

LEE COUNTY

NORTH CAROLINA

Committed Today for a Better Tomorrow

LEE COUNTY BOARD OF COMMISSIONERS PLANNING RETREAT

GORDON WICKER CONFERENCE ROOM
LEE COUNTY GOVERNMENT CENTER
106 HILLCREST DRIVE
SANFORD, NORTH CAROLINA 27330

JANUARY 31, 2019

5:30 PM

FEBRUARY 1, 2019

9:00 AM

A G E N D A

Thursday, January 31, 2019 – 5:30 PM

DINNER (Catered In) – FAT Juniors Grill – Aaron Gaines

CALL TO ORDER – Amy Dalrymple, Chair

INVOCATION – Commissioner Kirk Smith

PLEDGE OF ALLEGIANCE

- I. Presentation from Spencer Thomas, CEO of Central Carolina Hospital/Duke LifePoint. – Spencer Thomas (Page 1)
- II. Discussion with Representative John Sauls and Senator Jim Burgin regarding local legislative goals. – Representative Sauls and Senator Burgin (Page 2)

RECESS

Friday, February 1, 2019 – 9:00 AM

8:30 AM

BREAKFAST – A light breakfast will be provided

9:00 AM

- III. Review of rezoning procedures. – Marshall Downey/Whitney Parrish (Pages 3-6)

9:30 AM

IV. Communications Update and Strategic Planning Discussion – Jamie Brown (Pages 7-28)

10:00 AM

V. Broadband impact on Lee County. – Kyle Edwards (Page 29)

10:30 AM

VI. Agenda management refresher and preview of implementation. – Jennifer Gamble (Pages 30-36)

BREAK

11:00 AM

VII. FY 19-20 Budget Kickoff Discussions

A. Key financial issues related to County finances. – Lee Carter, VP, NC Cash Management (Pages 37-189)

12:00 PM

LUNCH

12:30 PM

VII. FY 19-20 Budget Kickoff Discussions Continued

B. Report from the Sanford Area Growth Alliance – Michael Smith (Pages 190-197)

C. 2019 Reappraisal and Property Tax Update – Mary Yow (Page 198)

D. FY 19-20 Budget – John Crumpton (Page 199)

ADJOURN



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LEE COUNTY AGENDA ABSTRACT BOARD OF COMMISSIONERS MEETING

ITEM #:
I.

(Use the Down or Up Arrows to move between fields of the Form)

MEETING DATE: January 31, 2019

SUBJECT: Report from Central Carolina Hospital

DEPARTMENT: Central Carolina Hospital

CONTACT PERSON: Spencer Thomas, CEO

TYPE: Consent Agenda Action Item Public Hearing Information

REQUEST	N/A
BUDGET IMPACT	\$573,520 budgeted for EMS for FY 18-19
ATTACHMENTS	N/A
PRIOR BOARD ACTION	N/A
RECOMMENDATION	N/A

SUMMARY

Introduction and presentation from Chief Executive Officer Spencer Thomas regarding the status of the new ownership of the hospital, review of EMS operations, and hospital news.



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ITEM #:
II.

LEE COUNTY AGENDA ABSTRACT BOARD OF COMMISSIONERS MEETING

(Use the Down or Up Arrows to move between fields of the Form)

MEETING DATE: January 31, 2019

SUBJECT: Discussion with Representative John Sauls and Senator Jim Burgin Regarding Local Legislative Goals.

DEPARTMENT: North Carolina General Assembly

CONTACT PERSON: Representative John Sauls and Senator Jim Burgin

TYPE: Consent Agenda Action Item Public Hearing Information

REQUEST	Legislative representatives have requested that the Board of Commissioners discuss and decide upon three legislative goals to focus on in the upcoming sessions.
BUDGET IMPACT	N/A
ATTACHMENTS	None
PRIOR BOARD ACTION	None
RECOMMENDATION	N/A
SUMMARY	

The Lee County Board of Commissioners will hold an informal discussion with Senator Jim Burgin and Representative John Sauls to ask questions and provide specific goals for the upcoming legislative sessions.



LEE COUNTY AGENDA ABSTRACT BOARD OF COMMISSIONERS MEETING

ITEM #:
III.

