jobs, a Pre-K-12 education must now produce 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. Our schools also must nurture students who have the motivation and skills to pursue knowledge beyond high school and have an appreciation for an international perspective. Consequently, educational initiatives and practices within schools must reflect that reality.

Because student use of technology is such a key component of the “new economy”, our district has focused funding priorities on providing students and

teachers with the necessary tools to expand instructional opportunities in the classroom. This includes a Grades 3-12 1:1 laptop initiative for all students initiated in January 2010. Since that time nearly 5000 laptops have been distributed for students at the elementary, middle, and high school levels and nearly 350 teachers have been provided at least 14 hours of staff development. By August 2011, 8000 laptops in total will have been distributed to all students in grades 3-12. This project has included installation of a wireless system at each school, solicitation of feedback from stakeholders, and maintaining ongoing training and evaluation. All elementary and middle school teachers also have been provided with access to laptops, projectors and SMART Boards. To complement our 1:1 initiative, our district has focused on Science, Technology, Engineering, and Math (STEM) initiative at the middle and high school levels.

To support the development of an international perspective, all middle school students will have access to Rosetta Stone by February 2011. All students in K-12 will have access to Rosetta Stone by August 2011. The goal is to establish an expectation that all students will have conversational proficiency in one foreign language by the end of elementary school and at least two languages by the end of middle school. Current languages included in the agreement are: Arabic, Chinese (Mandarin), Dutch, English (American), English (British), Filipino (Tagalog), French, German, Greek, Hebrew, Hindi, Irish, Italian, Japanese, Korean, Latin, Persian (Farsi), Polish, Portuguese (Brazil), Russian, Spanish (Latin America), Spanish (Spain), Swedish, Turkish, and Vietnamese

Finally to nurture a “college completion” culture, our middle and high schools have implemented an Achievement Via Individual Determination (AVID) program to increase the number of students taking higher level courses and to support their academic success. As part of this initiative, our middle schools have increased the number of students taking Algebra I from 160 to 391 over the last year and the number of students taking English I from 0 to 327.

Because of these initiatives, the students in Lee County Schools have a better opportunity to succeed in an increasingly complex and the ever changing world.

ECONOMIC CONDITION AND OUTLOOK

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 60,477 with an average growth rate of approximately 4% 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.

INDEPENDENT AUDIT

Dixon Hughes, PLLC has audited the financial records and transactions of the Lee County Board of Education for the year ended June 30, 2010. 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, 2009. 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, 2009. 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.

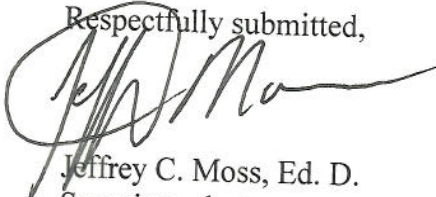
ACHIEVEMENT IN FINANCIAL RESOURCE MANAGEMENT

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 sixteen 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

Lee County Schools
Board of Education
Members and Superintendent



Shawn E. Williams
Chairman



John Bonardi, Jr.
Vice Chairman



Mark K. Akinosho



Cameron Sharpe



Dr. Linda A. Smith



Dr. Lynn H. Smith



William P. Tatum



Jeffrey C. Moss, Ed.D.

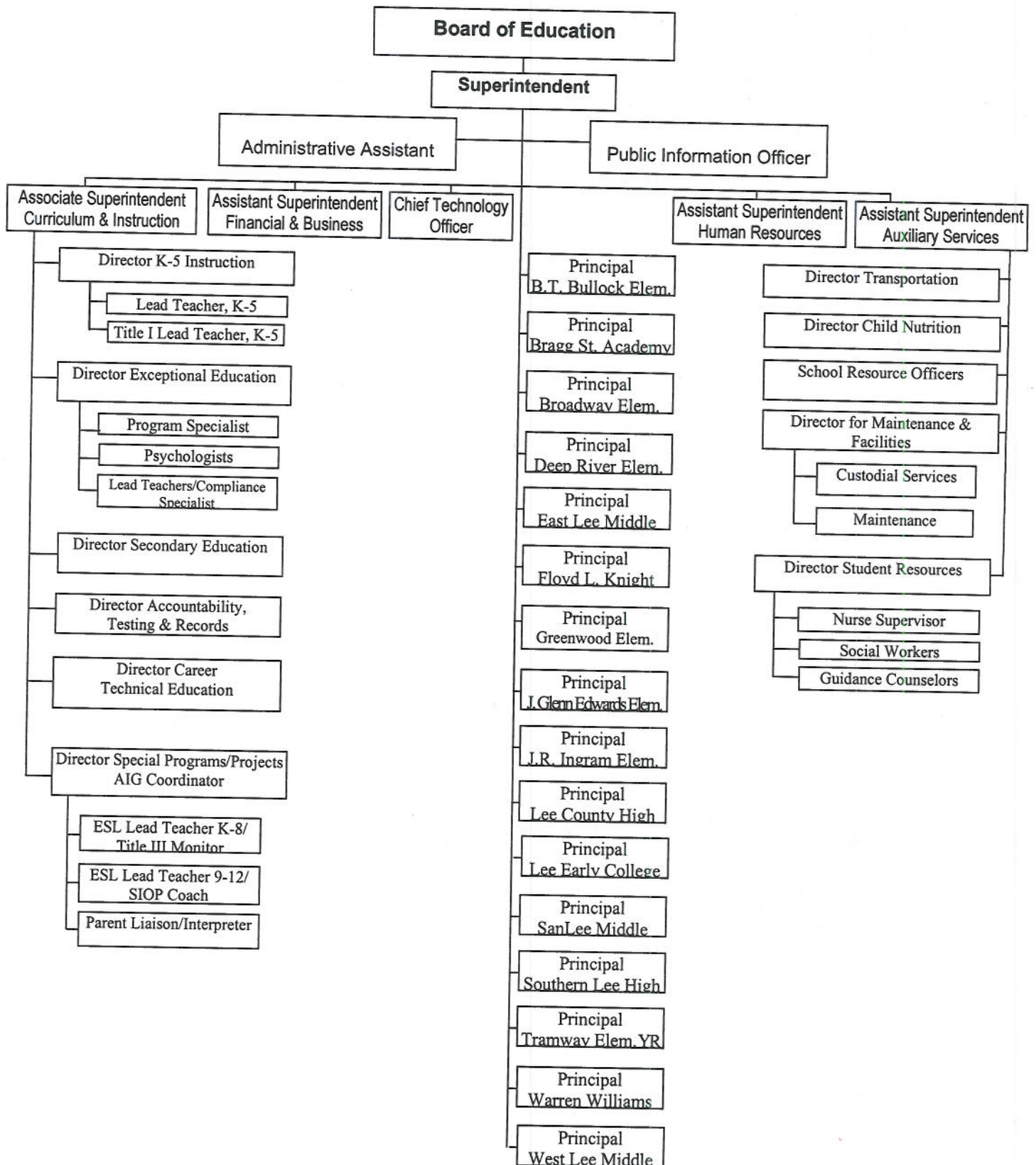
Jimmy Love
Board Attorney

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**



This Certificate of Excellence in Financial Reporting is presented to

LEE COUNTY SCHOOLS

**For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2009**

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

Erin Green

President

John D. Messer

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, 2009

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.



President

Executive Director



DIXON HUGHES PLLC
Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

October 21, 2010

To the Lee County Board of Education
Lee County, 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 (BOE), as of and for the year ended June 30, 2010, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the BOE'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 BOE'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. An audit also includes 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 BOE as of June 30, 2010, and the respective changes in financial position and 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 21, 2010 on our consideration of Lee County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Management's Discussion and Analysis on pages three through nine is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the BOE. The combining and individual fund financial statements, 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. The combining and individual fund statements, budgetary schedules, and the accompanying schedule of expenditures of federal and state awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Dixon Hughes PLLC

Southern Pines, North Carolina

October 21, 2010

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, 2010. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board's 2009-2010 student population continued to grow with an enrollment of 9,603 students in the first month. The housing market in Lee County continues to see an expansion in all areas of the county. The 600 housing unit on NC 87 South is progressing with a density mixed of multi-family, townhouses, patio homes, and single family homes. The first homes are scheduled for occupancy in the Spring of 2012. Work has also started on a 315 home development on Cool Springs Road. Several smaller developments are under construction across the county. More construction is expected to handle the influx of military personnel and their families affiliated with BRAC and Fort Bragg in the near future.
- According to population projections, Lee County is expected to grow from approximately 60,477 in 2009 to 71,000 in 2015.
- The chair and vice chair of the Board of Education have continued a quarterly dialogue with the chair, vice chair, county manager and school superintendent on issues facing the system. They have identified common funding challenges and discussed strategies which are shared with each board respectively. From these meetings there is a greater sense of the financial condition of the schools and the condition of the plant facilities.
- The board has begun construction on Lee County High School, built approximately 1954, which includes renovation and new buildings. The funding for this project was available due to a joint venture between the community, board of education, and board of commissioners in the passage of a ¼ cent sales tax devoted for this purpose. State QZAB and QSCB bonds along with conventional funding are being utilized for this project.
- The Board of Education continues to work closely with the Board of Commissioners to forecast student enrollment at the elementary level in determining facility needs. This planning includes the incorporation of the influx of students due to the BRAC re-alignment. Discussion is focused on the need for permanent (brick and mortar) classrooms in place of modular temporary rooms.
- The Board continues to use a ten-year facility study as a living document to plan financing for future facility projects.

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 combining and budgetary statements for nonmajor governmental funds and budgetary statements for enterprise funds.*

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.

LEE COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

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 funds, and fiduciary funds. 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 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
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 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 Exhibit 3 and at Exhibit 5, in the form of reconciliations, 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 Revenues Fund, 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 Board's only proprietary fund is an enterprise fund, School Food Service.

The proprietary fund statements are shown as Exhibits 7, 8 and 9 of this report.

Fiduciary funds: Assets held by the Board in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds are reported in the fiduciary funds. The Board's only fiduciary fund is an 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 the Section 125 plan maintained for medical and dependent care benefits on behalf of the employees of the school system.

The fiduciary fund statement is shown as Exhibits 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 \$94.0 million as of June 30, 2010. The largest component of net assets is invested in capital assets, net of related debt, of \$91.9 million, which comprises 97.8% of the total net assets.

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

Following is a summary of the Statement of Net Assets:

**Table 1
Condensed Statements of Net Assets
As of June 30, 2010 and 2009**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/10</u>	<u>6/30/09</u>
Current assets	\$ 6,173,947	\$ 5,108,121	\$ 1,124,497	\$ 935,527	\$ 7,298,444	\$ 6,043,648
Capital assets	<u>91,975,893</u>	<u>93,002,167</u>	<u>655,861</u>	<u>727,994</u>	<u>92,631,754</u>	<u>93,730,161</u>
Total assets	<u>98,149,840</u>	<u>98,110,288</u>	<u>1,780,358</u>	<u>1,663,521</u>	<u>99,930,198</u>	<u>99,773,809</u>
Current liabilities	1,607,793	1,266,220	3,033	2,294	1,610,826	1,268,514
Long-term liabilities	<u>4,205,734</u>	<u>4,838,110</u>	<u>102,362</u>	<u>112,183</u>	<u>4,308,096</u>	<u>4,950,293</u>
Total liabilities	<u>5,813,527</u>	<u>6,104,330</u>	<u>105,395</u>	<u>114,477</u>	<u>5,918,922</u>	<u>6,218,807</u>
Invested in capital assets, net of related debt	91,262,739	91,765,480	655,861	727,994	91,918,600	92,493,474
Restricted net assets	482,343	468,305	-	-	482,343	468,305
Unrestricted net assets (deficit)	<u>591,231</u>	<u>(227,827)</u>	<u>1,019,102</u>	<u>821,050</u>	<u>1,610,333</u>	<u>593,223</u>
Total net assets	<u>\$ 92,336,313</u>	<u>\$ 92,005,958</u>	<u>\$ 1,674,963</u>	<u>\$ 1,549,044</u>	<u>\$ 94,011,276</u>	<u>\$ 93,555,002</u>

The net assets of the Board's governmental activities increased from \$92.0 million at June 30, 2009 to \$92.3 million at June 30, 2010. This increase of approximately \$330,000 resulted primarily from the increase in capital assets due to the Lee County High School renovation project. Also note that the Board carries capital assets for which Lee County carries the offsetting debt.

