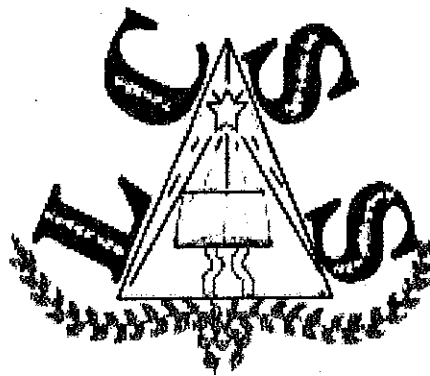


Comprehensive Annual Financial Report

**of the
Lee County Schools
Sanford, North Carolina**



For the Fiscal Year Ended June 30, 2005

**Prepared by the Business Office
Dr. James T. McCormick, Superintendent
Tammy H. Howington, Chief Finance Officer**

**LEE COUNTY BOARD OF EDUCATION
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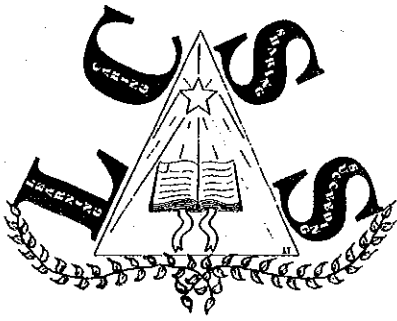
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Lee County School System

James T. McCormick
Superintendent

The Lee County Board of Education mission
is to create a quality partnership in education
with students, parents, schools, and community
which develops lifelong learners.

William P. Tatum, Chairman
P. Frank Thompson, Sr., Vice-Chairman
Mary Ellen Axner
John T. Bonardi, Jr.
Ruth B. Gurtis
John T. Quiggle
Sylvia Y. Womble

Letter of Transmittal

August 23, 2005

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, 2005, is herewith submitted. Responsibility for the accuracy, completeness and clarity of the report rests with the Superintendent and the Chief Finance Officer.

The report has been prepared by the Business 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.

ORDER OF PRESENTATION

The report consists of four sections: Introductory, Financial, Statistical and Compliance. The Introductory Section includes this transmittal letter, an organizational chart and a list of the Board members and principal officials. It also includes the Certificate of Excellence in Financial Reporting from the Association of School Business Officials and the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. The Financial Section includes management's discussion and analysis and the independent auditor's report with accompanying financial statements and schedules. The notes to the financial statements include information to assist in understanding the Board's financial condition. The Statistical Section includes several tables of unaudited data providing financial history of the Board as well as demographics and other informative statistics.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction

with it. The Lee County Board of Education's MD&A can be found immediately following the report of the independent auditors.

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.

REPORTING ENTITY

The Lee County Board of Education, elected by the citizens of Lee County, is the lowest level of government having oversight responsibility and 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 is 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.

MAJOR INITIATIVES

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 process of constructing a new high school building, scheduled for occupancy in the Fall of 2005, to accommodate enrollment growth and reorganization of schools. The school system is partnering with the County to include a design for a park facility to be included on the new high school campus.

CASH MANAGEMENT

It is the Board's policy to invest all idle cash in a manner that earns the highest yield in so much as the funds are protected against loss through FDIC and stringent collateralization requirements monitored through the State Treasurer's office. Furthermore, the Board has issued a competitive bid to secure an interest rate of 1.00% below the federal funds rate on all its daily deposits. Outstanding debts are paid in a timely manner and no problems have been encountered in the collection of receivables. The Board is not required to keep a balance in a non-interest bearing certificate of deposit as a compensating balance to offset all other banking services. As of June 30, 2005, all funds were invested including the individual school funds. Further investment data is provided in the notes to the General Purpose Financial Statements.

RISK MANAGEMENT

The Board participates in various forms of risk coverage including, but not limited to, general liability, automobile liability, comprehensive, collision, hazard and theft coverage on property and contents, blanket finance and forgery bonds and all sports coverage. The Board participates in the North Carolina School Boards Trust for errors and omissions/general, boiler and machinery and vehicle coverage. The Division of Insurance of the North Carolina State Board of Education provides Lee County Schools with hazard and theft coverage on all building and contents. A vendor provides all sports coverage through a local office. Catastrophic athletic coverage is provided by the North Carolina High School Athletic Association.

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 54,417 with an average growth rate of approximately 9% from last year. 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, 2005. 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, 2004. 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, 2004. 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. This CAFR will be submitted for determination of 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 eleven 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, Business 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,

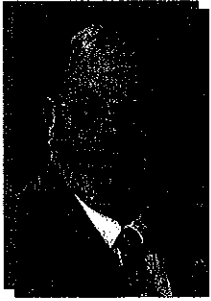

Dr. James T. McCormick
Superintendent


Tammy H. Howington
Chief Finance Officer

LEE COUNTY SCHOOLS

Board of Education

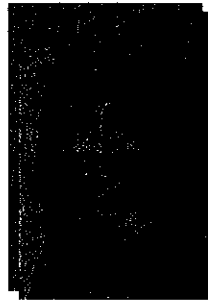
Members and Superintendent



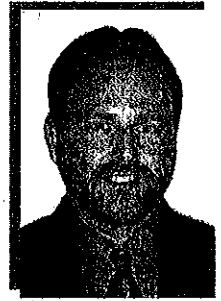
William P. Tatum
Chairman



P. Frank Thompson, Jr.
Vice Chairman



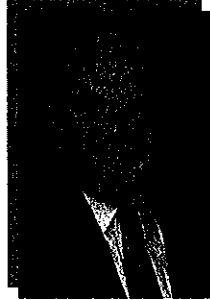
Mary Ellen Axner



John Bonardi, Jr.



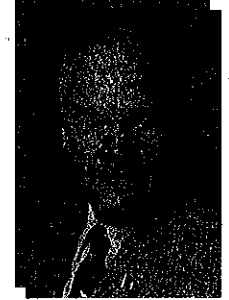
Ruth B. Gurtis



John T. Quiggle



Sylvia Y. Womble



Dr. James T. McCormick
Superintendent

Officials Issuing Report

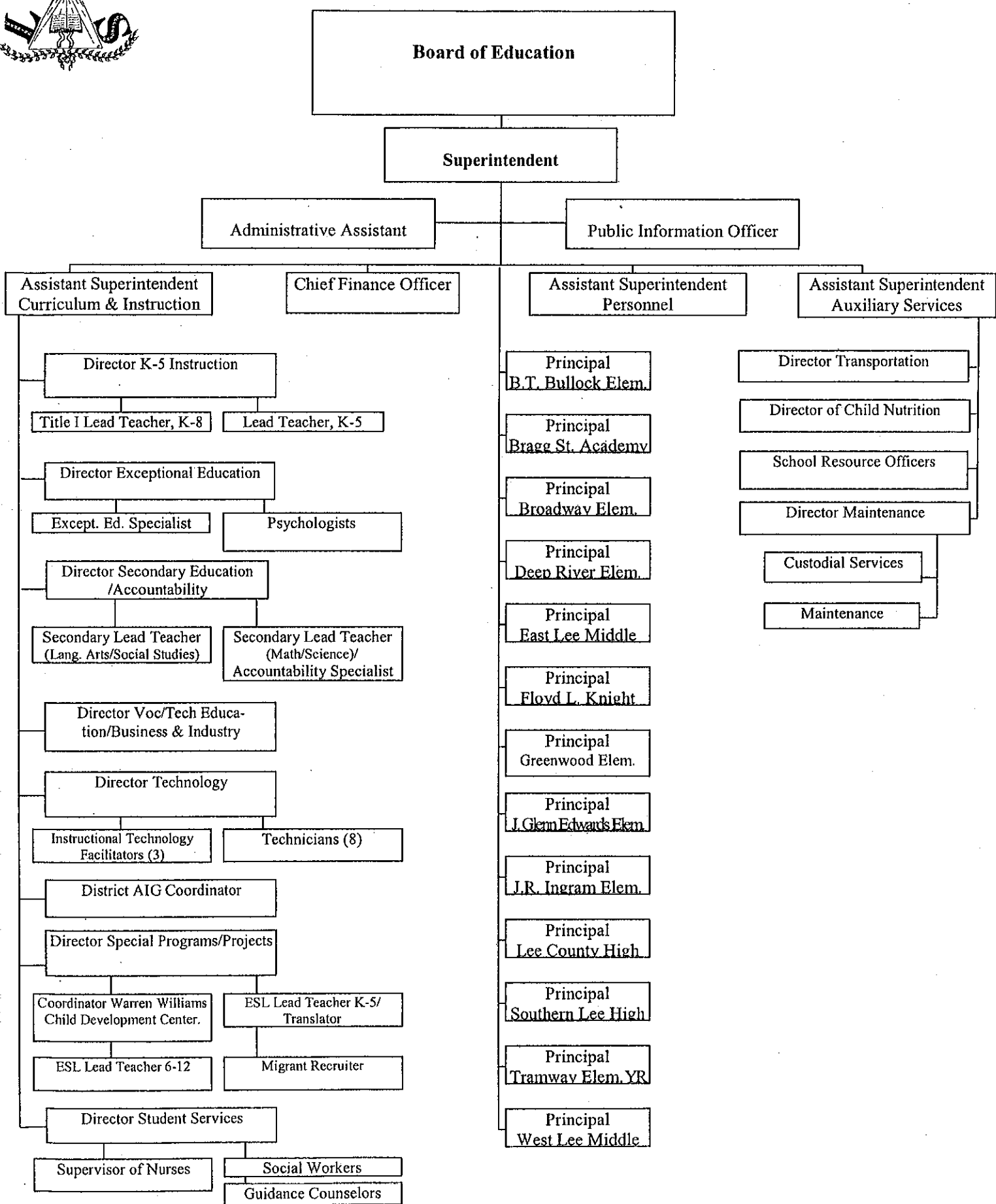
Jimmy Love
Board Attorney

Dr. James T. McCormick
Superintendent

Tammy H. Howington
Chief Finance Officer



Lee County Schools Organizational Chart



ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

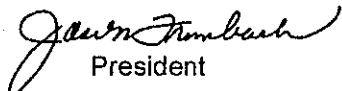


This Certificate of Excellence in Financial Reporting is presented to

LEE COUNTY SCHOOLS

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2004

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


President


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, 2004

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.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

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DIXON HUGHES PLLC

Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

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, as of and for the year ended June 30, 2005 which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lee County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 Lee County Board of Education as of June 30, 2005, and the respective changes in financial position and its cash flows, where applicable, thereof and the respective budgetary comparison for the General and the State Public School funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2005 on our consideration of the Lee County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Lee County Board of Education, North Carolina. The combining and individual fund statements and schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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.