(Use the Down or Up Arrows to move between fields of the Form)

MEETING DATE: February 1, 2019

SUBJECT: Recommendation from planning staff for rezoning approvals by the Board of Commissioners

DEPARTMENT: Administration/Planning

CONTACT PERSON: Whitney Parrish/Marshall Downey

TYPE: Consent Agenda Action Item Public Hearing Information

REQUEST	To consider receiving a recommendation from planning staff for rezoning approvals
BUDGET IMPACT	N/A
ATTACHMENTS	UNC Blog Post
PRIOR BOARD ACTION	N/A
RECOMMENDATION	Information Purposes Only
SUMMARY	

When a rezoning applications comes before the Board of Commissioners it requires the two-step process of approval. The first step is to determine whether the rezoning is consistent or inconsistent with the adopted land use plan, in our case Plan San Lee. The second step is then to determine if the rezoning is approved. The attached blog post goes into greater detail about the consistency statement that is required to be adopted by the Board. Historically, the planning staff has not provided a recommendation to the Board in regards to the rezoning; however, staff does provide such recommendations to the Sanford City Council and Planning Board. We have discussed this as an option for our Board to begin receiving recommendations from planning staff.



Coates' Canons Blog: A Statutory Modification for Plan Consistency Statements

By David Owens

Article: <https://canons.sog.unc.edu/a-statutory-modification-for-plan-consistency-statements/>

This entry was posted on June 20, 2017 and is filed under Land Use & Code Enforcement, Legislative Decisions, Ordinances & Police Powers, Planning, Zoning

Cities and counties routinely consider proposals to amend their zoning ordinances. Amendments vary from the rezoning of a single parcel of land to major rewrites of the whole ordinance. The decision of whether or not to make a particular amendment is a legislative policy choice left to the good judgment and discretion of the elected governing board.

A variety of factors are considered by the governing board in making these decisions. For the past decade in North Carolina, one of the factors that must be considered is how the proposal relates to previously adopted plans. Under the General Statutes a zoning amendment is not required to be consistent with the plan, but both the planning board and governing board are required to consider the plan and to document that consideration with a written statement approved by the board. For the most part this has become a routine and noncontroversial step in the zoning amendment process. But there has been enough confusion about this requirement that the General Assembly has amended the plan consistency statement requirement, with the changes to take effect for *applications for zoning amendments* made on or after October 1, 2017.

When a local government adopts development regulations, there must be a rational basis for determining what those regulations should be. Zoning regulates where various land uses can be located and at what density and intensity of use. To make rational and informed choices in adopting and later amending these regulations, there should be careful consideration of many factors, including what infrastructure is needed to support development, how the land uses relate to one another, what the community's goals, objectives, and vision for the future are, and so forth.

Plan Consistency Statement Requirement

It has always been presumed that a comprehensive plan or land use plan is an essential tool to produce the data analysis, community engagement, and policy direction needed to allow rational choices in applying zoning. From the earliest days of zoning, statutes across the country have required that zoning be undertaken "in accordance with a comprehensive plan." Some states, by statute or case-law, require zoning regulations to be in substantial compliance with an adopted plan.

That is not the case in North Carolina. Our courts have not mandated that zoning be consistent with a comprehensive plan. However, in 2005 the North Carolina planning statutes were amended to require that planning boards and the governing board review and consider any adopted plan when a zoning amendment is proposed. That plan consistency statement requirement is discussed in more detail in this 2011 [blog post](#).

The statute only requires that the plan be considered, not that it be followed. Some zoning ordinances make plan compliance a mandatory factor for individual permit decisions, typically for a special use permit. But when a legislative decision is being made on a proposed zoning amendment, the statutes are clear that the plan is advisory in nature. A zoning amendment that is inconsistent with an adopted plan is legal, so long as the governing board was aware of what advice and guidance the plan offers. The statutory requirement is that the governing board's awareness must be documented by a statement describing plan consistency that is approved at the time the zoning amendment is adopted.

Subsequent Litigation

One might think that a simple statutory requirement that planning boards and governing boards pull out their adopted plans and think about what, if any, useful guidance the plan provides before making a decision on a pending zoning amendment would be straight-forward and non-controversial. After all, the boards are not required to take action



consistent with the plan, only to know and consider what it says. In most instances that has indeed proven to be the case. But there has been confusion and controversy about plan consideration in a few high profile zoning disputes that led to litigation.