The net assets of our business-type activities increased from \$1.5 million at June 30, 2009 to \$1.7 million at June 30, 2010. This increase of \$125,919 is the amount of net income generated by our school food service operations during the 2010 fiscal year.

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

The following table shows the revenues and expenses for the Board for the current fiscal year.

Table 2
Condensed Statements of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years Ended June 30, 2010 and 2009

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/10	6/30/09	6/30/10	6/30/09	6/30/10	6/30/09
Revenues:						
Program revenues:						
Charges for services	\$ 132,801	\$ 110,661	\$ 1,064,215	\$ 1,116,034	\$ 1,197,016	\$ 1,226,695
Operating grants and contributions	56,922,021	61,880,784	3,264,774	3,344,449	60,186,795	65,225,233
Capital grants and contributions	75,295	2,511,461	32,288	249,273	107,583	2,760,734
General revenue:						
Unrestricted state appropriations	4,499,281	2,058,073	-	-	4,499,281	2,058,073
Unrestricted county appropriations	15,931,881	17,047,097	-	-	15,931,881	17,047,097
Other revenues	2,713,138	406,919	10,549	22,044	2,723,687	428,963
Total revenues	<u>80,274,417</u>	<u>84,014,995</u>	<u>4,371,826</u>	<u>4,731,800</u>	<u>84,646,243</u>	<u>88,746,795</u>
Expenses:						
Governmental activities:						
Instructional services	61,728,029	64,161,345	-	-	61,728,029	64,161,345
System-wide support	15,357,857	19,379,473	-	-	15,357,857	19,379,473
Ancillary services	142,200	104,853	-	-	142,200	104,853
Interest on long-term debt	46,440	30,296	-	-	46,440	30,296
Unallocated depreciation	2,624,486	2,506,130	-	-	2,624,486	2,506,130
Intergovernmental	-	122,478	-	-	-	122,478
Business-type activities:						
Food service	-	-	4,290,957	4,637,538	4,290,957	4,637,538
Total expenses	<u>79,899,012</u>	<u>86,304,575</u>	<u>4,290,957</u>	<u>4,637,538</u>	<u>84,189,969</u>	<u>90,942,113</u>
Transfers in (out)	<u>(45,050)</u>	<u>-</u>	<u>45,050</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	330,355	(2,289,580)	125,919	94,262	456,274	(2,195,318)
Beginning net assets	<u>92,005,958</u>	<u>94,295,538</u>	<u>1,549,044</u>	<u>1,454,782</u>	<u>93,555,002</u>	<u>95,750,320</u>
Ending net assets	<u>\$92,336,313</u>	<u>\$92,005,958</u>	<u>\$ 1,674,963</u>	<u>\$ 1,549,044</u>	<u>\$94,011,276</u>	<u>\$93,555,002</u>

During the year ended June 30, 2010, our governmental activities generated revenues of \$80.3 million compared with total expenses and transfers of \$79.9 million, resulting in the aforementioned increase in our net assets for these activities of \$330,355. Comparatively, revenues were \$84.0 million and expenses totaled \$86.3 million, resulting in a decrease of net assets of \$2.3 million for the year ended June 30, 2009. Our primary sources of revenue were funding from the State of North Carolina, the County of Lee, and the United States government, which respectively comprised 64%, 22%, and 11% of our revenues. As would be expected, the major component of our expenditures was instructional services, which accounted for 77% of our total expenditures during the most recent fiscal year. Of the remaining 23% of our total expenditures, 19% was attributable to system-wide supporting services.

Our business-type activities generated revenue of \$4.4 million (including transfers from governmental activities) and had expenses of \$4.3 million, resulting in an increase in net assets of \$125,919. This represents an improvement of approximately \$32,000 from the increase in net assets in the prior year.

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

Financial Analysis of the Board's Funds

Governmental Funds: The focus of the Board'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 \$4,566,154, a \$724,253 increase over the last year. All of the Board's governmental funds, except for the State Public School Fund and Federal Grants Fund, had revenues that exceeded expenditures and other uses, thus total fund balance increased. Overall total funding has decreased from the prior year by \$3.6 million, most notably a decrease in State funding by \$4.9 million. This decrease in State funding was off-set by increases in federal funding of \$3.0 million. County and other revenues sources decreased \$1.7 million.

Proprietary funds: The Board's business-type fund, the School Food Service Fund, generated a net income of \$125,919 during the year ended June 30, 2010 compared to net income of \$94,262 during the prior year. The primary factor contributing to this improvement was the fact \$32,288 of capital contributions were received from federal sources, funded by the American Recovery and Reinvestment Act of 2009.

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 to reduce appropriations in light of the reduced revenue estimates. Even with the reductions in revenue, the Board was able to reduce spending and end the year with revenues in excess of expenditures, net of change in inventories, of \$620,478.

Capital Assets

Capital assets decreased by \$1.0 million compared to the previous year. This decrease was primarily attributable to current year depreciation expense being in excess of capital asset additions by \$1.0 million. The following is a summary of the capital assets, net of depreciation at year-end. Additional information regarding our capital assets can be found on pages 24, 28, and 29 in the notes to the basic financial statements.

**Table 3
Summary of Capital Assets
As of June 30, 2010 and 2009**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/10</u>	<u>6/30/09</u>
Land	\$2,182,060	\$2,182,060	\$ -	\$ -	\$2,182,060	\$2,182,060
Construction in progress	1,878,201	-	-	-	1,878,201	-
Buildings and improvements	83,602,697	85,893,964	-	-	83,602,697	85,893,964
Equipment and furniture	511,520	632,735	655,861	727,994	1,167,381	1,360,729
Vehicles	<u>3,801,415</u>	<u>4,293,408</u>	<u>-</u>	<u>-</u>	<u>3,801,415</u>	<u>4,293,408</u>
Total	<u>\$91,975,893</u>	<u>\$93,002,167</u>	<u>\$ 655,861</u>	<u>\$ 727,994</u>	<u>\$92,631,754</u>	<u>\$ 93,730,161</u>

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

Debt Outstanding

During the year, the Board's outstanding debt decreased by \$642,197 for the year ended June 30, 2010. Increases from compensated absences were offset by principal payments made on the outstanding debt and payment and payouts for compensated absences used and from the retiring of employees. Additional information regarding our debt can be found on pages 34 and 35 in the notes to the basic financial statements.

Economic Factors

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. The County's unemployment rate decreased from 14.3% in June 2009 to 12.5% in June 2010. The County's rate remains above the national average of 9.5% and state average of 10%.

All of these factors were considered in preparing the Board's budget for the new fiscal year. 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, 2010

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,882,732	\$ 814,635	\$ 5,697,367
Due from other governments	729,731	109,668	839,399
Receivables (net)	166,005	6,850	172,855
Inventories	395,479	193,344	588,823
Capital assets (Note 2):			
Land and construction in progress	4,060,261	-	4,060,261
Other capital assets, net of depreciation	87,915,632	655,861	88,571,493
Total capital assets	<u>91,975,893</u>	<u>655,861</u>	<u>92,631,754</u>
 Total assets	 <u>98,149,840</u>	 <u>1,780,358</u>	 <u>99,930,198</u>
Liabilities			
Accounts payable and accrued expenses	527,301	803	528,104
Accrued salaries and benefits payable	506,547	2,174	508,721
Due to other governmental units	573,945	-	573,945
Unearned revenue	-	56	56
Long-term liabilities:			
Due within one year	3,201,139	98,074	3,299,213
Due in more than one year	<u>1,004,595</u>	<u>4,288</u>	<u>1,008,883</u>
 Total liabilities	 <u>5,813,527</u>	 <u>105,395</u>	 <u>5,918,922</u>
Net assets			
Invested in capital assets, net of related debt	91,262,739	655,861	91,918,600
Restricted for individual schools	482,343	-	482,343
Unrestricted	<u>591,231</u>	<u>1,019,102</u>	<u>1,610,333</u>
 Total net assets	 <u>\$ 92,336,313</u>	 <u>\$ 1,674,963</u>	 <u>\$ 94,011,276</u>

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, 2010

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:								
Governmental activities:								
Instructional programs:								
Regular instructional	\$ 37,180,288	\$ 110,356	\$ 30,988,204	\$ -	\$ (6,081,728)	\$ -	\$ (6,081,728)	
Special populations	9,754,784	-	9,077,680	-	(677,104)	-	(677,104)	
Alternative programs	5,471,241	-	4,711,987	-	(759,254)	-	(759,254)	
School leadership	4,534,424	-	3,168,969	-	(1,365,455)	-	(1,365,455)	
Co-curricular	343,369	-	-	-	(343,369)	-	(343,369)	
School-based support	4,443,923	-	3,004,164	-	(1,439,759)	-	(1,439,759)	
System-wide support services:								
Support and development	1,027,915	-	719,884	-	(308,031)	-	(308,031)	
Special populations support and development	223,251	-	142,002	-	(81,249)	-	(81,249)	
Alternative programs and services support and development	298,419	-	233,146	-	(65,273)	-	(65,273)	
Technology support	936,419	-	285,397	-	(651,022)	-	(651,022)	
Operational support	10,846,986	22,445	3,716,692	75,295	(7,032,554)	-	(7,032,554)	
Financial and human resource	1,101,603	-	369,448	-	(732,155)	-	(732,155)	
Accountability	2,687	-	2,691	-	4	-	4	
System-wide pupil support	3,685	-	-	-	(3,685)	-	(3,685)	
Policy, leadership, and public relations	916,892	-	422,784	-	(494,108)	-	(494,108)	
Ancillary services	142,200	-	78,973	-	(63,227)	-	(63,227)	
Interest on long-term debt	46,440	-	-	-	(46,440)	-	(46,440)	
Unallocated depreciation expense	2,624,486	-	-	-	(2,624,486)	-	(2,624,486)	
Total governmental activities	79,899,012	132,801	56,922,021	75,295	(22,768,895)	-	(22,768,895)	
Business-type activities:								
School food service	4,290,957	1,064,215	3,264,774	32,288	-	70,320	70,320	
Total primary government	\$ 84,189,969	\$ 1,197,016	\$ 60,186,795	\$ 107,583	(22,768,895)	70,320	(22,698,575)	
General revenues:								
Unrestricted county appropriations - operating					14,978,050	-	14,978,050	
Unrestricted county appropriations - capital					953,831	-	953,831	
Unrestricted State and Federal appropriations - operating					3,086,512	-	3,086,512	
Unrestricted State appropriation - capital					1,412,769	-	1,412,769	
Unrestricted Federal appropriation - capital					1,923,941	-	1,923,941	
Investment earnings, unrestricted					29,222	8,713	37,935	
Miscellaneous, unrestricted					759,975	1,836	761,811	
Transfers					(45,050)	45,050	-	
Total general revenues and transfers					23,099,250	55,599	23,154,849	
Change in net assets					330,355	125,919	456,274	
Net assets, beginning					92,005,958	1,549,044	93,555,002	
Net assets, ending					\$ 92,336,313	\$ 1,674,963	\$ 94,011,276	