The other data in this report, designated as "Statistical Section" in the table of contents, have not been audited by us and, accordingly, we express no opinion on such data.

A handwritten signature in cursive script, reading "Dixon Hughes Puc".

August 23, 2005
Sanford, North Carolina

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, 2005. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board's 2004-2005 student population continued to grow with an enrollment of 9,268 students in the first month. The housing market in Lee County continues to see an expansion in all areas of the county. In west Sanford, the City has annexed a 200-acre tract that will be developed to accommodate a couple of hundred homes and condominiums. An existing subdivision near the new high school has expanded to include 50 new lots, all of which have been sold. Building permits have been issued for 29 new homes in that subdivision. In the eastern part of Sanford, two new subdivisions are being developed with a total of 150 new homes to be built.
- According to population projections Lee County is expected to grow from 49,040 in 2000 to 54,933 in 2005 and 62,459 in 2015.
- The Board is still in the process of constructing a new high school building, scheduled for occupancy in August 2005, to accommodate enrollment growth and reorganization of schools. The school system is partnering with the County to include on the new high school campus a design for a park facility to be funded by state and federal grants.

The Board is continuing to work diligently with the Lee County Board of Commissioners to find ways to fund increases for student enrollment and to fund the continuing need for additional classroom space. Discussions have been held with County officials concerning renovation of the existing high school and the construction of new middle and elementary schools.

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.

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

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

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 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, and the Federal Grants Fund.

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

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 and 11 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 \$52.7 million as of June 30, 2005. The largest component of net assets is invested in capital assets, net of related debt, of \$50.2 million, which comprises 95% of the total net assets.

Following is a summary of the Statement of Net Assets:

**Table 1
Condensed Statements of Net Assets
As of June 30, 2005 and 2004**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/05</u>	<u>6/30/04</u>	<u>6/30/05</u>	<u>6/30/04</u>	<u>6/30/05</u>	<u>6/30/04</u>
Current assets	\$ 6,017,581	\$ 5,782,232	\$ 1,339,801	\$ 1,341,949	\$ 7,357,382	\$ 7,124,181
Capital assets	<u>49,734,934</u>	<u>50,656,489</u>	<u>716,521</u>	<u>790,336</u>	<u>50,451,455</u>	<u>51,446,825</u>
Total assets	<u>55,752,515</u>	<u>56,438,721</u>	<u>2,056,322</u>	<u>2,132,285</u>	<u>57,808,837</u>	<u>58,571,006</u>
Current liabilities	2,063,759	2,057,803	1,595	-	2,065,354	2,057,803
Long-term liabilities	<u>2,956,290</u>	<u>3,014,777</u>	<u>78,862</u>	<u>75,060</u>	<u>3,035,152</u>	<u>3,089,837</u>
Total liabilities	<u>5,020,049</u>	<u>5,072,580</u>	<u>80,457</u>	<u>75,060</u>	<u>5,100,506</u>	<u>5,147,640</u>
Invested in capital assets, net of related debt	49,523,256	50,639,280	716,521	790,336	50,239,777	51,429,616
Restricted net assets	465,513	485,506	-	-	465,513	485,506
Unrestricted net assets	<u>743,697</u>	<u>241,355</u>	<u>1,259,344</u>	<u>1,266,889</u>	<u>2,003,041</u>	<u>1,508,244</u>
Total net assets	<u>\$ 50,732,466</u>	<u>\$ 51,366,141</u>	<u>\$ 1,975,865</u>	<u>\$ 2,057,225</u>	<u>\$ 52,708,331</u>	<u>\$ 53,423,366</u>

The net assets of the Board's governmental activities decreased from \$51.4 million at June 30, 2004 to \$50.7 million at June 30, 2005. This decrease of \$634,000 resulted in large part from depreciation expense recorded on our capital assets during the year of \$1.5 million.

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

The net assets of our business-type activities decreased from \$2.1 million at June 30, 2004 to \$2.0 million at June 30, 2005. This decrease of \$81,000 is the amount of net income generated by our school food service operations during the 2005 fiscal year.

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, 2005 and 2004**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/05	6/30/04	6/30/05	6/30/04	6/30/05	6/30/04
Revenues:						
Program revenues:						
Charges for services	\$ 143,235	\$ 167,843	\$ 1,355,363	\$ 1,312,672	\$ 1,498,598	\$ 1,480,515
Operating grants and contributions	48,032,707	45,264,296	2,494,529	2,320,693	50,527,236	47,584,989
Capital grants and contributions	644,135	335,070	-	-	644,135	335,070
General revenue:						
Other revenues	<u>12,468,517</u>	<u>11,703,680</u>	<u>27,783</u>	<u>15,693</u>	<u>12,496,300</u>	<u>11,719,373</u>
Total revenues	<u>61,288,594</u>	<u>57,470,889</u>	<u>3,877,675</u>	<u>3,649,058</u>	<u>65,166,269</u>	<u>61,119,947</u>
Expenses:						
Governmental activities:						
Instructional programs	46,135,412	43,728,609	-	-	46,135,412	43,728,609
Supporting services	14,109,071	13,374,248	-	-	14,109,071	13,374,248
Community services	58,848	79,091	-	-	58,848	79,091
Non-programmed charges	68,136	61,736	-	-	68,136	61,736
Interest on long-term debt	1,105	632	-	-	1,105	632
Depreciation	1,549,697	1,448,206	-	-	1,549,697	1,448,206
Business-type activities:						
Food service	<u>-</u>	<u>-</u>	<u>3,959,035</u>	<u>3,588,344</u>	<u>3,959,035</u>	<u>3,588,344</u>
Total expenses	<u>61,922,269</u>	<u>58,692,522</u>	<u>3,959,035</u>	<u>3,588,344</u>	<u>65,881,304</u>	<u>62,280,866</u>
Increase (decrease) in net assets	(633,675)	(1,221,633)	(81,360)	60,714	(715,035)	(1,160,919)
Beginning net assets	<u>51,366,141</u>	<u>52,587,774</u>	<u>2,057,225</u>	<u>1,996,511</u>	<u>53,423,366</u>	<u>54,584,285</u>
Ending net assets	<u>\$ 50,732,466</u>	<u>\$ 51,366,141</u>	<u>\$ 1,975,865</u>	<u>\$ 2,057,225</u>	<u>\$ 52,708,331</u>	<u>\$ 53,423,366</u>

During the year ended June 30, 2005, our governmental activities generated revenues of \$61.3 million compared with total expenses of \$61.9 million, resulting in the aforementioned decrease in our net assets for these activities of \$634,000. The principal factor contributing to this decrease was the increase during the year in our expenses of \$3.2, which resulted from the increased level of expenses incurred for our instructional programs. 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 71%, 17%, and 9% of our revenues. As would be expected, the major component of our expenditures was instructional programs, which accounted for 75% of our total expenditures during the most recent fiscal year. Of the remaining 25% of our total expenditures, 23% was attributable to supporting services.

**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 total fund balance for the Board's governmental funds at June 30, 2005 of \$4.0 million remained relatively stable during the current year, increasing \$229,000 compared to last year. This increase resulted primarily from the excess revenues in the General Fund during the year of \$219,000.

Proprietary funds: The Board's business-type fund, the School Food Service Fund, generated a net loss of \$81,000 during the year ended June 30, 2005 compared to a net income of \$61,000 during the prior year, a decrease of \$142,000. The primary factor contributing to this decrease was an increase in expenditures related to Southern Lee High School of \$157,000.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for increases in revenue and expenditure expectations. For the year, the Board's revenues exceeded expenditures by \$219,000. In October 2005, the Board adopted a balanced budget for fiscal year 2005 that reflected total resources of \$64.3 million, which included an appropriation of \$12.3 million for the General Fund including \$1.1 million of designated fund balance and the State Public School Fund appropriation of \$41.5 million. Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations. The budget at year-end reflected resources of \$68.5 million, which included an appropriation of \$13.5 million for the General Fund and \$42.9 million in the State Public School Fund. The Board continued to monitor spending in preparation for anticipated state reductions and was able to end the year with a slight increase in fund balance to be used to offset future funding needs. The primary factors contributing to the variance between the final amended budget and our actual expenditures were restricted revenues that will be expended during subsequent periods and expenditures which were funded through other federal and state sources.

Capital Assets

Capital assets decreased by \$995,371 compared to the previous year. The decrease was primarily due to current year depreciation expense which was partially offset by capital additions during the year. The following is a summary of the capital assets, net of depreciation at year-end. Additional information regarding our capital assets can be found in the notes to the financial statements.

**Table 3
Summary of Capital Assets
As of June 30, 2005 and 2004**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/05</u>	<u>6/30/04</u>	<u>6/30/05</u>	<u>6/30/04</u>	<u>6/30/05</u>	<u>6/30/04</u>
Land	\$ 1,121,043	\$ 1,128,031	\$ -	\$ -	\$ 1,121,043	\$ 1,128,031
Construction in progress	16,558	177,948	-	-	16,558	177,948
Buildings and improvements	46,005,778	47,032,496	-	-	46,005,778	47,032,496
Equipment and furniture	244,449	374,152	716,520	790,336	960,969	1,164,488
Vehicles	2,347,106	1,943,862	-	-	2,347,106	1,943,862
Total	<u>\$49,734,934</u>	<u>\$50,656,489</u>	<u>\$ 716,520</u>	<u>\$ 790,336</u>	<u>\$50,451,454</u>	<u>\$51,446,825</u>