In the first case addressing the plan consistency statement requirement, the City of Kannapolis was considering a proposal to rezone a large recently annexed parcel from low-density residential to a district that would allow retail, office, and light industrial uses. The staff prepared an analysis of the compatibility of the proposed uses with the adjacent area and concluded the rezoning was consistent with the long-range goals of the city. The staff report was presented to the city council and the rezoning was approved.

Opposing neighbors challenged the rezoning. The court in *Wally v. City of Kannapolis*, 365 N.C. 449 (2012), sided with the neighbors. The court held the statutory requirement for the council to approve a statement addressing plan consistency is clear and mandatory. The fact that a staff analysis was available for the board's review is not the same as the governing board itself approving a statement on plan consistency. This case is discussed in more detail by my colleague Rich Ducker in this [blog post](#).

The *Wally* case makes the fairly simple point that when the statute says the board must approve a statement, it means the board must really approve a statement, not just have a staff report in its meeting packet. While the substance of the statement is not subject to judicial review, whether it was formally approved by the governing board is subject to review. If the statement did not exist or was not clearly approved by the board, the statute is violated and the zoning amendment is invalid.

The second case addressing the plan consistency statement requirement arose when Queens University in Charlotte sought a zoning amendment to facilitate construction of a parking deck. Adjacent residents in the Meyers Park neighborhood objected. The city's zoning commission found the proposed amendment to be consistent with city plans and recommended approval. The city council agreed and adopted a statement that "this petition is found to be consistent with adopted policies."

In *Atkinson v. City of Charlotte*, 235 N.C. App. 1 (2014), the court found this conclusory statement failed to meet the requirement of the statute that the governing board statement describe how the action is consistent with adopted plans and explain why it is reasonable and in the public interest. The case is discussed in more detail by my colleague Adam Lovelady in this [blog post](#).

These two cases confirm that the governing board must actually approve a statement when it amends a zoning ordinance and that statement must be more than a checklist conclusion – it must include some modest discussion and explanation.

New Statutory Requirements

In 2017 the General Assembly amended G.S. 153A-341 and 160A-383 to add more specificity to the law regarding the mandated plan consistency statements.

Section 2.4 of **S.L. 2017-10** amends the statutes and makes these new requirements applicable to all zoning amendment applications filed on or after October 1, 2017. This bill also made amendments to the subdivision statute, discussed by my colleague Adam Lovelady in this [blog post](#).

The amended statute still requires approval of a statement and the statement still must describe plan consistency and explain why the proposed action is reasonable and in the public interest. So the *Wally* and *Atkinson* cases noted above are still good law.

However, the form of the required statement is changing. As of October, the statement must take one of three forms:

1. A statement approving the proposed zoning amendment and describing its consistency with the plan;
2. A statement rejecting the proposed zoning amendment and describing its inconsistency with the plan; or
3. A statement approving the proposed amendment and declaring that this also amends the plan, along with an explanation of the change in conditions to meet the development needs of the community that were taken into account in the zoning amendment.



With each of these alternatives, the statement is also to include an explanation of why the governing board deems the action reasonable and in the public interest.

The statutory amendment also includes a rather curious provision that for the purposes of plan consistency, the "plan" includes a unified development ordinance as well as any other officially adopted plan that is applicable. A comprehensive or land use plan is rarely a part of a unified development ordinance. If a unified development ordinance exists, the zoning ordinance is a part of that ordinance. In that situation amending the zoning ordinance is an amendment in and of itself of the "unified development ordinance." Given this near universal practice, this provision seems superfluous.

Implications

In some respects this amendment heightens the tie between the plan and zoning ordinances. If a proposed zoning amendment is consistent with the plan it may be approved and if it is inconsistent with the plan it may be rejected. But if the zoning amendment is inconsistent with the plan and the governing board wants to approve the amendment anyway, the plan is deemed amended and the governing board must set forth the "change in conditions" that led it to take that action.

The statute does not address a fourth possibility – that the board finds the amendment consistent with the plan but decides to reject the amendment anyway. Prior case law allows this to happen and given the advisory nature of the plan, that is likely still permissible. But the fact that it is not listed as an option in the new statute does give some pause to consider whether it is implied that this is no longer permissible. After all, the amended statutes uses mandatory language, saying the governing board "shall adopt one of the following statements." To avoid a potential problem in this situation, it would be prudent for a governing board rejecting a zoning amendment that is consistent with its plan to concurrently amend the plan.