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, 2010

Exhibit 3

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Restricted Revenues	Capital Outlay	Individual Schools	
Assets							
Cash and cash equivalents	\$ 3,426,487	\$ -	\$ -	\$ 637,819	\$ 336,083	\$ 482,343	\$ 4,882,732
Due from other governments	67,657	448,855	52,364	156,075	4,780	-	729,731
Accounts receivable	90,309	-	-	75,696	-	-	166,005
Inventories	395,479	-	-	-	-	-	395,479
Total assets	\$ 3,979,932	\$ 448,855	\$ 52,364	\$ 869,590	\$ 340,863	\$ 482,343	\$ 6,173,947
Liabilities and fund balances							
Liabilities:							
Accounts payable and accrued	\$ 507,855	\$ -	\$ -	\$ 2,409	\$ 17,037	\$ -	\$ 527,301
Accrued salaries and benefits	5,328	448,855	52,364	-	-	-	506,547
Due to other governmental units	573,945	-	-	-	-	-	573,945
Total liabilities	1,087,128	448,855	52,364	2,409	17,037	-	1,607,793
Fund balances:							
Reserved for:							
Inventories	395,479	-	-	-	-	-	395,479
State statute	157,966	-	-	231,771	4,780	-	394,517
Unreserved, General Fund:							
Designated for subsequent year's programs	-	-	-	635,410	-	-	635,410
Designated for subsequent year's expenditures	1,358,982	-	-	-	54,535	-	1,413,517
Undesignated	980,377	-	-	-	-	-	980,377
Unreserved, reported in:							
Special Revenue Funds	-	-	-	-	-	482,343	482,343
Capital Projects Fund	-	-	-	-	264,511	-	264,511
Total fund balances	2,892,804	-	-	867,181	323,826	482,343	4,566,154
Total liabilities and fund balances	\$ 3,979,932	\$ 448,855	\$ 52,364	\$ 869,590	\$ 340,863	\$ 482,343	

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. 91,975,893

Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds. (4,205,734)

Net assets of governmental activities \$ 92,336,313

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, 2010

Exhibit 4

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Restricted Revenues	Capital Outlay	Individual Schools	
Revenues:							
State of North Carolina	\$ -	\$ 49,207,436	\$ -	\$ 749,270	\$ 1,412,769	\$ -	\$ 51,369,475
Lee County	14,978,050	-	-	-	2,877,772	-	17,855,822
U.S. Government	122,248	-	8,921,707	74,162	-	-	9,118,117
Other	438,928	-	-	755,620	9,253	1,004,036	2,207,837
Total revenues	15,539,226	49,207,436	8,921,707	1,579,052	4,299,794	1,004,036	80,551,251
Expenditures:							
Current:							
Instructional programs:							
Regular	4,052,604	29,822,885	2,197,904	155,767	-	989,998	37,219,158
Special	492,648	6,473,336	2,605,612	197,343	-	-	9,768,939
Alternative	266,574	1,810,970	2,953,181	448,455	-	-	5,479,180
School leadership	1,348,087	3,192,917	-	-	-	-	4,541,004
Co-curricular	340,070	-	-	3,797	-	-	343,867
School-based support	1,179,239	2,314,351	693,478	263,304	-	-	4,450,372
System-wide support services:							
Support and development	255,209	720,110	-	54,088	-	-	1,029,407
Special populations support and	73,917	141,511	491	7,656	-	-	223,575
Alternative programs and services support							
and development	15,273	111,165	121,981	50,433	-	-	298,852
Technology support	581,842	283,688	19,679	3,073	-	-	888,282
Operational support	5,013,342	3,499,747	15,407	316,351	-	-	8,844,847
Financial and human resource	733,754	368,922	526	-	-	-	1,103,202
Accountability	-	-	2,691	-	-	-	2,691
System-wide pupil support	3,690	-	-	-	-	-	3,690
Policy, leadership and public relations	493,228	422,784	-	2,212	-	-	918,224
Ancillary services	108,276	-	33,924	-	-	-	142,200
Non-programmed charges	15,061	-	276,833	-	-	-	291,894
Debt service:							
Principal retirements	-	-	-	-	523,533	-	523,533
Interest and fees	-	-	-	-	46,440	-	46,440
Capital outlay:							
Real property and buildings	-	-	-	-	3,494,313	-	3,494,313
Furnishings and equipment	-	-	-	-	153,887	-	153,887
Vehicles and other	-	-	-	-	68,457	-	68,457
Total expenditures	14,972,814	49,162,386	8,921,707	1,502,479	4,286,630	989,998	79,836,014
Revenues over expenditures	566,412	45,050	-	76,573	13,164	14,038	715,237
Other financing uses:							
Transfers to other funds	-	(45,050)	-	-	-	-	(45,050)
Net change in fund balance	566,412	-	-	76,573	13,164	14,038	670,187
Fund balances:							
Beginning of year, restated	2,272,326	-	-	790,608	310,662	468,305	3,841,901
Increase in reserve for inventories	54,066	-	-	-	-	-	54,066
End of year	\$ 2,892,804	\$ -	\$ -	\$ 867,181	\$ 323,826	\$ 482,343	\$ 4,566,154

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, 2010

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

Net changes in fund balances - total governmental funds	\$ 670,187
Change in fund balance due to change in reserve for inventory	54,066
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 were greater (less) than depreciation in the current period.	(1,026,274)
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.	523,533
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>108,844</u>
Total changes in net assets of governmental activities	<u>\$ 330,356</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 - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2010

	General Fund			State Public School Fund				
	Original Budget	Final Budget	Actual	Variance with final budget positive (negative)	Original Budget	Final Budget	Actual	Variance with final budget positive (negative)
Revenues:								
State of North Carolina	\$ -	\$ -	\$ -	\$ -	\$ 49,283,111	\$ 49,844,103	\$ 49,207,436	\$ (636,667)
County appropriations	14,978,050	14,978,050	14,978,050	-	-	-	-	-
U.S. Government	85,000	101,498	122,248	20,750	-	-	-	-
Other	1,380,308	414,381	438,928	24,547	-	-	-	-
Total revenues	16,443,358	15,493,929	15,539,226	45,297	49,283,111	49,844,103	49,207,436	(636,667)
Expenditures:								
Current:								
Instructional programs	9,033,473	8,317,759	7,679,222	638,537	46,118,332	44,175,454	43,614,459	560,995
System-wide support services	9,343,400	8,353,889	7,170,255	1,183,634	3,164,779	5,623,599	5,547,927	75,672
Ancillary services	106,136	117,838	108,276	9,562	-	-	-	-
Nonprogrammed charges	15,000	16,000	15,061	939	-	-	-	-
Total expenditures	18,498,009	16,805,486	14,972,814	1,832,672	49,283,111	49,799,053	49,162,386	636,667
Revenues over (under) expenditures	(2,054,651)	(1,311,557)	566,412	1,877,969	-	45,050	45,050	-
Other financing uses:								
Transfers to other funds	-	-	-	-	-	(45,050)	(45,050)	-
Fund balance appropriated	2,054,651	1,311,557	-	(1,311,557)	-	-	-	-
Net change in fund balance	\$ -	\$ -	566,412	\$ 566,412	\$ -	\$ -	-	\$ -
Fund balances:								
Beginning of year, restated			2,272,326				-	
Increase (decrease) in reserve for inventory			54,066				-	
End of year			\$ 2,892,804				\$ -	

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 - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2010

	Federal Grants Fund				Restricted Revenues Fund			
	Original Budget	Final Budget	Actual	Variance with final budget positive (negative)	Original Budget	Final Budget	Actual	Variance with final budget positive (negative)
Revenues:								
State of North Carolina	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 773,674	\$ 749,270	\$ (24,404)
County appropriations	-	-	-	-	-	-	-	-
U.S. Government	12,996,706	12,316,747	8,921,707	(3,395,040)	-	95,000	74,162	(20,838)
Other	-	-	-	-	-	645,098	755,620	110,522
Total revenues	12,996,706	12,316,747	8,921,707	(3,395,040)	-	1,513,772	1,579,052	65,280
Expenditures:								
Current:								
Instructional programs	8,570,848	9,997,191	8,450,175	1,547,016	-	1,450,376	1,088,666	381,710
System-wide support services	1,604,060	177,780	160,775	17,005	-	804,575	433,813	370,762
Ancillary services	35,653	36,308	33,924	2,384	-	-	-	-
Nonprogrammed charges	2,786,145	2,105,468	276,833	1,828,635	-	1,915	-	1,915
Total expenditures	12,996,706	12,316,747	8,921,707	3,395,040	-	2,256,866	1,502,479	754,387
Revenues over (under) expenditures	-	-	-	-	-	(743,094)	76,573	819,667
Other financing uses:								
Transfers to other funds	-	-	-	-	-	-	-	-
Fund balance appropriated	-	-	-	-	-	743,094	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -	-	\$ 76,573	\$ 76,573
Fund balances:								
Beginning of year, restated	-	-	-	-	-	-	790,608	-
Increase (decrease) in reserve for inventory	-	-	-	-	-	-	-	-
End of year	-	-	-	-	-	-	\$ 867,181	-

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
June 30, 2010

Exhibit 7

	Enterprise Major Fund School Food Service
Assets	
Current assets:	
Cash and cash equivalents	\$ 814,635
Due from other governments	109,668
Receivables	6,850
Inventories	193,344
Total current assets	<u>1,124,497</u>
Noncurrent assets:	
Capital assets:	
Equipment, furniture, and vehicles, net	655,861
Total capital assets	<u>655,861</u>
Total assets	<u>1,780,358</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	803
Accrued salaries and wages payable	2,174
Deferred revenue	56
Compensated absences	98,074
Total current liabilities	<u>101,107</u>
Noncurrent liabilities:	
Compensated absences	4,288
Total liabilities	<u>105,395</u>
Net assets	
Invested in capital assets	655,861
Unrestricted	<u>1,019,102</u>
Total net assets	<u>\$ 1,674,963</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
For the Fiscal Year Ended June 30, 2010

	Enterprise Major Fund School Food Service
Operating revenues:	
Food sales	\$ 1,064,215
Other	1,836
Total operating revenues	<u>1,066,051</u>
Operating expenses:	
Business support services:	
Purchase of food	1,551,335
Salaries and benefits	2,189,807
Materials and supplies	250,611
Repairs and maintenance	135,935
Depreciation	146,734
Other	16,535
Total operating expenses	<u>4,290,957</u>
Operating loss	<u>(3,224,906)</u>
Nonoperating revenues:	
Federal reimbursements	2,953,269
Federal commodities	308,098
State reimbursements	3,407
Interest earned	8,713
Total nonoperating revenues	<u>3,273,487</u>
Income before contributions and transfers	48,581
Contributions and transfers:	
Capital contributions	32,288
Transfers from other funds	45,050
Total contributions and transfers	<u>77,338</u>
Change in net assets	125,919
Net assets, beginning of year	<u>1,549,044</u>
Net assets, end of year	<u>\$ 1,674,963</u>

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
For the Fiscal Year Ended June 30, 2010

Exhibit 9

	Enterprise Major Fund School Food Service
Cash flows from operating activities:	
Cash received from customers	\$ 1,064,215
Cash paid for goods and services	(1,671,895)
Cash paid to employees for services	(2,197,454)
Other operating revenue	1,836
Net cash used by operating activities	(2,803,298)
Cash flows from noncapital financing activities:	
Federal reimbursements	2,968,039
Due from other funds	45,050
Due to other funds	41,015
Net cash provided by noncapital financing activities	3,054,104
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(42,313)
Net cash used by capital and related financing activities	(42,313)
Cash flows from investing activities:	
Interest earned on investments	8,713
Net cash provided by investing activities	8,713
Net increase in cash and cash equivalents	217,206
Cash and cash equivalents, beginning of year	597,429
Cash and cash equivalents, end of year	\$ 814,635
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (3,224,906)
Adjustments to reconcile operating loss to net cash provided used by operating activities:	
Depreciation	146,734
Donated commodities consumed	308,098
Changes in assets and liabilities:	
Decrease in accounts receivable	1,837
Increase in inventories	(25,979)
Decrease in accounts payable and accrued liabilities	(1,348)
Increase in accrued salaries and wages payable	2,174
Decrease in deferred revenues	(87)
Decrease in compensated absences payable	(9,821)
Total adjustments	421,608
Net cash used by operating activities	\$ (2,803,298)

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$308,098 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8.