LEE COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Functions/Programs						
Primary government:						
Governmental activities:						
Instructional programs:						
Regular	\$ 33,321,075	\$ -	\$ 28,715,317	\$ -	\$ (4,605,758)	\$ -
Special	6,936,860	-	6,791,847	-	(145,013)	-
Co-curricular	1,010,779	-	-	-	(1,010,779)	-
Remediation services	644,946	-	566,308	-	(78,638)	-
Student services	3,725,216	-	3,510,382	-	(214,834)	-
Other	496,536	-	321,997	-	(174,539)	-
Supporting services:						
Pupil	100,874	-	923,953	-	823,079	-
Instructional staff	838,071	-	674,949	-	(163,122)	-
Administrative	1,576,471	-	639,568	-	(936,903)	-
School administration	3,564,052	-	2,775,106	-	(788,946)	-
Business support	7,472,471	143,235	2,812,005	644,135	(3,873,096)	-
Central support	482,710	-	143,696	-	(339,014)	-
Other	74,422	-	59,417	-	(15,005)	-
Community services	58,848	-	-	-	(58,848)	-
Non-programmed charges	68,136	-	98,162	-	30,026	-
Interest on long-term debt	1,105	-	-	-	(1,105)	-
Unallocated depreciation expense**	1,549,697	-	-	-	(1,549,697)	-
Total governmental activities	61,922,269	143,235	48,032,707	644,135	(13,102,192)	-
Business-type activities:						
School food service	3,959,035	1,355,363	2,494,529	-	(109,143)	(109,143)
Total primary government	\$ 65,881,304	\$ 1,498,598	\$ 50,527,236	\$ 644,135	(13,102,192)	(13,211,335)
General revenues:						
Unrestricted county appropriations - operating					9,871,984	-
Unrestricted county appropriations - capital					743,000	-
Unrestricted State appropriation - capital					256,158	-
Unrestricted state and federal appropriations - operating					722,349	-
Investment earnings, unrestricted					86,757	23,246
Miscellaneous, unrestricted					788,269	4,537
Total general revenues					12,468,517	27,783
Change in net assets					(633,675)	(81,360)
Net assets, beginning					51,366,141	2,057,225
Net assets, ending					\$ 50,732,466	\$ 1,975,865
						\$ 52,708,331

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

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

LEE COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	Major Funds				Total Governmental Funds
	General	State Public School	Capital Outlay	Non-major Funds	
Assets					
Cash and cash equivalents	\$ 3,098,399	\$ -	\$ 385,340	\$ 465,513	\$ 3,949,252
Due from other governments	334,476	1,278,153	13,691	122,763	1,749,083
Accounts receivable	56,038	-	-	-	56,038
Due from other funds	34,319	-	-	-	34,319
Inventories	228,889	-	-	-	228,889
Total assets	\$ 3,752,121	\$ 1,278,153	\$ 399,031	\$ 588,276	\$ 6,017,581
Liabilities and fund balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 92,217	\$ -	\$ 316	\$ -	\$ 92,533
Accrued salaries and benefits	176,884	1,278,153	-	122,763	1,577,800
Due to other governmental units	393,426	-	-	-	393,426
Total liabilities	662,527	1,278,153	316	122,763	2,063,759
Fund balances:					
Reserved for:					
Inventories	228,889	-	-	-	228,889
Encumbrances	494,609	-	194,046	-	688,655
State statute	424,833	-	13,691	-	438,524
Unreserved, General Fund:					
Designated for subsequent year's programs	533,756	-	-	-	533,756
Designated for subsequent year's expenditures	850,000	-	-	-	850,000
Undesignated	557,507	-	-	-	557,507
Unreserved, reported in:					
Special Revenue Funds	-	-	-	465,513	465,513
Capital Projects Fund	-	-	190,978	-	190,978
Total fund balances	3,089,594	-	398,715	465,513	3,953,822
Total liabilities and fund balances	\$ 3,752,121	\$ 1,278,153	\$ 399,031	\$ 588,276	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

49,734,934

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.

(2,956,290)

Net assets of governmental activities

\$ 50,732,466

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, 2005

	Major Funds				Total Governmental Funds
	General	State Public School	Capital Outlay	Non-major Funds	
Revenues:					
State of North Carolina	\$ 1,045,865	\$ 42,124,848	\$ 256,158	\$ -	\$ 43,426,871
Lee County	9,871,984	-	743,000	-	10,614,984
U.S. Government	160,786	-	-	5,250,183	5,410,969
Other	1,217,056	-	64,943	817,509	2,099,508
Total revenues	12,295,691	42,124,848	1,064,101	6,067,692	61,552,332
Expenditures:					
Current:					
Instructional programs:					
Regular	4,278,564	22,619,224	-	770,136	27,667,924
Special	225,740	2,854,404	-	2,667,532	5,747,676
Co-curricular	-	-	-	837,502	837,502
Remediation services	-	535,049	-	(665)	534,384
Student services	205,064	2,638,654	-	242,886	3,086,604
Other	787,515	6,738,126	-	1,000,338	8,525,979
Supporting services:					
Pupil	-	53,018	-	34,008	87,026
Instructional staff	171,199	397,212	-	154,612	723,023
Administrative	837,162	364,812	-	158,085	1,360,059
School administration	808,340	2,268,867	-	-	3,077,207
Business support	3,709,471	2,287,678	-	11,357	6,008,506
Central support	298,962	90,816	-	26,667	416,445
Other	627,250	1,276,988	-	87,065	1,991,303
Community services	58,848	-	-	-	58,848
Non-programmed charges	68,136	-	-	98,162	166,298
Debt service:					
Principal retirements	-	-	274,416	-	274,416
Interest and fees	-	-	1,105	-	1,105
Capital outlay:					
Land, buildings, and site improvement	-	-	530,017	-	530,017
Furnishings and equipment	-	-	131,354	-	131,354
Vehicles and other	-	-	575,533	-	575,533
Total expenditures	12,076,251	42,124,848	1,512,425	6,087,685	61,801,209
Revenues over (under) expenditures	219,440	-	(448,324)	(19,993)	(248,877)
Other financing sources (uses):					
Installment purchase obligations issued	-	-	447,566	-	447,566
Capital lease obligations issued	-	-	21,319	-	21,319
Total other financing sources (uses)	-	-	468,885	-	468,885
Net change in fund balance	219,440	-	20,561	(19,993)	220,008
Fund balances:					
Beginning of year	2,860,769	-	378,154	485,506	3,724,429
Increase in reserve for inventories	9,385	-	-	-	9,385
End of year	\$ 3,089,594	\$ -	\$ 398,715	\$ 465,513	\$ 3,953,822

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, 2005

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

Net changes in fund balances - total governmental funds	\$ 220,008
Change in fund balance due to change in reserve for inventory	9,385
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.	(914,567)
Proceeds from sale of capital assets are recorded as revenues in the fund statements but not in the statement of activities.	(47,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Gain on disposal of capital assets	40,012
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.	(194,469)
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>252,956</u>
Total changes in net assets of governmental activities	<u>\$ (633,675)</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, 2005

	Enterprise Major Fund School Food Service
Operating revenues:	
Food sales	\$ 1,355,363
Other	<u>4,537</u>
Total operating revenues	<u>1,359,900</u>
Operating expenses:	
Business support services:	
Purchase of food	1,416,912
Salaries and benefits	1,746,272
Indirect costs	237,151
Materials and supplies	264,045
Repairs and maintenance	94,079
Depreciation	120,970
Other	<u>79,606</u>
Total operating expenses	<u>3,959,035</u>
Operating income (loss)	<u>(2,599,135)</u>
Nonoperating revenues:	
Federal reimbursements	2,155,336
Federal commodities	220,617
Indirect costs not paid	118,576
Interest earned	<u>23,246</u>
Total nonoperating revenues	<u>2,517,775</u>
Change in net assets	(81,360)
Net assets, beginning of year	<u>2,057,225</u>
Net assets, end of year	<u><u>\$ 1,975,865</u></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, 2005

	Enterprise Major Fund School Food Service
Cash flows from operating activities:	
Cash received from customers	\$ 1,355,789
Cash paid for goods and services	(1,742,924)
Cash paid to employees for services	(1,740,875)
Net cash provided (used) by operating activities	(2,128,010)
Cash flows from noncapital financing activities:	
Federal reimbursements	2,155,336
Due to other funds	10,121
Net cash provided (used) by noncapital financing activities	2,165,457
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(47,155)
Net cash provided (used) by capital and related financing activities	(47,155)
Cash flows from investing activities:	
Interest earned on investments	23,246
Net increase (decrease) in cash and cash equivalents	13,538
Cash and cash equivalents, beginning of year	1,142,437
Cash and cash equivalents, end of year	\$ 1,155,975
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (2,599,135)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	120,970
Donated commodities consumed	220,617
Indirect costs not paid	118,576
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(8,772)
(Increase) decrease in due from other governments	4,661
(Increase) decrease in inventories	9,676
Increase (decrease) in accounts payable and accrued liabilities	1,595
Increase (decrease) in compensated absences payable	3,802
Total adjustments	471,125
Net cash provided (used) by operating activities	\$ (2,128,010)

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$220,617 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8.

Indirect costs of \$118,576 that would be due to the General Fund were not paid. These unpaid costs are reported as a nonoperating revenue and an operating expense on Exhibit 8.

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

LEE COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2005

	<u>Flexible Benefits Fund</u>
Assets	
Cash and cash equivalents	\$ 44,561
Liabilities	
Benefits payable	44,561
Net assets	
Assets held in trust	\$ -

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

LEE COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2005

	<u>Flexible Benefits Fund</u>
Additions:	
Contributions and other revenue	\$ 44,628
Deductions:	
Benefits and other expenditures	<u>44,628</u>
Changes in net assets	-
Beginning net assets	<u>-</u>
Ending net assets	<u>\$ -</u>

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

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

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 funds. 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 funds are 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.

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 BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

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, and certain Federal and State assistance.

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. 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, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

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

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

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

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. During the year, several amendments to the original budget were necessary. The net effects are as follows:

<u>Fund</u>	<u>Net increase in original budget</u>
General Fund	\$ 1,149,280
Special Revenue Funds:	
State Public School Fund	1,394,745
Federal Grants Fund	570,015
Capital Projects Fund	783,301
Enterprise Funds:	
School Food Service Fund	349,100

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. Encumbrances

The Board is required by state statute to record encumbrances in its budgetary accounting system. Encumbrances include purchase orders, contracts, and other commitments related to unperformed contracts for goods and services and are recorded in the expenditure accounts in order to reserve a portion of the related appropriation. At June 30, when appropriations lapse, encumbrances outstanding, if any, are considered in the subsequent budget when determining fund balance appropriated and charged to appropriations in the ensuing year.

F. 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 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.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

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.

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, 1990 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

For capital assets utilized in governmental activities, it is the policy of the Board to capitalize those assets costing more than \$5,000 with an estimated useful life of two or more years, while for capital assets utilized in business-type activities, the Board's policy is 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.

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.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

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, 2005 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

The sick leave policy of the Board provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

7. Net Assets/Fund Balances

Net assets 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 for encumbrances - portion of fund balance available to pay for any commitments related to purchase orders and contracts which remain unperformed at year-end.

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 2005-2006 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 BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

8. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. The net adjustment of \$46,778,644 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)	\$ 78,779,499
Less accumulated depreciation	<u>(29,044,565)</u>
Net capital assets	49,734,934
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	(211,678)
Compensated absences	<u>(2,744,612)</u>
Total adjustment	<u>\$ 46,778,644</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 of (\$853,683) 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	\$ 852,075
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(1,766,642)
Proceeds from sale of capital assets are recorded as revenues in the fund statements but not in the statement of activities	(47,000)
New debt issued during the year is recorded as a source of funds on the fund financial statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets	(468,885)
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	274,416
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	252,956
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	9,385
Gain on disposal of capital assets	<u>40,012</u>
Total adjustment	<u>\$ (853,683)</u>

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Less accumulated depreciation for:					
Buildings and improvements	\$ 23,203,805	\$ 1,323,360	\$ -	\$ -	\$ 24,527,165
Equipment and furniture	1,071,024	138,044	6,686	-	1,202,382
Vehicles	<u>3,213,409</u>	<u>305,238</u>	<u>203,629</u>	-	<u>3,315,018</u>
Total accumulated depreciation	<u>27,488,238</u>	<u>1,766,642</u>	<u>210,315</u>	-	<u>29,044,565</u>
Total capital assets being depreciated, net	<u>49,350,510</u>				<u>48,597,333</u>
Governmental activity capital assets, net	<u>\$ 50,656,489</u>				<u>\$ 49,734,934</u>
Business-type activities:					
School Food Service Fund:					
Capital assets being depreciated:					
Equipment and furniture	\$ 2,037,287	47,155	-	-	\$ 2,084,442
Vehicles	<u>32,483</u>	-	-	-	<u>32,483</u>
Total capital assets being depreciated	<u>2,069,770</u>	<u>47,155</u>	-	-	<u>2,116,925</u>
Less accumulated depreciation for:					
Equipment and furniture	1,246,951	120,970	-	-	1,367,921
Vehicles	<u>32,483</u>	-	-	-	<u>32,483</u>
Total accumulated depreciation	<u>1,279,434</u>	<u>120,970</u>	-	-	<u>1,400,404</u>
School Food Service capital assets, net	<u>\$ 790,336</u>				<u>\$ 716,521</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 1,549,697
Business support services	<u>216,945</u>
Total	<u>\$ 1,766,642</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 BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

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 5.815% 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, 2005, 2004, and 2003 were \$2,315,825, 1,322,612, and \$1,117,555, respectively, equal to the required contributions for each year.

b. Post-Employment Benefits

In addition to providing pension benefits, the Board provides disability benefits and post-employment health care benefits and death benefits, in accordance with State statutes, to certain employees. These benefits are provided through multiple-employer cost-sharing plans administered by the State. The Board makes monthly contributions to the State for these benefits. Health care benefits are available to retirees of the Teachers' and State Employees' Retirement System (System) who have at least five years of contributing membership in the System. These benefits are provided through the State's Comprehensive Major Medical Plan. Once retirees become eligible for Medicare coverage, they must elect to participate in Part A and Part B coverage to maintain the level of coverage provided prior to retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

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. An employee is eligible to receive long-term disability benefits if the following requirements are met: 1) the employee has five years of contributing membership service in the System earned within 96 months prior to the end of the short-term disability period; 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, whichever is later; and 3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her occupation; 4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; 5) the employee must terminate employment with the State; and 6) the employee must not be eligible to receive an unreduced retirement benefit from the System. In addition, recipients of the long-term disability benefits are eligible to receive State-paid health insurance coverage. The monthly long-term disability benefit is equal to 65 percent of one-twelfth of an employee's annual base rate of compensation reduced by any social security or workers' compensation to which the recipient may be entitled up to a maximum of \$3,900 per month, plus additional minor adjustments. When an employee qualifies for an unreduced service retirement allowance from the System, the benefits payable from the Disability Income Plan will cease, and the employee will commence retirement under the Teachers' and State Employees' Retirement System. Effective August 1, 2005, employees that have not yet vested in the long-term disability plan (i.e. employees that do not have 5 years of membership service as of August 1, 2005) will have to comply with revised standards to determine long-term disability.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

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 DaimlerChrysler Services and Carlyle Capital Markets, Inc. During 2005, 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, 2005 are as follows:

Year Ending June 30:	<u>Governmental</u> <u>Activities</u> <u>Principal</u>
2006	\$ 149,189
2007	<u>42,219</u>
	<u>\$ 191,408</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, 2005:

	<u>July 1,</u> <u>2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30,</u> <u>2005</u>	<u>Current</u> <u>portion</u>
Governmental activities:					
Capital leases	\$ 17,209	\$ 21,319	\$ 18,258	\$ 20,270	\$ 10,799
Installment purchases	-	447,566	256,158	191,408	149,189
Compensated absences	<u>2,997,568</u>	<u>2,322,184</u>	<u>2,575,140</u>	<u>2,744,612</u>	<u>2,357,831</u>
Total	<u>\$ 3,014,777</u>	<u>\$ 2,791,069</u>	<u>\$ 2,849,556</u>	<u>\$ 2,956,290</u>	<u>\$ 2,517,819</u>
Business-type activities:					
Compensated absences	<u>\$ 75,060</u>	<u>\$ 80,497</u>	<u>\$ 76,695</u>	<u>\$ 78,862</u>	<u>\$ 78,862</u>

6. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Food Service Fund	<u>\$ 34,319</u>

The above amount represents \$34,319 of indirect cost expense owed to the General Fund by the School Food Service Fund.

LEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

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.

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, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State of North Carolina:			
Textbooks	\$ -	\$ 644,135	-
Smart Start	-	128,000	-
More at Four	-	138,600	-
School Nurse Funding Initiative	-	98,630	-
Jumpstart Kindergarten	-	26,000	-
Crime Stopper's Grant	-	10,500	-
Total State of North Carolina	<u>742,298</u>	<u>1,045,865</u>	<u>303,567</u>
Lee County appropriations	<u>9,871,984</u>	<u>9,871,984</u>	<u>-</u>
U.S. Government:			
Dwight D. Eisenhower			
Professional Development	-	600	-
COPS	-	71,213	-
JROTC	-	88,973	-
Total U.S. Government	<u>168,359</u>	<u>160,786</u>	<u>(7,573)</u>
Other:			
Tuition and fees	-	34,630	-
Medicaid reimbursements	-	80,100	-
Contributions and donations	-	67,985	-
Fines and forfeitures	-	523,193	-
Interest earned on investments	-	78,568	-
Rental of school property	-	28,505	-
Indirect costs allocated	-	216,738	-
Miscellaneous	-	187,337	-
Total other	<u>1,069,480</u>	<u>1,217,056</u>	<u>147,576</u>
Total revenues	<u>11,852,121</u>	<u>12,295,691</u>	<u>443,570</u>
Expenditures:			
Instructional programs:			
Regular	-	4,278,564	-
Special	-	225,740	-
Student services	-	205,064	-
Other	-	787,515	-
Total instructional programs	<u>6,238,533</u>	<u>5,496,883</u>	<u>741,650</u>
Supporting services:			
Instructional staff	-	171,199	-
Administrative	-	837,162	-
School administration	-	808,340	-
Business support	-	3,709,471	-
Central support	-	298,962	-
Other	-	627,250	-
Total supporting services	<u>7,098,422</u>	<u>6,452,384</u>	<u>646,038</u>

(Continued)

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, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures: (Continued)			
Community services:			
Regular	\$ -	\$ 51,214	\$ -
Other	-	7,634	-
Total community services	<u>77,818</u>	<u>58,848</u>	<u>18,970</u>
Nonprogrammed charges	<u>68,642</u>	<u>68,136</u>	<u>506</u>
Total expenditures	<u>13,483,415</u>	<u>12,076,251</u>	<u>1,407,164</u>
Revenues over (under) expenditures	(1,631,294)	219,440	1,850,734
Fund balance appropriated	<u>1,631,294</u>	-	<u>(1,631,294)</u>
Revenues and fund balance appropriated over (under) expenditures	<u>\$ -</u>	219,440	<u>\$ 219,440</u>
Fund balance:			
Beginning of year		2,860,769	
Increase (decrease) in reserve for inventory		<u>9,385</u>	
End of year		<u>\$ 3,089,594</u>	

**LEE COUNTY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2005**

	Special Revenue Funds		Combined Totals
	Individual Schools	Federal Grant Funds	
Assets			
Cash and cash equivalents	\$ 465,513	\$ -	\$ 465,513
Due from other governments	-	122,763	122,763
Total assets	<u>\$ 465,513</u>	<u>\$ 122,763</u>	<u>\$ 588,276</u>
Liabilities			
Accrued salaries and wages payable	\$ -	\$ 122,763	\$ 122,763
Fund balances			
Fund balance - undesignated	<u>465,513</u>	<u>-</u>	<u>465,513</u>
Total liabilities and fund balances	<u>\$ 465,513</u>	<u>\$ 122,763</u>	<u>\$ 588,276</u>

LEE COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2005

	Special Revenue Funds		
	Individual Schools	Federal Grants Fund	Totals
Revenues:			
U.S. Government	\$ -	\$ 5,250,183	\$ 5,250,183
Other	817,509	-	817,509
Total revenues	817,509	5,250,183	6,067,692
Expenditures:			
Instructional programs:			
Regular	-	770,136	770,136
Special	-	2,667,532	2,667,532
Co-curricular	837,502	-	837,502
Remediation services	-	(665)	(665)
Student services	-	242,886	242,886
Other	-	1,000,338	1,000,338
Total instructional programs	837,502	4,680,227	5,517,729
Supporting services:			
Pupil support	-	34,008	34,008
Instructional staff	-	154,612	154,612
Administrative	-	158,085	158,085
Business support	-	11,357	11,357
Central support	-	26,667	26,667
Other	-	87,065	87,065
Total supporting services	-	471,794	471,794
Nonprogrammed charges	-	98,162	98,162
Total expenditures	837,502	5,250,183	6,087,685
Revenues over (under) expenditures	(19,993)	-	(19,993)
Fund balances:			
Beginning of year	485,506	-	485,506
End of year	\$ 465,513	\$ -	\$ 465,513