Assets with a value of \$32,288 were donated and are presented as contributed capital 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, 2010**

	<u>Flexible Benefits Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 78,589</u>
Liabilities	
Benefits payable	<u> 78,589</u>

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

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 source entity.

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. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the 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. Operating expenses generally result from producing and delivering goods in connection with the fund's principal ongoing operations. Expenses not meeting this definition are reported as nonoperating 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 required to be accounted for in another fund. This fund is the "Local Current Expense Fund," which is mandated by State law [G.S. 115C-426].

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, 2010

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 monies, proceeds of Lee County bond proceeds issued for school construction, lottery proceeds, and certain federal and State assistance.

Federal Grants Fund. The Federal Grants Fund is used to account for federal grant monies administered through the Department of Public Instruction.

Restricted Revenues Fund. The Restricted Revenues Fund is used to account for activities designated for restricted purposes and generally not intended for the general K-12 student population of the Board. Funding is primarily from local and state government grants and private donations received from individual and corporate donors, along with grant monies received directly from the federal government.

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:

Flexible Benefits Fund. Assets held by the Board in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds are reported in the fiduciary funds. The Lee County Board of Education's only fiduciary fund is an agency fund. Agency Funds are custodial in nature and do not involve the measurement of operating results or have a measurement focus. 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 the Section 125 plan maintained for medical and dependent care benefits on behalf of the employees of the school system.

C. Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary 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.

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.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, 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 functional level for all annually budgeted funds. The superintendent is authorized to transfer appropriations between functions within a fund without limitation and without a report to 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 Projects 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. It 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.

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.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 reserved.

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.

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 building and equipment that serve multiple purposes cannot be allocated ratably and is therefore reported as "unallocated depreciation" on the statement of activities. Land and construction in progress are not being depreciated.

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.

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, 2010 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.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 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.

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable, are legally segregated for a specific purpose, or are restricted by the grant agreement. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 115C-425(a)] restricts the appropriation of fund balance or fund equity to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for inventories - portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories which are not expendable, available resources.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law. This amount is usually comprised of accounts receivable and interfund receivables which are not offset by deferred revenues.

Unreserved:

Designated for subsequent year's programs - unexpended funds available at year end, which are held for specific programs of the Board.

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2010-2011 budget ordinance.

Undesignated - portion of total fund balance available for appropriation which is uncommitted at year-end.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 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)	\$132,381,292
Less accumulated depreciation	<u>(40,405,399)</u>
Net capital assets	91,975,893
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:	
Lease and installment financing	(713,154)
Compensated absences	<u>(3,492,580)</u>
Total adjustment	<u>\$ 87,770,159</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes 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 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	\$ 2,125,613
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	(3,151,887)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net assets in the government-wide statements; including accrued interest	523,533
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	108,843
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	<u>54,066</u>
Total adjustment	<u>\$ (339,832)</u>

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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. 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, 2010, the Board had deposits with banks and savings and loans with a carrying amount of \$3,654,358 and none with the State Treasurer. The bank balances with the financial institutions and the State Treasurer were \$4,365,399 and \$370,977, respectively. Of these balances, \$250,000 was covered by federal depository insurance and \$4,486,376 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30, 2010, the Board of Education had \$2,114,773 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.6 years at June 30, 2010. There was \$6,825 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's.

Interest Rate Risk. The Board of Education does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Department of State Treasurer Short Term Investment Fund (STIF) had a weighted average maturity of 1.6 years as of June 30, 2010.

Credit Risk. The Board's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2010. The STIF is unrated and is authorized under NC General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate treasuries and agencies, and money market instruments. The board has no policy on credit risk.

Concentration of Credit Risk. The Board places no limit on the amount the Board may invest in any one issuer.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2010 were as follows:

	Due from other governments	Other	Total
Governmental activities:			
General Fund	\$ 67,657	\$ 90,309	\$ 157,966
Other governmental activities	<u>662,074</u>	<u>75,696</u>	<u>737,770</u>
Total	<u>\$ 729,731</u>	<u>\$ 166,005</u>	<u>\$ 895,736</u>
Business-type activities:			
School Food Service	<u>\$ 109,668</u>	<u>\$ 6,850</u>	<u>\$ 116,518</u>

Due from other governments consists of the following:

Governmental activities:		
State Public School Fund	448,855	Operating funds from DPI
General Fund	67,657	Sales tax and county appropriations
Restricted Revenues Fund	156,075	Sales tax and state and federal grants
Capital Outlay Fund	4,780	Sales tax
Federal Grants Fund	<u>52,364</u>	Federal grant funds
	<u>\$ 729,731</u>	
Business-type activities:		
School Food Service	<u>\$ 109,668</u>	USDA reimbursement

4. Capital Assets

Capital asset activity for the year ended June 30, 2010 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	-	1,878,201	-	1,878,201
Total capital assets not being depreciated	<u>2,182,060</u>	<u>1,878,201</u>	<u>-</u>	<u>4,060,261</u>
Capital assets being depreciated:				
Buildings and improvements	117,712,706	105,624	-	117,818,330
Equipment and furniture	2,320,476	29,176	-	2,349,652
Vehicles	<u>8,219,524</u>	<u>112,612</u>	<u>179,087</u>	<u>8,153,049</u>
Total capital assets being depreciated	<u>128,252,706</u>	<u>247,412</u>	<u>179,087</u>	<u>128,321,031</u>

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

Less accumulated depreciation for:

Buildings and improvements	\$31,818,742	\$ 2,396,891	\$ -	\$ 34,215,633
Equipment and furniture	1,687,741	150,391	-	1,838,132
Vehicles	<u>3,926,116</u>	<u>604,605</u>	<u>179,087</u>	<u>4,351,634</u>
Total accumulated depreciation	<u>37,432,599</u>	<u>3,151,887</u>	<u>179,087</u>	<u>40,405,399</u>

Total capital assets being depreciated, net	<u>90,820,107</u>			<u>87,915,632</u>
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Governmental activity capital assets, net	<u>\$93,002,167</u>			<u>\$ 91,975,893</u>
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Business-type activities:

School Food Service Fund:

Capital assets being depreciated:

Equipment and furniture	\$ 2,564,008	74,601	-	\$ 2,638,609
Vehicles	<u>26,883</u>	<u>-</u>	<u>-</u>	<u>26,883</u>
Total capital assets being depreciated	<u>2,590,891</u>	<u>74,601</u>	<u>-</u>	<u>2,665,492</u>

Less accumulated depreciation for:

Equipment and furniture	1,836,014	146,734	-	1,982,748
Vehicles	<u>26,883</u>	<u>-</u>	<u>-</u>	<u>26,883</u>
Total accumulated depreciation	<u>1,862,897</u>	<u>146,734</u>	<u>-</u>	<u>2,009,631</u>

School Food Service capital assets, net	<u>\$ 727,994</u>			<u>\$ 655,861</u>
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Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 2,624,486
Technology support services	49,424
Operational support services	<u>477,977</u>
Total	<u>\$ 3,151,887</u>

B. Liabilities

1. Pension Plan 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.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 8.14% 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, 2010, 2009, and 2008 were \$4,194,195, \$4,338,584, and \$3,826,480, respectively, equal to the required contributions for each year.

b. Other Post-Employment Benefits

1. Healthcare Benefits

Plan Description. The post-employment 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 appropriate act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statutes, 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 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 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, person 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 pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2010, 2009, and 2008, the Board paid all annual required contributions to the Plan for postretirement healthcare benefits of \$2,157,015, \$2,185,282, and \$2,003,648, respectively. The contributions represented 4.5%, 4.1%, and 4.1% of covered payroll, respectively.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

2. 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 an other post-employment 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 Worker's 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 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 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 Worker's 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 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 you might be entitled should you 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 are 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 TSERS.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

The Board's contributions are established in the Appropriations Bill by 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 post-employment 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 post-employment benefit. For the fiscal years ended June 30, 2010, 2009, and 2008, the Board paid all annual required contributions to the DIPNC for disability benefits of \$249,255, \$277,158, and \$254,121, respectively. These contributions represented .52% of covered payroll for each year.

3. Other Employee Benefits

In addition to providing pension and post employment healthcare benefits, the Board provides disability benefits and death benefits, in accordance with State statutes, to certain employees. Death benefits are provided through the Benefit Plan for members of the Teachers' and State Employees' Retirement System (Death Benefit Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. Employees who die in active service after one year of contributing membership service in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's highest 12 months salary in a row during the 24 months prior to his/her death, with a minimum benefit of \$25,000 and a maximum of \$50,000.

Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (Disability Income Plan), a multiple-employer State-administered cost-sharing plan, which also is funded on a one-year term cost basis. Long-term disability benefits are payable from the Disability Income Plan 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.

All short-term disability benefit payments are made by various State-administered plans. The Board has no liability beyond payment of monthly contributions except for short-term disability benefits, which are paid by the Board during the first six months of the short-term period.

2. Accounts Payable and due to other governments

Accounts payable as of June 30, 2010 are as follows:

	<u>Vendors</u>	<u>Salaries and benefits</u>	<u>Due to other governments</u>	<u>Total</u>
Governmental activities:				
General	\$ 507,855	\$ 5,328	\$ 573,945	\$ 1,087,128
Other governmental	<u>19,446</u>	<u>501,219</u>	<u>-</u>	<u>520,665</u>
Total governmental activities	<u>\$ 527,301</u>	<u>\$ 506,547</u>	<u>\$ 573,945</u>	<u>\$ 1,607,793</u>
Business activities:				
School Food Service	<u>\$ 803</u>	<u>\$ 2,174</u>	<u>\$ -</u>	<u>\$ 2,977</u>

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

3. Unearned Revenues

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

Prepayments of meals (School Food Service Fund) \$ 56

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 general liability of \$2,550,000 and an annual aggregate limit of \$2,550,000 for errors and omissions claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. The Board maintains workers' compensation coverage through Key Risk Insurance Co. up to the statutory limits for employees to the extent they are paid from Federal and local funds. The State of North Carolina provides workers' compensation for employees to the extent they 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 property 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 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 of the Board's funds 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 \$175,000.

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.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. Construction and Other Significant Commitments

a. Operating Leases

Lee County Board of Education is obligated under various noncancellable operating leases for computer equipment and mobile units. The future rental payments under these lease agreements are as follows:

June 30

2011	\$ 57,669
2012	29,999
2013	<u>1</u>
	<u>\$ 87,669</u>

Rental expenditures during the fiscal year ended June 30, 2010 were \$116,666.

6. Contingent Liabilities

At June 30, 2010, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorneys, the ultimate effect of these legal matters will not have a material adverse effect on the Board's financial position.

7. Long-Term Obligations

a. Capital Leases

As authorized in State law [G.S. 115C-528(a)], the Board has entered into lease agreements to lease vehicles and computer and telephone systems. These leasing arrangements were made for terms of 48, 36 and 60 months. At the conclusion of the lease terms, ownership is transferred to the Board. The lease agreements qualify as capital leases for accounting purposes and, therefore, the obligations have been recorded at the present value of future minimum lease payments as of the date of inception. The debt retirement each year is not considered material and is therefore included in supporting services expenditures in the financial statements.