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, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
U.S. Government	\$ 6,534,669	\$ 5,250,183	\$ (1,284,486)
Expenditures:			
Instructional programs:			
Regular	-	770,136	-
Special	-	2,667,532	-
Remediation services	-	(665)	-
Student services	-	242,886	-
Other	-	1,000,338	-
Total instructional programs	<u>5,813,815</u>	<u>4,680,227</u>	<u>1,133,588</u>
Supporting services:			
Pupil support	-	34,008	-
Instructional staff	-	154,612	-
Administrative	-	158,085	-
Business support	-	11,357	-
Central support	-	26,667	-
Other	-	87,065	-
Total supporting services	<u>591,941</u>	<u>471,794</u>	<u>120,147</u>
Nonprogrammed charges	<u>128,913</u>	<u>98,162</u>	<u>30,751</u>
Total expenditures	<u>6,534,669</u>	<u>5,250,183</u>	<u>1,284,486</u>
Revenues over (under) expenditures	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance:			
Beginning of year		-	
End of year		<u>\$ -</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, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ -	\$ 256,158	\$ 256,158
Total State of North Carolina	-	256,158	256,158
Lee County appropriations	743,000	743,000	-
Other:			
Interest earned on investments	-	8,189	-
Miscellaneous	-	56,754	-
Total other	56,126	64,943	8,817
Total revenues	799,126	1,064,101	264,975
Expenditures:			
Capital outlay:			
Land, buildings, and site improvement	-	530,017	-
Furnishings and equipment	-	131,354	-
Vehicles and other	-	575,533	-
Total expenditures	1,250,780	1,236,904	13,876
Debt service:			
Principal retirements	-	274,416	-
Interest and fees	-	1,105	-
Total debt service	275,521	275,521	-
Total expenditures	1,526,301	1,512,425	13,876
Revenues over (under) expenditures	(727,175)	(448,324)	278,851
Other financing sources (uses):			
Installment purchase obligations issued	-	447,566	-
Capital lease obligations issued	-	21,319	-
Total other financing sources (uses)	126,657	468,885	342,228
Fund balance appropriated	600,518	-	(600,518)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	20,561	\$ 20,561
Fund balance:			
Beginning of year		378,154	
End of year		\$ 398,715	

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, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues:			
Food sales	\$ 1,359,100	\$ 1,355,363	\$ (3,737)
Other	<u>2,000</u>	<u>4,537</u>	<u>2,537</u>
Total operating revenues	<u>1,361,100</u>	<u>1,359,900</u>	<u>(1,200)</u>
Operating expenditures:			
Business support services:			
Purchase of food	-	1,407,236	-
Salaries and benefits	-	1,742,470	-
Indirect costs	-	237,151	-
Materials and supplies	-	264,045	-
Repairs and maintenance	-	94,079	-
Other	-	79,606	-
Capital outlay	<u>-</u>	<u>47,155</u>	<u>-</u>
Total operating expenditures	<u>4,047,900</u>	<u>3,871,742</u>	<u>176,158</u>
Operating income (loss)	<u>(2,686,800)</u>	<u>(2,511,842)</u>	<u>174,958</u>
Nonoperating revenues:			
Federal reimbursements	2,157,500	2,155,336	(2,164)
Federal commodities	167,000	220,617	53,617
Indirect costs not paid	115,000	118,576	3,576
Interest earned	<u>22,000</u>	<u>23,246</u>	<u>1,246</u>
Total nonoperating revenues	<u>2,461,500</u>	<u>2,517,775</u>	<u>56,275</u>
Excess of revenues over (under) expenditures	(225,300)	5,933	231,233
Fund balance appropriated	<u>225,300</u>	<u>-</u>	<u>(225,300)</u>
Revenues and fund balance appropriated over (under) expenditures	<u>\$ -</u>	<u>\$ 5,933</u>	<u>\$ 5,933</u>
Reconciliation of modified accrual to full accrual basis:			
Revenues and fund balance appropriated over (under) expenditures		\$ 5,933	
Reconciling items:			
Depreciation		(120,970)	
Equipment purchases		47,155	
(Increase) decrease in compensated absences payable		(3,802)	
Increase (decrease) in inventory		<u>(9,676)</u>	
Net income (loss) (full accrual)		<u>\$ (81,360)</u>	

LEE COUNTY BOARD OF EDUCATION
BALANCE SHEET
INDIVIDUAL SCHOOLS
June 30, 2005

	<u>Elementary Schools</u>	<u>Middle Schools</u>	<u>High Schools</u>	<u>Special Schools</u>	<u>Total</u>
Assets					
Cash and cash equivalents	<u>\$ 164,246</u>	<u>\$ 131,747</u>	<u>\$ 141,952</u>	<u>\$ 27,568</u>	<u>\$ 465,513</u>
Fund Balances					
Unreserved	<u>\$ 164,246</u>	<u>\$ 131,747</u>	<u>\$ 141,952</u>	<u>\$ 27,568</u>	<u>\$ 465,513</u>

LEE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
INDIVIDUAL SCHOOLS
For the Fiscal Year Ended June 30, 2005

	Elementary Schools	Middle Schools	High Schools	Special Schools	Total
Revenues:					
General	\$ 88,496	\$ 67,229	\$ 72,409	\$ 1,214	\$ 229,348
Athletics	-	42,003	131,948	-	173,951
Fundraising (net)	52,094	29,203	(12,231)	4,218	73,284
Clubs, classes, and organizations	446	11,968	86,694	-	99,108
Contributions and grants	<u>120,386</u>	<u>31,409</u>	<u>44,165</u>	<u>45,858</u>	<u>241,818</u>
Total revenues	<u>261,422</u>	<u>181,812</u>	<u>322,985</u>	<u>51,290</u>	<u>817,509</u>
Expenditures:					
Instructional programs:					
General	119,347	74,079	75,008	1,530	269,964
Athletics	-	45,058	158,667	-	203,725
Clubs, classes, and organizations	557	11,582	84,479	-	96,618
Contributions and grants	<u>130,819</u>	<u>32,889</u>	<u>56,685</u>	<u>46,802</u>	<u>267,195</u>
Total expenditures	<u>250,723</u>	<u>163,608</u>	<u>374,839</u>	<u>48,332</u>	<u>837,502</u>
Revenues over (under) expenditures	10,699	18,204	(51,854)	2,958	(19,993)
Fund balances, beginning of year	<u>153,547</u>	<u>113,543</u>	<u>193,806</u>	<u>24,610</u>	<u>485,506</u>
Fund balances, end of year	<u>\$ 164,246</u>	<u>\$ 131,747</u>	<u>\$ 141,952</u>	<u>\$ 27,568</u>	<u>\$ 465,513</u>

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF CAPITAL ASSETS BY SOURCE
For the Fiscal Year Ended June 30, 2005

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Furniture and Equipment</u>	<u>Vehicles</u>	<u>Construction in Progress</u>	<u>Total</u>
GENERAL FIXED ASSETS, BEGINNING OF YEAR	\$1,128,031	\$ 70,236,301	\$ 1,445,176	\$ 5,157,271	\$ 177,948	\$78,144,727
Additions:						
Expenditures from General Fund	-	-	16,450	34,700	1,980	53,130
Expenditures from Special Revenue Funds	-	-	5,157	393,338	14,578	413,073
Expenditures from Capital Projects Fund	-	97,728	7,700	280,444	-	385,872
Contributions	-	-	-	-	-	-
Total additions	-	97,728	29,307	708,482	16,558	852,075
Retirements	6,988	-	6,686	203,629	-	217,303
Transfers	-	198,914	(20,966)	-	(177,948)	-
GENERAL FIXED ASSETS, END OF YEAR	<u>\$1,121,043</u>	<u>\$ 70,532,943</u>	<u>\$ 1,446,831</u>	<u>\$ 5,662,124</u>	<u>\$ 16,558</u>	<u>\$78,779,499</u>
June 30, 2004:						
Prior to 1997 (not determinable)						\$41,407,493
Capital Projects Fund						29,114,123
Special Revenue Fund						4,402,162
General Fund						857,822
Contributions						2,997,899
						<u>\$78,779,499</u>

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY
For the Fiscal Year Ended June 30, 2005

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Furniture and Equipment</u>	<u>Vehicles</u>	<u>Construction in Progress</u>	<u>Total</u>
Instructional:						
Elementary Schools	\$ 684,918	\$ 46,380,995	\$ 291,087	\$ -	\$ -	\$ 47,357,000
Middle Schools	150,217	8,212,798	117,140	-	-	8,480,155
High Schools	167,262	13,711,230	348,186	-	-	14,226,678
Special Schools	100,420	968,553	154,307	-	16,558	1,239,838
Administrative:						
General/Maintenance	18,226	1,048,917	519,085	17,102	-	1,603,330
Transportation	-	210,450	17,026	5,645,022	-	5,872,498
TOTAL	<u>\$ 1,121,043</u>	<u>\$ 70,532,943</u>	<u>\$ 1,446,831</u>	<u>\$ 5,662,124</u>	<u>\$ 16,558</u>	<u>\$ 78,779,499</u>

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION AND ACTIVITY
For the Fiscal Year Ended June 30, 2005

	General Fixed Assets July 1, 2004	Additions	Deductions	General Fixed Assets June 30, 2005
Instructional:				
Elementary Schools	\$ 47,306,474	\$ 57,514	\$ 6,988	\$ 47,357,000
Middle Schools	8,480,155	-	-	8,480,155
High Schools	14,181,308	45,370	-	14,226,678
Special Schools	1,215,580	24,258	-	1,239,838
Administrative:				
General/Maintenance	1,593,565	16,451	6,686	1,603,330
Transportation	5,367,645	708,482	203,629	5,872,498
	<u>\$ 78,144,727</u>	<u>\$ 852,075</u>	<u>\$ 217,303</u>	<u>\$ 78,779,499</u>

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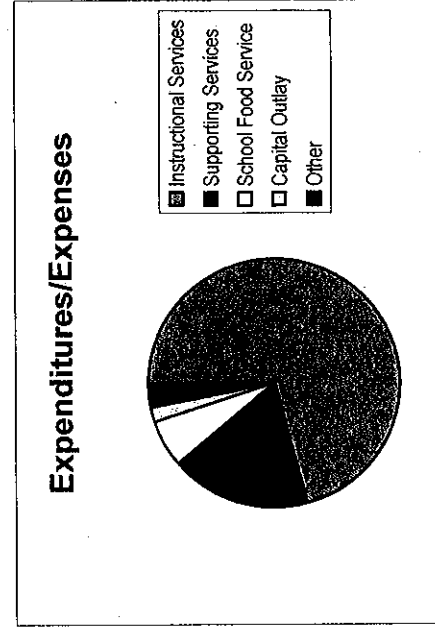
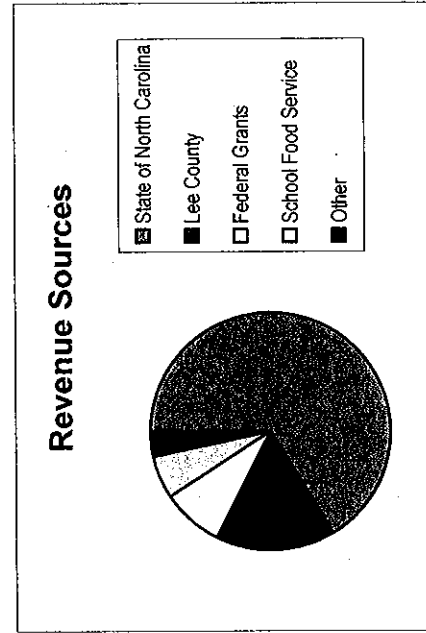
Table 1

LEE COUNTY SCHOOLS

Financial Perspective

All Fund Types for Fiscal Year 2004-2005

<u>Revenue Sources</u>		<u>Expenditures/Expenses</u>
State of North Carolina	\$ 43,426,871	Instructional Services \$ 46,400,069
Lee County	\$ 10,614,984	Supporting Services \$ 11,897,412
Federal Grants	\$ 5,410,969	School Food Service \$ 3,959,035
School Food Service	\$ 3,877,675	Capital Outlay \$ 1,236,904
Other	\$ 2,099,508	Other \$ 1,991,303
		Debt Service \$ 275,521
Total	\$ 65,430,007	Total \$ 65,760,244



Note: Unaudited

Source: Exhibits 4 and 8 in Financial Section.