At June 30, 2010, the assets recorded under the capital leases, net of accumulated depreciation of \$147,976, amounted to \$840,337. The following is a schedule of future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2010:

<u>Year Ending June 30</u>	<u>General Long-Term Debt</u>
2011	\$ 268,670
2012	241,117
2013	<u>121,131</u>
Total minimum lease payments	630,918
Less: amount representing interest	<u>47,998</u>
Present value of the minimum lease payments	<u>\$ 582,920</u>

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

b. Installment Purchase

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 new financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase buses through special third party financing arrangements by SunTrust Equipment Finance & Leasing Corporation at total payments less than the purchase price. During 2008 the Board entered into installment purchase contracts to finance the purchase of school buses. The financing contract requires only principal payments at the beginning of each contract year.

The future minimum payments of the installment purchases as of June 30, 2010 are as follows:

<u>Year Ending June 30:</u>	<u>Governmental Activities Principal</u>
2011	<u>\$ 130,234</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, 2010:

	<u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>	<u>Current portion</u>
Governmental activities:					
Capital leases	\$ 824,488	\$ -	\$ 241,568	\$ 582,920	\$ 268,670
Installment purchases	412,199	-	281,965	130,234	130,234
Compensated absences	<u>3,601,423</u>	<u>2,780,721</u>	<u>2,889,564</u>	<u>3,492,580</u>	<u>2,802,235</u>
Total	<u>\$4,838,110</u>	<u>\$2,780,721</u>	<u>\$3,413,097</u>	<u>\$4,205,734</u>	<u>\$ 3,201,139</u>
Business-type activities:					
Compensated absences	<u>\$ 112,183</u>	<u>\$ 97,663</u>	<u>\$ 107,484</u>	<u>\$ 102,362</u>	<u>\$ 98,074</u>

Compensated absences of the governmental activities are expected to be liquidated with revenues of the General Fund.

8. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2010, consist of the following:

From the State Public School Fund to the School Food Service Fund for administrative costs.	<u>\$ 45,050</u>
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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 monies 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 monies.

NOTE 4 - RESTATED FUND BALANCES

The Board created the Restricted Revenues Fund effective July 1, 2009 to separately account for certain restricted revenue-based programs formerly accounted for in the Board's General Fund. \$790,608 of restricted revenue-based program funds on hand in the General Fund was transferred to the Restricted Revenues Fund as of July 1, 2009. Such restatement had no effect on the total Governmental Fund balances or total Governmental Net Assets as reported for Governmental Activities as of June 30, 2009.

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, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Lee County:			
Appropriations from general revenues	\$ 14,978,050	\$ 14,978,050	\$ -
U.S. Government:			
Impact Aid	-	10,319	-
JROTC	-	111,929	-
Total U.S. Government	<u>101,498</u>	<u>122,248</u>	<u>20,750</u>
Other:			
Contributions and donations	-	4,970	-
Fines and forfeitures	-	247,280	-
Interest earned on investments	-	27,256	-
Rental of school property	-	22,445	-
Insurance settlement	-	136,901	-
Miscellaneous	-	76	-
Total other	<u>414,381</u>	<u>438,928</u>	<u>24,547</u>
Total revenues	<u>15,493,929</u>	<u>15,539,226</u>	<u>45,297</u>
Expenditures:			
Instructional programs:			
Regular	-	4,052,604	-
Special	-	492,648	-
Alternative	-	266,574	-
School leadership	-	1,348,087	-
Co-curricular	-	340,070	-
School based support	-	1,179,239	-
Total instructional programs	<u>8,317,759</u>	<u>7,679,222</u>	<u>638,537</u>
System-wide support services:			
Support and development	-	255,209	-
Special populations support and development	-	73,917	-
Alternative programs and services support and development	-	15,273	-
Technology support	-	581,842	-
Operational support	-	5,013,342	-
Financial and human resource	-	733,754	-
System-wide pupil support	-	3,690	-
Policy, leadership, and public relations	-	493,228	-
Total system-wide supporting services	<u>8,353,889</u>	<u>7,170,255</u>	<u>1,183,634</u>

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, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures: (Continued)			
Ancillary Services	<u>117,838</u>	<u>108,276</u>	<u>9,562</u>
Nonprogrammed charges	<u>16,000</u>	<u>15,061</u>	<u>939</u>
Total expenditures	<u>16,805,486</u>	<u>14,972,814</u>	<u>1,832,672</u>
Revenues over (under) expenditures	(1,311,557)	566,412	1,877,969
Fund balance appropriated	<u>1,311,557</u>	<u>-</u>	<u>(1,311,557)</u>
Net change in fund balance	<u>\$ -</u>	<u>566,412</u>	<u>\$ 566,412</u>
Fund balance:			
Beginning of year		2,272,326	
Increase in reserve for inventory		<u>54,066</u>	
End of year		<u>\$ 2,892,804</u>	

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
INDIVIDUAL SCHOOLS
For the Fiscal Year Ended June 30, 2010

	Elementary Schools	Middle Schools	High Schools	Special Schools	Total
Revenues:					
General	\$ 42,507	\$ 40,045	\$ 93,828	\$ 3,363	\$ 179,743
Athletics	-	40,652	280,111	-	320,763
Fundraising (net)	33,664	13,199	22,784	1,215	70,862
Clubs, classes, and organizations	520	12,356	119,533	-	132,409
Contributions and grants	<u>123,244</u>	<u>20,923</u>	<u>82,949</u>	<u>73,143</u>	<u>300,259</u>
Total revenues	<u>199,935</u>	<u>127,175</u>	<u>599,205</u>	<u>77,721</u>	<u>1,004,036</u>
Expenditures:					
Instructional programs:					
General	81,828	62,708	103,436	8,960	256,932
Athletics	-	40,932	258,432	-	299,364
Clubs, classes, and organizations	670	11,831	110,550	-	123,051
Contributions and grants	<u>133,324</u>	<u>15,226</u>	<u>87,368</u>	<u>74,733</u>	<u>310,651</u>
Total expenditures	<u>215,822</u>	<u>130,697</u>	<u>559,786</u>	<u>83,693</u>	<u>989,998</u>
Net change in fund balance	(15,887)	(3,522)	39,419	(5,972)	14,038
Fund balances, beginning of year	<u>160,301</u>	<u>117,851</u>	<u>163,569</u>	<u>26,584</u>	<u>468,305</u>
Fund balances, end of year	<u>\$ 144,414</u>	<u>\$ 114,329</u>	<u>\$ 202,988</u>	<u>\$ 20,612</u>	<u>\$ 482,343</u>

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FEDERAL GRANTS FUND
For the Fiscal Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
U.S. Government	<u>\$ 12,316,747</u>	<u>\$ 8,921,707</u>	<u>\$ (3,395,040)</u>
Expenditures:			
Instructional programs:			
Regular	2,387,288	2,197,904	189,384
Special	3,601,877	2,605,612	996,265
Alternative	3,260,508	2,953,181	307,327
School-based support	<u>747,518</u>	<u>693,478</u>	<u>54,040</u>
Total instructional programs	<u>9,997,191</u>	<u>8,450,175</u>	<u>1,547,016</u>
System-wide supporting services			
Special populations support and development	547	491	56
Alternative programs and services support and development	124,279	121,981	2,298
Technology support	23,692	19,679	4,013
Operational support	24,511	15,407	9,104
Financial and human resource	2,060	526	1,534
Accountability	<u>2,691</u>	<u>2,691</u>	<u>-</u>
Total system-wide supporting services	<u>177,780</u>	<u>160,775</u>	<u>17,005</u>
Ancillary services	36,308	33,924	2,384
Nonprogrammed charges	<u>2,105,468</u>	<u>276,833</u>	<u>1,828,635</u>
Total expenditures	<u>12,316,747</u>	<u>8,921,707</u>	<u>3,395,040</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance:			
Beginning of year		<u>-</u>	
End of year		<u>\$ -</u>	

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
RESTRICTED REVENUES FUND
For the Fiscal Year Ended June 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Smart Start	\$ -	\$ 67,008	\$ -
More at Four	-	454,372	-
School Nurse Funding Initiative	-	150,000	-
LSTA School Library Collection Grant	-	49,240	-
Governor's Crime Grant	-	28,650	-
Total State of North Carolina	<u>773,674</u>	<u>749,270</u>	<u>(24,404)</u>
U.S. Government:			
Accelerated English Language Acquisition	-	74,162	-
Total U.S. Government	<u>95,000</u>	<u>74,162</u>	<u>(20,838)</u>
Other:			
Private grants	-	57,234	-
Tuition and fees	-	110,356	-
Medicaid reimbursements	-	179,871	-
ABC revenues	-	12,500	-
Contributions and donations	-	35,036	-
Indirect costs allocated	-	276,832	-
Disposition of fixed assets	-	78,510	-
Miscellaneous	-	5,281	-
Total other	<u>645,098</u>	<u>755,620</u>	<u>110,522</u>
Total revenues	<u>1,513,772</u>	<u>1,579,052</u>	<u>65,280</u>
Expenditures:			
Instructional programs:			
Regular	-	155,767	-
Special	-	197,343	-
Alternative	-	448,455	-
Co-curricular	-	3,797	-
School based support	-	263,304	-
Total instructional programs	<u>1,450,376</u>	<u>1,068,666</u>	<u>381,710</u>
System-wide support services:			
Support and development	-	54,088	-
Special populations support and development	-	7,656	-
Alternative programs and services support and development	-	50,433	-

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
RESTRICTED REVENUES FUND
For the Fiscal Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures: (Continued)			
Technology support	-	3,073	-
Operational support	-	316,351	-
Policy, leadership, and public relations	-	2,212	-
Total system-wide supporting services	<u>804,575</u>	<u>433,813</u>	<u>370,762</u>
Nonprogrammed charges	<u>1,915</u>	<u>-</u>	<u>1,915</u>
Total expenditures	<u>2,256,866</u>	<u>1,502,479</u>	<u>754,387</u>
Revenues over (under) expenditures	(743,094)	76,573	819,667
Fund balance appropriated	<u>743,094</u>	<u>-</u>	<u>(743,094)</u>
Net change in fund balance	<u>\$ -</u>	<u>76,573</u>	<u>\$ 76,573</u>
Fund balance:			
Beginning of year		<u>790,608</u>	
End of year		<u>\$ 867,181</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, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ -	\$ 281,965	\$ -
Public School Building Capital Fund - Lottery	-	1,130,804	-
Total State of North Carolina	<u>2,302,141</u>	<u>1,412,769</u>	<u>(889,372)</u>
Lee County:			
Qualified zone academy bonds	-	377,021	-
Qualified school construction bonds	-	553,078	-
Recovery zone economic development bonds	-	993,842	-
County appropriations	-	953,831	-
Total Lee County	<u>23,702,326</u>	<u>2,877,772</u>	<u>(20,824,554)</u>
Other:			
Interest earned on investments	-	1,966	-
Miscellaneous	-	7,287	-
Total other	<u>2,100</u>	<u>9,253</u>	<u>7,153</u>
Total revenues	<u>26,006,567</u>	<u>4,299,794</u>	<u>(21,706,773)</u>
Expenditures:			
Capital outlay:			
Real property and buildings:			
Lee County High School - Lottery	-	54,749	-
Broadway Elementary - Lottery	-	117,849	-
Deep River Elementary - Lottery	-	13,813	-
J. Glenn Edwards Elementary - Lottery	-	181,763	-
Greenwood Elementary - Lottery	-	18,751	-
J.R. Ingram Elementary - Lottery	-	273,753	-
Benjamin T. Bullock Elementary - Lottery	-	60,773	-
East Lee Middle - Lottery	-	95,434	-
West Lee Middle - Lottery	-	189,330	-
Bragg Street Academy - Lottery	-	125,589	-
Other real property and buildings	-	2,362,509	-
Total real property and buildings	<u>24,772,410</u>	<u>3,494,313</u>	<u>21,278,097</u>
Total furnishings and equipment	<u>574,242</u>	<u>153,887</u>	<u>420,355</u>
Total buses and motor vehicles	<u>68,500</u>	<u>68,457</u>	<u>43</u>
Total expenditures	<u>25,415,152</u>	<u>3,716,657</u>	<u>21,698,495</u>
Debt service:			
Principal retirements	-	523,533	-
Interest and fees	-	46,440	-
Total debt service	<u>656,270</u>	<u>569,973</u>	<u>86,297</u>
Total expenditures and debt service	<u>26,071,422</u>	<u>4,286,630</u>	<u>21,784,792</u>
Revenues over (under) expenditures	<u>(64,855)</u>	<u>13,164</u>	<u>78,019</u>
Fund balance appropriated	<u>64,855</u>	<u>-</u>	<u>(64,855)</u>
Net change in fund balance	<u>\$ -</u>	<u>13,164</u>	<u>\$ 13,164</u>
Fund balance:			
Beginning of year		<u>310,662</u>	
End of year		<u>\$ 323,826</u>	