Table 2

LEE COUNTY SCHOOLS
Sources of Governmental Fund Revenues and Other Financing Sources
For The Last Ten Years

<u>Year Ended June 30</u>	<u>State</u>	<u>County</u>	<u>Federal</u>	<u>Other</u>	<u>Total</u>
2005	\$43,426,871	\$10,614,984	\$5,410,969	\$2,099,508	\$61,552,332
2004	40,672,345	10,176,225	4,748,127	2,044,866	57,641,563
2003	40,250,942	9,103,774	4,611,903	1,867,782	55,834,401
2002	39,313,645	9,461,774	3,739,237	1,229,690	53,744,346
2001	39,056,250	9,325,874	3,255,296	1,310,882	52,948,302
2000	36,784,872	8,998,883	3,056,569	2,056,046	50,896,370
1999	34,428,370	13,955,716	2,754,647	1,253,141	52,391,874
1998	37,230,741	23,415,890	2,724,492	846,676	64,217,799
1997	28,759,467	11,258,264	2,220,698	1,142,144	43,380,573
1996	26,958,832	6,883,561	2,011,342	837,925	36,691,660

Notes: The above governmental revenues include the General, State Public School, Federal Grants, and Capital Project Funds. "Other" revenue includes transfers from other funds, miscellaneous income, sale of surplus properties and subsidies from the State of North Carolina. Unaudited.

Source: Exhibit 4 in Financial Section.

Table 3

LEE COUNTY SCHOOLS
Governmental Expenditures by Purpose
For The Last Ten Years

<u>Year Ended June 30</u>	<u>Instructional Programs</u>	<u>Support Services</u>	<u>Community Services</u>	<u>Non-Program Charges</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
2005	\$46,400,069	\$13,663,569	\$58,848	\$166,298	\$275,521	\$1,236,904	\$61,801,209
2004	43,396,293	12,852,925	79,091	127,880	11,905	1,120,763	57,588,857
2003	41,958,214	13,039,435	73,770	66,980	14,613	725,576	55,878,588
2002	40,655,853	12,056,513	56,471	71,364	-	-	52,840,201
2001	40,500,372	11,779,899	51,551	45,048	-	-	52,376,870
2000	37,829,688	11,252,553	47,801	94,321	-	-	49,224,363
1999	34,879,308	11,229,344	47,567	32,765	-	-	46,188,984
1998	31,811,026	10,299,509	26,670	27,667	-	-	42,164,872
1997	26,065,442	11,836,782	33,446	21,822	-	-	37,957,492
1996	24,017,806	11,453,125	33,556	23,909	-	-	35,528,396

Notes: The above operational expenditures include the General, State Public School, Federal Fund, Capital Project Funds and excludes the Expendable Trust Fund. Capital Project Funds were excluded prior to 2003. Unaudited.

Source: Exhibit 4 in Financial Section.

LEE COUNTY SCHOOLS
General School System Revenues By Source - Governmental-Wide
For The Last Ten Years

Table 4

	2004 - 2005	2003 - 2004	2003 - 2002	2002 - 2001	2001 - 2000	2000 - 1999	1999 - 1998	1998 - 1997	1997 - 1996	1996 - 1995
Program Revenues										
Charges for services	\$143,235	\$167,843	\$98,679	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Operating Grants and Contributions	48,032,707	45,264,296	44,852,918	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capital Grants and Contributions	644,135	335,070	1,669,094	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Program Revenues	\$48,820,077	\$45,767,209	\$46,620,691	N/A	N/A	N/A	N/A	N/A	N/A	N/A
General Revenues										
Unrestricted county appropriations-operating	\$9,871,984	\$9,127,384	\$8,705,974	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unrestricted county appropriations-capital	743,000	1,048,841	397,800	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unrestricted state and federal appropriations - operating	722,349	428,098	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unrestricted federal appropriation-capital	256,158	109,659	338,066	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment earnings, unrestricted	86,757	66,718	76,283	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Miscellaneous, unrestricted	788,269	922,980	801,669	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total General Revenues	\$12,468,517	\$11,703,680	\$10,319,792	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Program Revenues and General Revenues	\$61,288,594	\$57,470,889	\$56,940,483	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: Only 3 years of data are presented as opposed to the required ten years of data due to the timing of GASB 34 implementation. 2003 was the first year governmental wide general school system expenses were available.

Source: Exhibit 2 in Financial Section.

LEE COUNTY SCHOOLS
General School System Expenses By Purpose - Governmental-Wide
For The Last Ten Years

Year Ended June 30	Instructional Programs	Support Services	Community Services	Non-programmed Charges	Interest on Long-term Debt	Unallocated	
						Depreciation Expense	Total Expenses
2005	\$46,135,412	\$14,109,071	\$58,848	\$68,136	\$1,105	\$1,549,697	\$61,922,269
2004	43,728,609	13,374,248	79,091	61,736	632	1,448,206	58,692,522
2003	42,107,772	13,657,593	73,770	24,667	1,175	1,366,544	57,231,521
2002	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1999	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1998	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1997	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1996	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: Only 3 years of data are presented as opposed to the required ten years of data due to the timing of GASB 34 implementation. 2003 was the first year governmental wide general school system expenses were available.

Source: Exhibit 2 in Financial Section.

Table 6

LEE COUNTY SCHOOLS
Operational Expenditures Per Pupil
For The Last Ten Years

<u>Year Ended June 30</u>	<u>Average Daily Membership</u>	<u>Instructional Programs</u>	<u>Support Services</u>	<u>Community Services</u>	<u>Non-Program Charges</u>	<u>Total Expenditures</u>
2005	9056	\$ 5,124	\$ 1,509	\$ 6	\$ 18	\$ 6,657
2004	8924	4,863	1,440	9	14	6,326
2003	8834	4,750	1,476	8	8	6,242
2002	8778	4,632	1,374	6	8	6,020
2001	8725	4,642	1,350	6	5	6,003
2000	8593	4,402	1,310	6	11	5,728
1999	8618	4,047	1,303	6	4	5,360
1998	8441	3,769	1,220	3	3	4,996
1997	8419	3,096	1,406	4	3	4,509
1996	8162	2,943	1,403	4	3	4,353

Note: The above operational expenditures per pupil include the General, State Public School and Federal Grant Funds. Unaudited.

Source: Exhibit 4 in Financial Section.

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

<u>Year Ended June 30</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Food Sales	\$1,355,363	\$1,300,506	\$1,358,210	\$1,375,760	\$1,408,873	\$1,401,553	\$1,368,348	\$1,256,994	\$1,221,143	\$1,035,113
USDA Reimbursement	2,155,336	1,991,777	1,896,122	1,773,667	1,612,512	1,477,927	1,456,593	1,371,951	1,277,344	1,164,835
Donated Commodities	220,617	220,747	197,879	196,594	276,032	165,213	195,863	142,007	155,853	171,508
Other	146,359	132,390	49,064	119,242	140,414	181,797	155,810	115,970	129,508	101,887
Local Reimbursement	<u>0</u>	<u>3,638</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>47,502</u>
Total	\$3,877,675	\$3,649,058	\$3,501,275	\$3,465,263	\$3,437,831	\$3,226,490	\$3,176,614	\$2,886,922	\$2,783,848	\$2,520,845
Food Sales	35%	36%	39%	40%	41%	43%	43%	44%	44%	41%
USDA Reimbursement	56%	55%	54%	51%	47%	46%	46%	48%	46%	46%
Donated Commodities	6%	6%	6%	6%	8%	5%	6%	5%	6%	7%
Other	4%	4%	1%	3%	4%	6%	5%	3%	4%	4%
State/Local Reimbursement	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>2%</u>
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Notes:

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

The Local Reimbursement in 1996 is an operating transfer from the General Fund.

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

Source: Exhibit 8 in Financial Section.

Table 8

LEE COUNTY SCHOOLS
Capital Project Fund Revenues
Last Ten Fiscal Years

<u>Year Ended</u> <u>June 30</u>	<u>County</u>	<u>Other</u>	<u>State</u>	<u>Total</u> <u>Revenues</u>
2005	\$743,000	\$64,943	\$256,158	\$1,064,101
2004	1,048,841	4,453		1,053,294
2003	397,800	145,510		543,310
2002	395,511	29,344		424,855
2001	400,000	18,092		418,092
2000	655,775	334,551		990,326
1999	5,730,876	104,303		5,835,179
1998	16,270,890	5,518,448		21,789,338
1997	4,613,414	467,931		5,081,345
1996	716,908	199,034		915,942

Notes: "Other" includes interest earned on investments, disposition of school fixed assets and miscellaneous income. In 1998 "Other" includes all of the above plus \$5,473,841 from the State of North Carolina in bond money. Unaudited.

Source: Exhibit 4 in Financial Section.

Table 9

LEE COUNTY SCHOOLS
Capital Project Fund Expenditures
For The Last Ten Fiscal Years

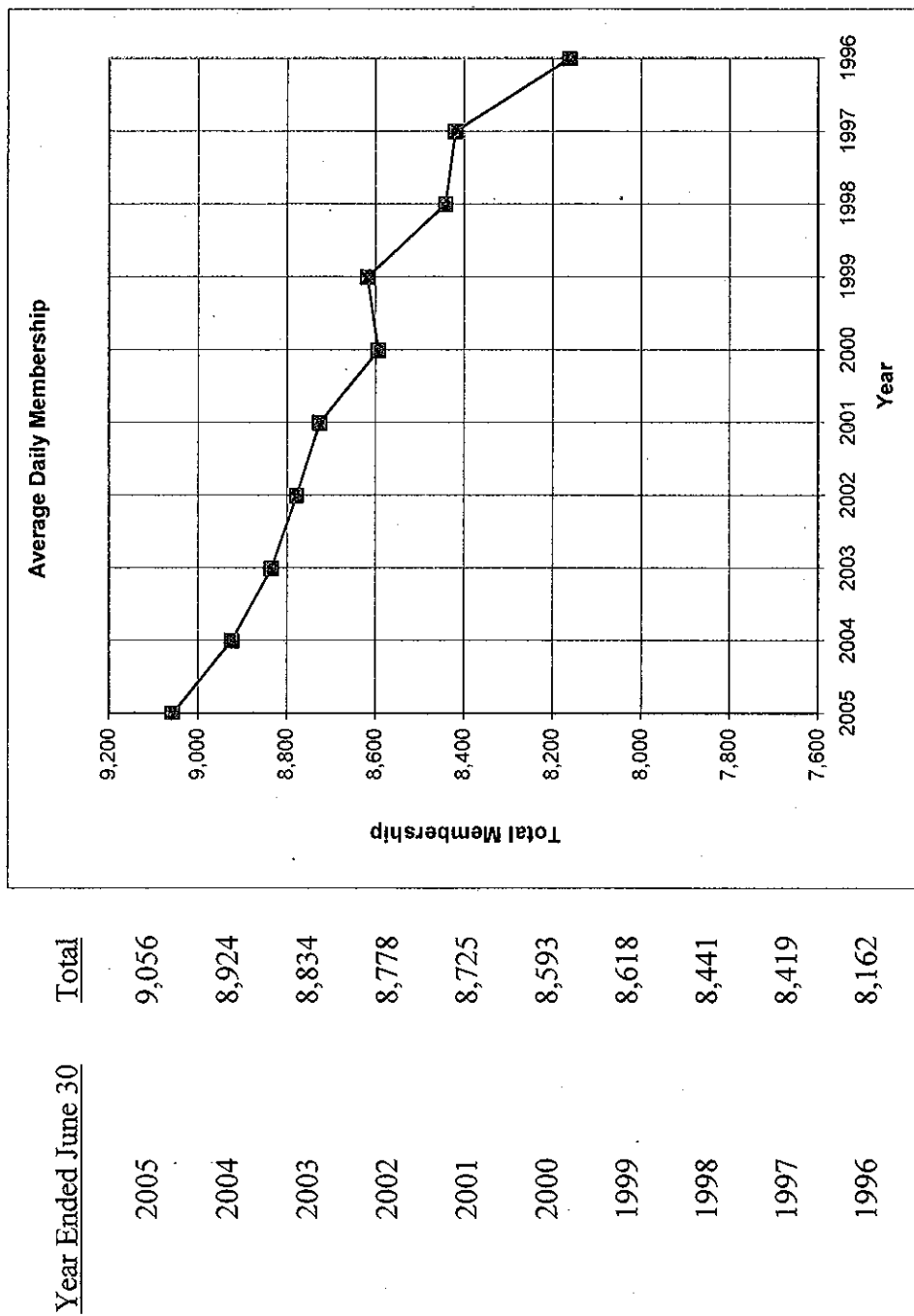
<u>Year Ended June 30</u>	<u>Land, Bldgs & Site Improvement</u>	<u>Equipment, Furniture, Other</u>	<u>Vehicles</u>	<u>Debt Service</u>	<u>Total</u>
2005	\$530,017	\$131,354	\$575,533	\$275,521	\$1,512,425
2004	773,406	82,696	155,002	11,905	1,023,009
2003	236,916	88,315	62,279	14,613	402,123
2002	174,585	91,985	18,177	-	284,747
2001	456,183	145,489	142,979	-	744,651
2000	845,857	251,657	126,954	-	1,224,468
1999	5,238,086	613,972	69,356	-	5,921,414
1998	21,360,550	327,297	12,000	-	21,699,847
1997	4,293,487	363,475	127,787	-	4,784,749
1996	773,075	340,048	1,400	-	1,114,523

Note: Unaudited.

Source: Exhibit 4 in Financial Section.

Table 10

LEE COUNTY SCHOOLS
Final Average Daily Membership
For The Last Ten Fiscal Years



Note: Unaudited.

Source: North Carolina Public School Statistical Profile, Editions: 1996-2005.
www.ncpublicschools.org/fbs/reports.htm

Table 11

LEE COUNTY SCHOOLS
Pupils In Membership By Race and Sex
For The Last Ten Fiscal Years

<u>YEAR</u>	<u>AMERICAN INDIAN/ ALASKAN NATIVE</u>		<u>BLACK</u>		<u>ASIAN/PACIFIC ISLANDER</u>		<u>HISPANIC</u>		<u>WHITE</u>		<u>TOTAL</u>
	<u>NO.</u>	<u>%</u>	<u>NO.</u>	<u>%</u>	<u>NO.</u>	<u>%</u>	<u>NO.</u>	<u>%</u>	<u>NO.</u>	<u>%</u>	
2005	47	0.51%	2495	27.24%	77	0.84%	1873	20.45%	4666	50.95%	9,158
2004	47	0.52%	2446	27.09%	70	0.78%	1750	19.38%	4715	52.23%	9,028
2003	48	0.54%	2385	26.65%	70	0.78%	1661	18.56%	4785	53.47%	8,949
2002	47	0.54%	2371	27.01%	74	0.84%	1498	17.07%	4788	54.55%	8,778
2001	51	0.58%	2437	27.93%	64	0.73%	1300	14.90%	4873	55.85%	8,725
2000	42	0.49%	2374	27.63%	65	0.76%	1164	13.55%	4948	57.58%	8,593
1999	42	0.49%	2590	30.05%	74	0.86%	1060	12.30%	4852	56.30%	8,618
1998	40	0.47%	2457	29.11%	71	0.84%	913	10.82%	4960	58.76%	8,441
1997	41	0.49%	2528	30.02%	70	0.83%	766	9.10%	5014	59.56%	8,419
1996	38	0.47%	2372	29.06%	51	0.62%	631	7.73%	5070	62.12%	8,162

Note: Based on membership as of the end of the first school month. Unaudited.

Source: North Carolina Public School Statistical Profile, Editions: 1996-2005.

Table 12

LEE COUNTY SCHOOLS
Per Pupil Expenditures
(Excludes Child Nutrition Expenditures)
For The Last Ten Fiscal Years

<u>Year</u>	<u>State</u>	<u>Local</u>	<u>Federal</u>	<u>Total</u>
2005	NA	NA	NA	NA
2004	\$4,575	\$1,169	\$509	\$6,253
2003	4,558	1,121	476	6,155
2002	4,490	1,072	433	5,995
2001	4,499	1,128	393	6,020
2000	4,291	1,065	395	5,751
1999	3,990	991	368	5,349
1998	3,797	911	318	5,026
1997	3,483	825	261	4,569
1996	3,338	793	244	4,375

Note: Unaudited.

Source: North Carolina Public Schools Statistical Profile. Editions: 1996 - 2005.
 Figures for 2005 not available.

Table 13

LEE COUNTY SCHOOLS

Personnel Summary

For The Last Ten Fiscal Years

<u>FISCAL YEAR</u>	<u>TEACHERS</u>	<u>CERTIFIED SUPPORT STAFF</u>	<u>OTHER OPERATING PERSONNEL</u>	<u>TOTAL</u>
2005	582	110	445	1137
2004	561	107	459	1127
2003	575	106	442	1123
2002	570	108	438	1116
2001	543	101	432	1076
2000	539	99	427	1065
1999	538	99	426	1063
1998	523	104	424	1051
1997	501	94	394	989
1996	488	89	372	949

Note: Full time personnel only. Certified support personnel includes principals, assistant principals, guidance counselors, librarians and administrators. Operating personnel consists of teacher assistants, clerical and service personnel. Unaudited.

Source: North Carolina Public Schools Statistical Profile, Editions 1996 - 2005.

LEE COUNTY, NORTH CAROLINA
General Governmental Expenditures by Function
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Economic and Physical Development</u>	<u>Human Services</u>	<u>Cultural and Recreation</u>	<u>Education</u>	<u>Capital Project</u>	<u>Debt Service</u>	<u>Total</u>
2005	\$5,484,097	\$7,100,827	\$3,583,523	\$14,357,689	\$26,592,434	\$1,667,361	*	\$6,377,191	\$65,163,122
2004	5,357,670	7,073,903	3,032,350	13,821,570	1,636,450	21,827,605	*	4,666,336	57,415,884
2003	5,128,776	6,567,226	1,249,583	13,069,459	1,643,024	12,963,084	*	4,691,797	45,312,949
2002	5,927,978	4,739,292	915,714	13,306,534	1,663,518	10,956,955	1,065,231	4,602,621	43,177,843
2001	4,804,657	5,925,730	859,259	13,123,607	1,766,739	10,952,805	612,207	4,815,966	42,860,970
2000	4,762,053	5,464,252	775,828	11,981,496	1,614,724	10,657,220	2,468,204	4,876,893	42,600,670
1999	4,483,884	5,177,544	945,823	10,770,776	1,553,403	10,514,733	5,224,122	4,826,302	43,496,587
1998	4,103,718	4,708,129	1,179,900	10,121,753	1,489,859	9,031,261	21,389,039	5,183,398	57,207,057
1997	3,960,083	5,013,615	976,111	9,464,477	1,395,905	8,425,226	4,546,004	2,660,496	36,441,917
1996	3,489,919	4,433,724	622,852	8,644,072	1,276,762	7,783,502	420,230	2,647,029	29,318,090

Notes: Includes General, Special Revenue, and Capital Project Funds.

*Beginning with 2002-03, the County allocated its capital projects expenditures to other functional areas.

Source: County of Lee. Unaudited.

LEE COUNTY, NORTH CAROLINA
General Governmental Revenues by Source
Last Ten Fiscal Years

Source: County of Lee. Unaudited.
Includes General, Special Revenue, and Capital Projects Funds.

Table 22

LEE COUNTY, NORTH CAROLINA
Computation of Direct and Underlying Debt
General Obligation Bonds
June 30, 2005

	Net General Obligation <u>Bonded Debt</u>	Percent Applicable <u>To County</u>	Amount Applicable <u>to County</u>
Direct:			
Lee County	\$19,030,000	100.0%	\$19,030,000
Underlying:			
City of Sanford	\$6,610,774	100.0%	\$6,610,774
Town of Broadway	<u>\$737,630</u>	<u>100.0%</u>	<u>\$737,630</u>
Totals	<u>\$26,378,404</u>		<u>\$26,378,404</u>

Note: Unaudited.