LEE COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2010

	<u>Flexible Benefits Fund</u>
Additions:	
Contributions and other revenue	\$ 78,589
Deductions:	
Benefits and other expenditures	<u>78,589</u>
Changes in net assets	-
Beginning net assets	<u>-</u>
Ending net assets	<u>\$ -</u>

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, 2010

	Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Food sales	\$ 1,077,500	\$ 1,064,215	\$ (13,285)
Other	2,000	1,836	(164)
Total operating revenues	1,079,500	1,066,051	(13,449)
Operating expenditures:			
Business support services:			
Purchase of food	-	1,577,314	-
Salaries and benefits	-	2,199,628	-
Materials and supplies	-	250,611	-
Repairs and maintenance	-	135,935	-
Other	-	16,535	-
Total operating expenditures	4,976,500	4,180,023	796,477
Operating income (loss)	(3,897,000)	(3,113,972)	783,028
Nonoperating revenues:			
Federal reimbursements	2,955,000	2,953,269	(1,731)
Federal commodities	308,000	308,098	98
State reimbursements	5,000	3,407	(1,593)
Interest earned	8,000	8,713	713
Total nonoperating revenues	3,276,000	3,273,487	(2,513)
Revenues over (under) expenditures before other financing sources	(621,000)	159,515	780,515
Other financing sources:			
Transfers from other funds	45,000	45,050	50
Total other financing sources	45,000	45,050	50
Fund balance appropriated	576,000	-	(576,000)
Revenues, other financing sources and fund balance appropriated over expenditures	\$ -	204,565	\$ 204,565
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(146,734)	
Decrease in compensated absences payable		9,821	
Increase in inventory		25,979	
Contributed capital		32,088	
Change in net assets (full accrual)		\$ 125,719	

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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 Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities								
Invested in capital assets, net of related debt	\$ 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	482,343	468,305	481,331	556,365	546,007	465,513	485,506	456,460
Unrestricted	591,231	(227,827)	(32,104)	147,507	143,685	743,697	241,355	691,563
Total governmental activities net assets	\$ 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	\$ 655,861	\$ 727,994	\$ 555,953	\$ 650,004	\$ 751,907	\$ 716,521	\$ 790,336	\$ 920,388
Unrestricted	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	\$ 1,674,963	\$ 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	\$ 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	482,343	468,305	481,331	556,365	546,007	465,513	485,506	456,460
Unrestricted	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	\$ 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 Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	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	\$ 37,180,288							
Special Populations	9,754,784							
Alternative Programs	5,471,241							
School Leadership	4,534,424							
Co-Curricular	343,369							
School-Based	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	1,027,915							
Special Populations Support & Development	223,251							
Alternative Programs	298,419							
Technology Support	936,419							
Operational Support	10,846,986							
Financial and Human Resources	1,101,603							
Accountability	2,687							
System-Wide Pupil Support	3,685							
Policy, Leadership and Public Relations	916,892							
Ancillary	142,200							
Interest on Long-Term Debt	46,440							
Unallocated depreciation expense	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	79,899,012	86,304,575	77,174,265	85,635,429	66,556,721	61,922,269	59,040,615	57,231,521
Business-type activities:								
Child nutrition	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	84,189,969	90,942,113	81,727,430	90,017,204	70,731,598	65,881,304	62,628,959	60,678,663

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

	2010	2009	2008	2007	2006	2005	2004	2003
Program Revenues								
Governmental activities:								
Charges for services								
Regular Instruction	110,356	110,661	180,518	146,354	169,516	143,235	167,843	98,679
Operational Support	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	30,988,204							
Special Populations	9,077,680							
Alternative Programs	4,711,987							
School Leadership	3,168,969							
School-based	3,004,164							
Support and Development	719,884							
Special Populations Support & Development	142,002							
Alternative Programs	233,146							
Technology Support	285,397							
Operational Support	3,716,692							
Financial and Human Resources	369,448							
Accountability	2,691							
Policy, Leadership and Public Relations	422,784							
Ancillary	78,973							
Capital grants and contributions								
Operational Support	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	57,130,117	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	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	3,264,774	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	32,288	249,273						
Total business-type activities program revenues	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	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)	\$ (22,698,575)	\$ (21,729,451)	\$ (10,270,362)	\$ (17,219,230)	\$ (16,423,539)	\$ (13,211,335)	\$ (12,880,292)	\$ (10,576,768)

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

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

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Net (Expense)								
Total government-wide net (expense)	\$ (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	1,412,769	2,058,073	979,990	518,535	644,189	256,158	428,098	338,066
Federal - capital	1,923,941							
State & Federal - operating	3,086,512							
Lee County - unrestricted - operating	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	953,831	1,444,963	721,812	16,808,163	743,000	743,000	1,048,841	397,800
Other revenues	789,197	406,919	1,054,126	2,082,320	1,968,937	1,597,375	1,099,357	877,952
Transfers in (out)	(45,050)	-	-	-	-	-	-	-
Total governmental activities general revenues and transfers	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	10,549	22,044	39,822	50,314	42,628	27,783	15,693	20,071
Transfers in (out)	45,050	-	-	-	-	-	-	-
Total business-type activities general revenues and transfers	55,599	22,044	39,822	50,314	42,628	27,783	15,693	20,071
Total government-wide general revenues and transfers	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	\$ 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.

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

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Fund										
Reserved	\$ 553,445	\$ 508,961	\$ 645,053	\$ 1,160,174	\$ 790,428	\$ 1,148,331	\$ 815,196	\$ 546,363	\$ 369,047	\$ 424,484
Unreserved	2,339,359	2,553,973	2,125,172	1,623,056	2,020,786	1,941,263	2,045,573	2,272,350	2,624,711	2,073,350
Total general fund	<u>\$ 2,892,804</u>	<u>\$ 3,062,934</u>	<u>\$ 2,770,225</u>	<u>\$ 2,783,230</u>	<u>\$ 2,811,214</u>	<u>\$ 3,089,594</u>	<u>\$ 2,860,769</u>	<u>\$ 2,818,713</u>	<u>\$ 2,993,758</u>	<u>\$ 2,497,834</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ 7,120	\$ 196,675	\$ 207,737	\$ 296,149	\$ 220,072	\$ 100,142	\$ 36,397
Restricted	231,771									
Capital projects fund	4,780									
Unreserved, reported in:										
Restricted	635,410									
Capital projects fund	319,046	310,662	579,123	478,896	220,983	190,978	82,005	108,545	87,288	51,038
Special revenue funds	482,343	468,305	481,331	556,365	546,007	465,513	485,506	456,460	437,587	461,595
Total all other governmental funds	<u>\$ 1,673,350</u>	<u>\$ 778,967</u>	<u>\$ 1,060,454</u>	<u>\$ 1,042,381</u>	<u>\$ 963,665</u>	<u>\$ 864,228</u>	<u>\$ 863,660</u>	<u>\$ 785,077</u>	<u>\$ 625,017</u>	<u>\$ 549,030</u>

Source: Information taken from District's audited financial statements.

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									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:										
State of North Carolina	\$51,369,475	\$56,247,721	\$54,009,449	\$48,125,895	\$45,512,640	\$43,426,871	\$40,672,345	\$40,250,942	\$39,313,645	\$39,056,250
U. S. Government	9,118,117	6,127,209	5,197,487	5,234,089	4,990,721	5,410,969	4,748,127	4,611,903	3,739,237	3,255,296
Local sources:										
Lee County - unrestricted	14,978,050	15,602,134	13,502,134	12,666,167	12,171,984	9,871,984	9,127,384	8,705,974	9,066,263	8,925,874
Lee County - restricted	2,877,772	3,956,424	8,722,554	16,808,163	743,000	743,000	1,048,841	397,800	395,511	400,000
Supplemental city school tax	-	-	-	-	-	-	-	-	-	-
Local option sales tax	-	-	-	-	-	-	-	-	-	-
Other revenues	2,207,837	2,198,255	2,448,028	2,129,781	2,524,566	2,099,508	2,044,866	1,867,782	1,918,746	2,113,396
Total revenues	80,551,251	84,131,743	83,879,652	84,964,095	65,942,911	61,552,332	57,641,563	55,834,401	54,433,402	53,750,816
Expenditures:										
Instructional programs			61,158,385	51,039,520	48,603,620	46,400,069	43,396,293	41,958,214	40,655,853	40,500,372
Regular	37,219,158	39,042,536								
Special	9,768,939	9,797,050								
Alternative	5,479,180	5,307,265								
School Leadership	4,541,004	4,960,086								
Co-Curricular	343,867	379,976								
School-based support	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	12,752,943	12,485,270
Support and development	1,029,407	1,048,113								
Special populations support	223,575	236,383								
Alternative programs	298,852	267,829								
Technology support	888,282	725,668								
Operational support	8,844,847	9,102,901								
Financial and human resource	1,103,202	1,143,053								
Accountability	2,691	578								
System-wide pupil support	3,690	6,230								
Policy, leadership & public relations	918,224	968,446								
Ancillary services	142,200	104,853								
Non-programmed charges	291,894	239,227								

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									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Debt service:										
Principal retirements	523,533	969,160								
Interest and fees	46,440	30,296								
Capital Outlay			9,300,415	18,130,594	1,255,991	1,236,904	1,120,763	725,576	284,747	744,651
Real property and buildings	3,494,313	5,463,495								
Furnishings and equipment	153,887	352,404								
Vehicles and other	68,457	1,093,311								
Other			1,008,609	809,953	434,673	500,667	218,876	155,363	167,948	135,966
Total expenditures	79,836,014	85,731,646	84,233,535	86,378,280	66,163,424	61,791,824	57,540,176	55,849,386	53,861,491	53,866,259
Revenues over (under) expenditures	715,237	(1,599,903)	(353,883)	(1,414,185)	(220,513)	(239,492)	101,387	(14,985)	571,911	(115,443)
Other financing (uses)										
Transfers to Other Funds	(45,050)									
Installment purchase obligates issued	-	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)	(45,050)	1,614,581	331,988	1,417,472	-	468,885	19,252	-	-	-
Extraordinary item	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 670,187	\$ 14,678	\$ (21,895)	\$ 3,287	\$ (220,513)	\$ 229,393	\$ 120,639	\$ (14,985)	\$ 571,911	\$ (115,443)
Debt Service as a percentage of noncapital expenditures	0.75%	1.27%								

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							
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%
2002	1,662,357,800	387,816,800	967,218,133	83,696,227	186,151,467	2,914,937,493	0.78	3,562,622,211	81.82%
2001	1,613,939,624	346,740,060	940,480,179	77,491,104	156,760,978	2,821,889,989	0.75	3,425,455,194	82.38%