Source: County of Lee.

Table 23

LEE COUNTY, NORTH CAROLINA

Demographic Statistics

Last Ten Fiscal Years

Fiscal Year Ended June 30	<u>Population</u>	<u>Per</u>		<u>Average</u>	
		<u>Capita</u>	<u>Median</u>	<u>Daily School</u>	<u>Unemployment</u>
		<u>Income</u>	<u>Age</u>	<u>Membership</u>	<u>Rate</u>
2005	54,417	NA	NA	9,056	5.7%
2004	49,810	NA	NA	8,924	5.8%
2003	49,426	27,669	NA	8,834	7.3%
2002	49,279	26,598	NA	8,778	7.1%
2001	49,040	26,680	37.50	8,725	6.0%
2000	51,182	26,585	37.55	8,593	4.1%
1999	50,396	25,923	38.05	8,618	2.9%
1998	48,370	25,093	36.90	8,441	3.8%
1997	47,943	24,088	36.54	8,419	3.5%
1996	47,014	22,447	36.20	8,162	4.7%

Note: Unaudited.

Sources: Office of State Planning.

Lee County Board of Education

Employment Security Commission.

Table 24

LEE COUNTY, NORTH CAROLINA
Property Values, Construction, and Bank Deposits
Last Ten Fiscal Years

Fiscal Year Ended June 30	Commercial Construction		Residential Construction		Bank Deposits		Property Value	
	Number of Units	Public Value	Number of Units	Value			Commercial	Residential
2005	159	\$53,616,335	535	\$48,922,734	660,009,000		\$641,559,100	\$2,042,744,100
2004	166	62,739,444	549	37,986,960	659,414,000		603,641,300	2,005,083,300
2003	145	30,429,943	509	32,060,749	657,983,000		420,771,100	1,692,094,500
2002	162	27,294,592	510	33,750,719	641,484,000		387,816,800	1,662,357,800
2001	124	39,693,851	246	32,739,539	614,250,000		346,740,060	1,613,939,624
2000	118	35,482,355	299	25,931,333	581,620,000		329,223,470	1,586,239,201
1999	166	27,110,527	980	33,999,529	551,954,000		314,099,710	1,557,933,506
1998	137	45,625,889	982	36,134,511	541,977,000		297,338,468	1,510,912,004
1997	197	48,317,530	721	25,676,560	528,921,000		281,352,746	1,464,757,902
1996	214	25,846,024	812	32,809,553	525,244,000		247,988,127	1,443,112,362

Sources: Lee County Inspections Department, N.C. State Banking Commission, Lee County Tax Department. Unaudited.

Table 25

LEE COUNTY, NORTH CAROLINA
Ten Largest Taxpayers
June 30, 2005

<u>Taxpayer</u>	<u>Type of Business</u>	2005 <u>Assessed Valuation</u>	Percentage of Total Assessed <u>Valuation</u>
Wyeth	Pharmaceuticals	\$151,477,369	4.13%
GKN Automotive Components, Inc.	Automotive Parts	82,760,839	2.25%
Coty, Inc.	Cosmetics	48,325,709	1.32%
Moen, Inc.	Plumbing Fixtures	40,676,960	1.11%
Alltel Carolina Inc.	Utility	40,237,747	1.10%
Progress Energy	Utility	31,457,127	0.86%
Donald R. Simpson	Real Estate	29,056,933	0.79%
Magneti Marelli USA, Inc.	Plumbing Fixtures	27,213,882	0.74%
Frontier Spinning Mills LLC	Textiles	22,465,600	0.61%
Central Carolina Hospital	Medical Care	21,353,708	0.58%
		<u>\$495,025,874</u>	<u>13.49%</u>

Note: Unaudited.

Source: North Carolina Department of Commerce and Sanford Area Chamber of
Commerce

Table 26

LEE COUNTY, NORTH CAROLINA
Principal Employers
June 30, 2005

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Static Control Components	Electronic Package Supplies	1400
Wyeth	Pediatric Vaccines	1200
Lee County Schools	School System	1137
Goldkist Poultry	Poultry Processing	1100
Coty, Inc.	Cosmetics	750
Moen, Inc.	Plumbing Fixtures	725
Caterpillar	Skid Steer Loaders	700
Central Carolina Hospital	Health Care	675
GKN Automotive Components, Inc.	Automotive Parts	630
Magnetti Marelli USA, Inc.	Fuel System Components	585
General Shale	Brick Manufacturer	482

Note: Unaudited.

Source: North Carolina Department of Commerce and Sanford Area Chamber of Commerce



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

***Report on Compliance and Other Matters and on Internal Control Over Financial Reporting
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 basic 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, North Carolina, as of and for the year ended June 30, 2005, which collectively comprise the Lee County Board of Education's basic financial statements and have issued our report thereon dated August 23, 2005. 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.

Compliance and Other Matters

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lee County Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, 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

August 23, 2005
Sanford, North Carolina



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

***Report on Compliance With Requirements Applicable to Each Major Federal
Program and Internal Control Over Compliance In Accordance With OMB
Circular A-133 and the State Single Audit Implementation Act***

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

Compliance

We have audited the compliance of the Lee County Board of Education, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2005. The Lee County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Lee County Board of Education's management. Our responsibility is to express an opinion on the Lee County Board of Education's compliance based on our audit.

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

In our opinion, the Lee County Board of Education complied in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Lee County Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Lee County Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, 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.

A handwritten signature in cursive script, reading "Dixon Hughes Price".

*August 23, 2005
Sanford, North Carolina*



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

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

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

Compliance

We have audited the compliance of the Lee County Board of Education, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2005. The Lee County Board of Education's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the Lee County Board of Education, North Carolina's management. Our responsibility is to express an opinion on the Lee County Board of Education's compliance based on our audit.

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

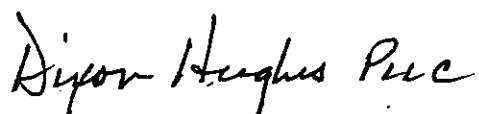
In our opinion, the Lee County Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, 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.

A handwritten signature in black ink, reading "Dixon Hughes Puc". The signature is written in a cursive, flowing style.

August 23, 2005
Sanford, North Carolina

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2005

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Reportable condition(s) 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*
- Reportable condition(s) 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:

<i>CFDA Numbers</i>	<i>Names of Federal Program or Cluster</i>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
84.357	Reading First Grant

Dollar threshold used to distinguish between Type A and Type B Programs *\$ 300,000*

Auditee qualified as low-risk auditee? *Yes*

(Continued)

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2005

Section I - Summary of Auditors' Results (Continued)

State Awards

Internal control over major state programs:

- Material weakness(es) identified? *No*
- Reportable condition(s) identified that are not considered to be material weaknesses *No*

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

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

Identification of major state programs:

Program Name

State Public School Fund

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, 2005

There were no findings or questioned costs related to our audit of federal and state awards for the fiscal year ended June 30, 2004.

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2005

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Expenditures
Federal Grants:		
Cash Assistance		
<u>U.S. Department of Agriculture</u>		
Food and Nutrition Service		
Passed through the N.C. Department of Public Instruction:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 454,721
National School Lunch Program	10.555	1,700,615
Total Child Nutrition Cluster		<u>2,155,336</u>
Total U.S. Department of Agriculture		<u>2,155,336</u>
<u>U.S. Department of Education</u>		
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 I, Grants to Local Educational Agencies		
Educationally Deprived Children	84.010	1,670,180
Migrant Education	84.011	193,666
Even Start	84.253	208,287
Passed through the N.C. Department of Public Instruction:		
Title IV, Part A, Safe and Drug Free Schools and Communities	84.186	49,294
Title VI, Federal, State, and Local Partnership for Innovative Programs	84.298	41,066
Improving Teacher Quality	84.367A	482,489
Language Acquisition - LEP	84.365	106,809
Educational Technology - Formula	84.318X	44,348
21 st Century Community Learning Centers	84.287	245,175
Reading First Grant	84.357	399,526
Office of Special Education and Rehabilitative Services		
Passed through the N.C. Department of Public Instruction:		
Special Education Cluster		
Individuals with Disabilities Education Act		
Special Education - Grants to States	84.027	1,536,655
Title VI, Part B, Capacity Building and Improvement Grant	84.027A	42,367
Special Education - Preschool Grants	84.173	88,086
Total Special Education Cluster		<u>1,667,108</u>
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	130,371
Abstinence Education	93.235	11,864

(Continued)

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2005

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	<u>Expenditures</u>
Office of Assistant Secretary for Educational Research and Improvement Passed through the N.C. Department of Public Instruction: Dwight D. Eisenhower Professional Development Program	84.164	\$ 600
Total U.S. Department of Education		<u>5,250,783</u>
Other Federal Assistance:		
<u>U.S. Department of Defense</u>		
Direct Program:		
ROTC	None	<u>88,973</u>
<u>U.S. Department of Justice</u>		
Direct Program:		
COPS Grant	None	<u>71,213</u>
Total Federal Cash Assistance		<u>7,566,305</u>
Noncash Assistance:		
<u>U.S. Department of Agriculture</u>		
Passed through the N.C. Department of Agriculture:		
Food Distribution Program	10.550	<u>220,617</u>
Total Federal Assistance		<u>7,786,922</u>
STATE GRANTS:		
Cash Assistance:		
<u>N.C. Department of Public Instruction:</u>		
State Public School Fund		39,612,623
Driver Training		218,458
Vocational Education		
State Months of Employment		2,008,111
Program Support Funds		148,142
Textbooks		644,135
State Appropriations - buses		256,158
School Technology		<u>137,514</u>
Total N.C. Department of Public Instruction		<u>43,025,141</u>

(Continued)

LEE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2005

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	<u>Expenditures</u>
<u>N.C. Department of Health and Human Services:</u>		
Division of Child Development		
Smart Start		\$ 128,000
More at Four		138,600
Jumpstart		26,000
School Nurse Funding Initiative		<u>98,630</u>
 Total N.C. Department of Health and Human Services		 <u>391,230</u>
<u>N.C. Department of Crime Control and Public Safety:</u>		
Crime Stopper's Grant		<u>10,500</u>
 Total State Assistance		 <u>43,426,871</u>
 Total Federal and State Assistance		 <u>\$ 51,213,793</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.

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