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									
	2010	2009	2008 (1)	2007	2006	2005	2004 (1)	2003	2002	2001
County:										
Lee	0.750	0.750	0.750	0.790	0.790	0.670	0.670	0.780	0.780	0.750
Municipalities:										
Town of Broadway	0.440	0.440	0.440	0.470	0.490	0.490	0.490	0.530	0.530	0.530
City of Sanford	0.540	0.540	0.550	0.610	0.590	0.590	0.560	0.570	0.570	0.570
Fire Districts										
Cameron	(4)	0.085	0.080	0.067	0.068	0.068	0.071	0.066	0.070	0.086
Cape Fear	0.076	0.076	0.730	0.058	0.066	0.066	0.068	0.082	0.079	0.055
Carolina Trace	0.070	0.070	0.064	0.052	0.040	0.037	0.037	0.038	0.034	0.035
Deep River	0.100	0.100	0.086	0.068	0.082	0.076	0.076	0.085	0.081	0.081
Lemon Springs	0.083	0.083	0.067	0.065	0.072	0.072	0.070	0.053	0.056	0.056
Northview	0.081	0.081	0.071	0.064	0.060	0.077	0.070	0.061	0.064	0.065
Northwest Pocket	0.118	0.118	0.099	0.086	0.085	0.079	0.084	0.084	0.086	0.078
Tramway	0.081	0.081	0.075	0.069	0.049	0.042	0.038	0.041	0.041	0.037
West Sanford	0.109	0.109	0.086	0.091	0.082	0.082	0.088	0.103	0.087	0.083
Other Districts: (3)										
Central Business District	0.130	0.130	0.130	0.150	0.150	0.130	0.130	0.130	0.130	0.100
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, 2010.
- (4) The Lee County portion of the Cameron Fire District was absorbed by Lemon Springs 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 2010			Fiscal Year 2000		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wyeth	Pharmaceuticals	\$ 300,953,414	1	6.3%	\$ 29,106,797	5	1.0%
Coty, Inc.	Cosmetics	77,791,530	2	1.6%	34,634,510	4	1.2%
Donald R. Simpson	Real Estate	64,522,152	3	1.4%	20,104,685	10	0.7%
Progress Energy	Utility	49,165,539	4	1.0%	21,664,816	9	0.8%
Frontier Spinning Mills LLC	Textiles	43,658,006	5	0.9%	78,445,293	1	2.8%
Windstream, Inc.	Utility	38,004,854	6	0.8%	28,882,326	6	1.0%
Lee Brick	Brick Manufacturing	35,218,813	7	0.7%	-	-	-
Magneti Marelli, Inc.	Automotive Parts	35,052,094	8	0.7%	24,806,504	8	0.9%
Moen, Inc.	Plumbing Fixtures	34,021,535	9	0.7%	37,093,641	3	1.3%
Static Control Components, Inc.	Automotive Parts	28,034,227	10	0.6%	-	-	-
GKN Automotive Components, Inc.	Automotive Parts	-	-	-	69,362,322	2	2.5%
Parkdale America LLC	Textiles	-	-	-	27,593,516	7	1.0%
Totals		\$ 706,422,164		14.8%	\$ 371,694,410		13.2%

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 Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	35,774,486	34,900,196	97.6%	-	\$ 34,900,196	97.6%
2009	35,560,801	34,701,417	97.6%	643,819	\$ 35,345,236	99.4%
2008	34,701,980	33,618,528	96.9%	866,412	\$ 34,484,940	99.4%
2007	31,910,008	30,887,929	96.8%	901,952	\$ 31,789,881	99.6%
2006	30,865,687	29,860,345	96.7%	912,752	\$ 30,773,097	99.7%
2005	24,701,551	23,797,835	96.3%	771,382	\$ 24,569,217	99.5%
2004	24,499,755	23,471,377	95.8%	905,738	\$ 24,377,115	99.5%
2003	23,574,692	22,393,187	95.0%	1,067,981	\$ 23,461,168	99.5%
2002	22,784,612	21,820,606	95.8%	843,460	\$ 22,664,066	99.5%
2001	21,266,214	20,301,075	95.5%	858,499	\$ 21,159,574	99.5%

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 Eight Fiscal Years

Fiscal Year	Real Property		Total Primary Government	Population Estimate	Percentage of Personal Income	Per Capita
	Capital Leases	Installment Purchases				
2010	\$582,920	\$130,234	\$713,154	60,477	*	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

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			
2010	5,085,000	50,165,000	25,448,160	-	-	-	-	80,698,160	*	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
2002	27,780,000	-	2,257,294	4,035,000	4,166,000	-	-	38,238,294	3.01%	748
2001	28,580,000	-	2,603,608	4,118,000	-	-	-	35,301,608	2.84%	714

* Information not yet available

Source: County of Lee, North Carolina, Annual Financial Report for the year ended June 30, 2010.

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 2009 personal income not available to calculate fiscal year 2010.

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)
2010	5,085,000	-	5,085,000	*	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
2002	31,815,000	4,035,000	27,780,000	2.18%	0.95%	544
2001	32,698,000	4,118,000	28,580,000	2.30%	1.01%	578

* Information not yet available

Source: County of Lee, North Carolina, Annual Financial Report for the year ended June 30, 2010.

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 2009 personal income not available to calculate fiscal year 2010.

(2) See Schedule 6 for property value data.

LEE COUNTY, NC
Direct and Overlapping Governmental Activities Debt
General Obligation Bonds
As of June 30, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Underlying Debt</u>
Direct:			
Lee County	\$ 5,085,000	100%	\$ 5,085,000
Underlying Debt:			
Town of Broadway	635,000	100%	635,000
Lee County Water & Sewer District #1	750,000	100%	750,000
City of Sanford	<u>1,165,000</u>	<u>100%</u>	<u>1,165,000</u>
Total direct and overlapping debt	7,635,000		<u>\$ 7,635,000</u>

Source: County of Lee, North Carolina, Annual Financial Report for the year ended June 30, 2010.

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Assessed Value of Property	\$ 4,747,984	\$ 4,717,380	\$ 4,601,693	\$ 4,017,704	\$ 3,918,272	\$ 3,671,812	\$ 3,622,100	\$ 3,017,619	\$ 2,914,937	\$ 2,821,890
Debt Limit, 8% of Assessed Value Statutory Limitation	379,839	377,390	368,135	321,416	313,462	293,745	289,768	241,410	233,195	225,751
Amount of Debt Applicable to Limit										
Gross debt	80,698	62,458	65,143	68,872	44,252	47,990	60,901	38,083	43,538	40,602
Less: Debt outstanding for water and sewer purposes	-	-	-	-	-	-	9,164	9,251	13,501	9,418
Total net debt applicable to limit	80,698	62,458	65,143	68,872	44,252	47,990	51,737	28,833	30,037	31,184
Legal debt margin	\$ 299,141	\$ 314,932	\$ 302,992	\$ 252,544	\$ 269,210	\$ 245,755	\$ 238,031	\$ 212,577	\$ 203,158	\$ 194,567
Total net debt applicable to the limit as a percentage of debt limit	21.25%	16.55%	17.70%	21.43%	14.12%	16.34%	17.85%	11.94%	12.88%	13.81%

Source: County of Lee, North Carolina, Annual Financial Report for the year ended June 30, 2010.

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)
2010	60,477	*	*	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%
2002	51,111	1,272,007	24,887	8,778	7.40%
2001	49,424	1,243,247	25,155	8,725	6.30%

* 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

	Fiscal Year 2010 (1)			Fiscal Year 2001		
	Approximate Number of Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lee County Schools	1000-1500	1	5.36%	-	-	-
Coty, Inc.	1000-1500	2	5.36%	500-999	3	3.01%
Wyeth Vaccines	1000-1500	3	3.22%	-	-	0.00%
Pilgrim's Pride Corporation	1000-1500	4	3.22%	1000-1500	1	5.01%
Static Control Components, Inc.	500-999	5	3.22%	500-999	2	3.01%
The Pantry, Inc.	500-999	6	3.22%	-	-	0.00%
Central Carolina Hospital	500-999	7	3.22%	500-999	5	3.01%
Central Carolina Community College	500-999	9	3.22%	-	-	0.00%
Pentair Pool Products	500-999	8	3.22%	-	-	0.00%
Tyson Mexican Original Inc.	500-999	10	3.22%	-	-	0.00%
Magnetit Marelli USA, Inc.	-	-	0.00%	500-999	4	3.01%
Moen, Inc.	-	-	0.00%	500-999	6	3.01%
GKN Automotive Components, Inc.	-	-	0.00%	500-999	7	3.01%
Pac-Fab, Inc.	-	-	0.00%	500-999	8	3.01%
Redman Mobile Homes, Inc.	-	-	0.00%	250-499	9	1.50%
Cherokee Sanford Group LLC	-	-	0.00%	250-499	10	1.50%
Total	-	-	36.48%	-	-	29.08%

Source: NC Employment Security Commission; total county employment

Notes:

(1) Based on December 2009 employment information which is most recent information provided by the NC Employment Security Commission.

LEE COUNTY SCHOOLS
NUMBER OF PERSONNEL
Last Ten Fiscal Years

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Instructional Programs:										
Regular	778	652	620	601	598	581	575	572	597	557
Special	16	231	228	234	230	227	218	220	204	201
Student Services	41	41	37	40	37	32	32	32	33	32
Total Instructional Programs	835	924	885	875	865	840	825	824	834	790
Support Services:										
Pupil	28	15	7	6	6	5	4	4	6	4
Instructional Staff	28	37	35	30	32	31	28	28	26	23
Administrative	15	16	15	14	13	14	16	15	16	16
School Administration	35	35	34	34	32	28	27	27	27	26
Business	76	91	83	82	80	76	76	76	67	72
Central	158	150	147	156	152	143	151	149	140	145
Total Support Services	340	344	321	322	315	297	302	299	282	286
Total	1175	1268	1206	1197	1180	1137	1127	1123	1116	1076

Source: Lee County Schools' Human Resources Department

LEE COUNTY SCHOOLS
SCHOOLS AND STUDENT PROGRAMS
Last Ten Fiscal Years

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Number of Schools										
Elementary	7	7	7	7	7	7	7	7	7	7
Middle	3	3	2	2	2	2	2	2	2	2
High	3	3	3	3	2	1	1	1	1	1
Alternative	1	1	1	1	1	1	1	1	1	1
Exceptional	1	1	1	1	1	1	1	1	1	1
Total	15	15	14	14	13	12	12	12	12	12
Child Nutrition										
Average breakfasts served daily	2153	2187	1995	2210	2173	2214	2186	2155	2015	1738
Average lunches served daily	6279	6368	7239	7813	7573	7273	7686	7138	7027	6267
Exceptional Children's Program										
Number of disabled students	1064	1070	1061	1057	1071	1089	1114	1107	1070	1058
Number of academically/ intellectually gifted students	926	1041	1189	1109	1202	1269	1335	1346	1310	1323
English as a Second Language Program (ESL)										
Number of students served	1444	1556	1632	1339	1223	1202	1175	1159	1053	1087
Number of schools with ESL	13	13	13	13	12	12	12	12	12	12
Number of languages spoken	24	24	27	24	23	20	16	20	19	18
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	15	15	15	15	15	11	11	11	11	11
Women's sports	16	16	16	16	16	11	11	11	11	11

Source: Information taken from District's audited financial statements.

LEE COUNTY SCHOOLS
SCHOOL BUILDING INFORMATION
Last Ten Fiscal Years

School	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
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	650	650	650	650	650	650	650	650	650	650
First month membership	634	642	621	612	616	613	539	562	570	604
Broadway										
Square Feet	86,615	86,615	86,615	86,615	86,615	86,615	86,615	86,615	86,615	86,615
Capacity	700	700	700	700	700	700	700	700	700	700
First month membership	592	609	621	619	675	672	675	672	642	630
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	650	650	650	650	650	650	650	650	650	650
First month membership	664	667	652	628	519	512	523	549	616	622
Greenwood										
Square Feet	94,324	94,324	94,324	94,324	94,324	94,324	94,324	94,324	94,324	94,324
Capacity	720	720	720	720	720	720	720	720	720	720
First month membership	652	666	635	631	659	625	615	613	626	625
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	660	660	660	660	660	660	660	660	660	660
First month membership	682	676	638	626	625	649	629	615	639	616
Tramway										
Square Feet	78,768	78,768	78,768	78,768	78,768	78,768	78,768	78,768	78,768	78,768
Capacity	650	650	650	650	650	650	650	650	650	650
First month membership	690	657	639	645	657	661	691	680	683	649
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	660	660	660	660	660	660	660	660	660	660
First month membership	684	708	706	713	655	613	574	582	594	609
Middle										
East Lee										
Square Feet	94,723	94,723	94,723	94,723	94,723	94,723	94,723	94,723	94,723	94,723
Capacity	750	750	750	750	750	750	750	750	750	750
First month membership	632	626	964	986	1,018	1,055	1,090	1,057	1,078	1,046
San Lee										
Square Feet	137,396	137,396	See Notes	See Notes	See Notes	See Notes	See Notes	See Notes	See Notes	See Notes
Capacity	956	956	Below	Below	Below	Below	Below	Below	Below	Below
First month membership	793	776	Below	Below	Below	Below	Below	Below	Below	Below

LEE COUNTY SCHOOLS
SCHOOL BUILDING INFORMATION
Last Ten Fiscal Years

School	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
West Lee										
Square Feet	94,723	94,723	94,723	94,723	94,723	94,723	94,723	94,723	94,723	94,723
Capacity	750	750	750	750	750	750	750	750	750	750
First month membership	684	723	1,116	1,107	1,082	1,084	1,071	1,100	1,074	1,040
High										
Lee County										
Square Feet	311,364	311,364	311,364	311,364	311,364	311,364	311,364	311,364	311,364	311,364
Capacity	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
First month membership	1,395	1,406	1,429	1,479	1,762	2,575	2,522	2,441	2,310	2,318
Southern Lee										
Square Feet	183,520	183,520	183,520	183,520	183,520	See	See	See	See	See
Capacity	1,400	1,400	1,400	1,400	1,400	Notes	Notes	Notes	Notes	Notes
First month membership	1,108	1,126	1,166	1,106	904	Below	Below	Below	Below	Below
Lee Early College										
Square Feet	N/A	N/A	N/A	N/A	See	See	See	See	See	See
Capacity	400	300	200	100	Notes	Notes	Notes	Notes	Notes	Notes
First month membership	280	217	167	73	Below	Below	Below	Below	Below	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	144	144	144	144	144	144	144	144	144	144
First month membership	40	35	41	46	34	37	41	33	32	28
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	225	225	225	225	225	225	225	225	225	225
First month membership	69	69	71	59	61	62	58	45	45	45

Source: Information taken from District's audited 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. 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 Per Pupil Expenditure Rank	Certified Personnel	Ratio of Pupil-Certified Ratio	Student Attendance Percentage	Students Receiving Free or Reduced-Price Meals
2010	9545	9099	\$78,650,072	\$8,240	0.7%	90	696	13.7	95.3%	60.2%
2009	9498	9059	80,488,523	8,474	11.2%	82	716	13.3	95.4%	57.9%
2008	9396	8993	76,865,834	8,181	7.3%	87	685	13.7	95.7%	55.4%
2007	9258	8829	70,559,325	7,621	2.9%	94	674	13.7	95.4%	55.8%
2006	9133	8710	67,646,764	7,407	6.4%	81	675	13.5	95.4%	54.9%
2005	9056	8657	63,061,423	6,964	5.0%	92	650	13.9	95.6%	50.9%
2004	8924	8542	59,190,682	6,633	1.7%	94	625	14.3	95.7%	49.8%
2003	8834	8472	57,637,420	6,525	2.4%	83	639	13.8	95.9%	48.1%
2002	8778	8438	55,914,942	6,370	-0.3%	86	635	13.8	96.1%	45.4%
2001	8725	8368	55,729,665	6,387	4.7%	84	602	14.5	95.9%	42.6%

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>
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
2002	27,008	62,510	39,296
2001	26,750	61,211	37,939

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 Eight 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
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
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
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
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
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
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
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
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
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

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 Eight Fiscal Years

Fiscal Year	Sites and Building Improvements	Furniture and Equipment	Vehicles and Other	Total
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>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Food Sales	\$1,066,051	\$1,118,033	\$1,249,747	\$1,286,450	\$1,317,207	\$1,355,363	\$1,300,506	\$1,358,210	\$1,375,760	\$1,408,873
USDA Reimbursement	2,953,269	2,740,291	2,512,589	2,526,481	2,344,118	2,155,336	1,991,777	1,896,122	1,773,667	1,612,512
Donated Commodities	308,098	287,780	276,634	233,931	217,270	220,617	220,747	197,879	196,594	276,032
Other	12,120	336,423	156,953	149,610	137,833	146,359	132,390	49,064	119,242	140,414
Local Reimbursement	-	-	-	-	-	-	3,638	-	-	-
Total	\$4,339,538	\$4,482,527	\$4,195,923	\$4,196,472	\$4,016,428	\$3,877,675	\$3,649,058	\$3,501,275	\$3,465,263	\$3,437,831
Food Sales	25%	25%	30%	31%	33%	35%	36%	39%	40%	41%
USDA Reimbursement	68%	61%	60%	60%	58%	56%	55%	54%	51%	47%
Donated Commodities	7%	6%	7%	6%	5%	6%	6%	6%	6%	8%
Other	0%	8%	4%	4%	3%	4%	4%	1%	3%	4%
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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DIXON HUGHES PLLC

Certified Public Accountants and Advisors

***Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards***

To the Lee County Board of Education
Lee County, North Carolina

We have audited the 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 (BOE), North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the BOE's basic financial statements and have issued our report thereon dated October 21, 2010. 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

In planning and performing our audit, we considered the BOE's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BOE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 over financial reporting 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 BOE'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*.

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.

Dixon Hughes PLLC

Southern Pines, North Carolina
October 21, 2010



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

***Report on Compliance With Requirements That Could Have a Direct
and Material Effect on Each Major Federal Program and on 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
Lee County, North Carolina

Compliance

We have audited Lee County Board of Education (BOE), North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the BOE's major federal programs for the year ended June 30, 2010. The BOE'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 each of its major federal programs is the responsibility of the BOE's management. Our responsibility is to express an opinion on the BOE'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, 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 BOE'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 of the BOE's compliance with those requirements.

In our opinion, the BOE 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, 2010.

Internal Control Over Compliance

The management of the BOE 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 BOE's internal control over compliance with 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 BOE'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 the 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.

Dixon Hughes PLLC

Southern Pines, North Carolina
October 21, 2010



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

***Report on Compliance With Requirements That Could Have a Direct
and Material Effect on Each Major State 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
Lee County, North Carolina

Compliance

We have audited Lee County Board of Education (BOE), North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major state programs for the year ended June 30, 2010. The BOE'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 each of its major state programs is the responsibility of the BOE's management. Our responsibility is to express an opinion on the BOE'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; 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 BOE's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We state that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the BOE's compliance with those requirements.

In our opinion, the BOE 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 state programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the BOE is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the BOE's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order 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 BOE'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.

Dixon Hughes PLLC

Southern Pines, North Carolina
October 21, 2010

**LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010**

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 *None*

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 *None*

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 OMB Circular A-133 *No*

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
	Special Education Cluster
84.027	Title VI-B, Education of the Handicapped
84.391	ARRA - Title VI-B, Education of the Handicapped
84.027A	Title VI-B, Capacity Building and Improvement Grant
84.173	IDEA- Preschool Grants
84.392	ARRA - IDEA- Preschool Grants
84.394	ARRA - Education Stabilization Funds
84.010	Title I, Grants to Local Education Agencies
84.389	ARRA - Title I, Grants to Local Education Agencies

Dollar threshold used to distinguish between Type A and Type B Programs \$ 371,385

Auditee qualified as low-risk auditee? *Yes*

**LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010**

Section I - Summary of Auditors' Results (Continued)

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

N. C. Department of Public Instruction:
State Public School Fund

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 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 YEAR'S AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2010**

There were no findings or questioned costs related to our audit of federal and state awards for the fiscal year ended June 30, 2009.

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2010

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
Federal Grants:		
U.S. Department of Agriculture		
Food and Nutrition Service		
Passed through the N.C. Department of Public Instruction:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 308,098
Cash Assistance:		
School Breakfast Program	10.553	619,559
National School Lunch Program	10.555	2,333,710
Total Child Nutrition Cluster		3,261,367
ARRA - Child Nutrition Equipment	10.579	32,288
Total U.S. Department of Agriculture		3,293,655
U.S. Department of Education		
Office of Elementary and Secondary Education		
Passed through the N.C. Department of Public Instruction:		
Education Consolidation and Improvement Act of 1981		
Improving America School Act of 1994 (IASA)		
Title 1, Grants to Local Educational Agencies		
Educationally Deprived Children	84.010	2,070,104
ARRA - Educationally Deprived Children	84.389	653,649
Migrant Education	84.011	51,601
Even Start	84.253	114,131
Passed through the N.C. Department of Public Instruction:		
ARRA - Education Stabilization Funds	84.394	2,386,127
Title IV, Part A, Safe and Drug Free Schools and Communities	84.186	37,722
Improving Teacher Quality	84.367A	360,243
Language Acquisition - LEP	84.365	141,380
Educational Technology - Formula	84.318X	7,670
ARRA - Education Technology Formula	84.386	35,673
Education for Homeless Children and Youth	84.196	21,402
ARRA - McKinney Vento Homeless Education	84.387	2,791
Reading First Grant	84.357	210,476
Office of Special Education and Rehabilitative Services		
Passed through the N.C. Department of Public Instruction:		
Special Education - State Personnel Development	84.323	5,002
Special Education Cluster		
Individuals with Disabilities Education Act		
Special Education - Grants to States	84.027	1,699,285
ARRA - Special Education - Grants to States	84.391	809,070
Title VI, Part B, Capacity Building and Improvement Grant	84.027A	15,943
Title VI, Part B, Children with Disabilities - Risk Pool Program	84.027A	24,194
Special Education - Preschool Grants	84.173	52,661
ARRA - Special Education - Preschool Grants	84.392	50,953
Total Special Education Cluster		2,652,106

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2010

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Federal Grants: (Continued)		
Passed through the N.C. Department of Public Instruction: Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990 Basic Grants to States Program Development	84.048	\$ 139,342
Total U.S. Department of Education		<u>8,889,419</u>
Other Federal Assistance:		
U.S. Department of Defense Direct Program: JROTC	None	<u>111,929</u>
U.S. Department of Education Direct Program: Accelerated English Language Acquisition Impact Aid	84.215k 84.041	74,162 <u>10,319</u>
Total Federal Assistance		<u>12,379,484</u>
State Grants:		
N.C. Department of Public Instruction: State Public School Fund Driver Training Vocational Education State Months of Employment Program Support Funds Textbooks State Appropriations - buses School Technology		46,192,932 189,818 2,415,030 129,162 75,295 281,965 <u>205,199</u>
Total N.C. Department of Public Instruction		<u>49,489,401</u>

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2010

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
State Grants: (Continued)		
N.C. Department of Health and Human Services:		
Division of Child Development		
Smart Start		\$ 67,008
More at Four		454,372
School Nurse Funding		150,000
Total N.C. Department of Health and Human Services		<u>671,380</u>
N.C. Department of Crime Control and Public Safety:		
Crime Stopper's Grant		<u>28,650</u>
N.C. Department of Cultural Resources:		
LSTA School Library Collection Development Grant		<u>49,240</u>
N.C. Department of Agriculture		
State Kindergarten Breakfast Program		<u>3,407</u>
Office of the Governor		
Passed-through Lee County:		
Public School Building Capital Fund - Lottery Revenues		<u>1,130,804</u>
Total State Assistance		<u>51,372,882</u>
Total Federal and State Assistance		<u>\$ 63,752,366</u>

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

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.