Presumably the discretion of the governing board is not substantially limited when it decides to approve a zoning amendment that is inconsistent with the plan. The board can decide which "changing conditions" to consider and whether they are sufficient. For example, there may have been changes in physical conditions on the site, on the infrastructure available, on the demand for new development, on the policies or priorities of the board, on the board's assessment of neighborhood needs, or on a host of other potential "conditions."

In any event, the lessons of the Wally and Atkinson cases noted above should continue to be carefully observed. The statutory requirement for consideration of plan consistency is not a legislative suggestion. A statement on plan consistency must be explicitly approved by the governing board at the time a zoning amendment decision is made. The statement must be more than a one-sentence conclusion. It must both describe plan consistency or inconsistency and it must explain the rationale of the decision. The statement is to take the form of one of the three options noted above.

That said, the statement does not need to be a long, complicated, legalistic document. The statement does not have to be supported by evidence in the record, as would be the case for a quasi-judicial decision. But it must be real, it must be approved by the board, and it must have a brief description of why the action is or is not consistent with the plan. Anything less risks judicial invalidation of the zoning amendment.



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ITEM #:
 IV.

LEE COUNTY AGENDA ABSTRACT BOARD OF COMMISSIONERS MEETING

(Use the Down or Up Arrows to move between fields of the Form)

MEETING DATE: February 1, 2019

SUBJECT: Communications Update & Strategic Planning

DEPARTMENT: Administration

CONTACT PERSON: Jamie Brown, 919-718-4605

TYPE: Consent Agenda Action Item Public Hearing Information

REQUEST	Authorize the implementation of a "single brand" concept across county departments; Authorize County Manager to solicit request for proposals for strategic planning consultant
BUDGET IMPACT	NA
ATTACHMENTS	UNC School of Government "Strategic Planning: What Difference Does It Make? A Snapshot of Experience in North Carolina"
PRIOR BOARD ACTION	None
RECOMMENDATION	Authorize the implementation of a "single brand" concept across county departments; Authorize County Manager to solicit request for proposals for strategic planning consultant
SUMMARY	

Presentation to provide update on communications strategies implemented in 2018; recommendations for next steps including county branding and strategic planning.

Strategic Planning: What Difference Does It Make? A Snapshot of Experience in North Carolina

Heather Curry, Lydian Altman, and Carl Stenberg

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Lydian Altman teaches about strategic planning and regularly consults with elected and appointed leaders to create strategic plans that help organizations set clear priorities, allocate resources to pursue those priorities, and assess progress toward carrying out planned activities. She also facilitates retreats for governmental and nonprofit organizations and cross-sector community groups to help them plan and work together to solve public problems.

Heather Curry now works as a budget and evaluation analyst with the City of Winston-Salem. During her time as a research assistant with the School of Government, she was instrumental in designing, conducting, and analyzing the survey described in this bulletin.

Carl Stenberg is the James E. Holshouser Jr. Distinguished Professor of Public Administration and Government. He has been on the UNC faculty since 2003 and served as director of the Master of Public Administration Program from 2006–2011. He is the School's liaison with county and city managers, and founded and directs the Public Executive Leadership Academy.

The authors thank Emily Langston for research assistance and Jack Watts for infographic design.

Strategic planning is a management tool that governments at all levels have adapted from the private sector. It is also a relatively recent addition to the public manager's toolbox. Two books that have informed strategic planning in public sector organizations are *The Game Plan: Governance with Foresight*, co-authored by John Olsen and Douglas Edie in 1982, and *Reinventing Government*, co-authored by David Osborne and Ted Gaebler in 1992. These publications focus on strategic planning as a means of increasing an organization's ability to: meet challenges and anticipate and adapt to a changing environment, decide what is important and set forward-looking goals, establish spending and staff priorities, and measure performance and results.¹

Governments have adopted strategic plans as self-initiated best practices or as compliance requirements under federal and state grants-in-aid. For example, Congress passed the Government Performance and Results Act of 1993, requiring all federal agencies and many grant recipients to develop strategic plans and report on implementation progress. A 1999 survey by Jeffrey Brudney, Ted Hebert, and Deil Wright found that state administrators believed strategic planning to be the most important component of the Reinventing Government movement.² And nearly 40 percent of cities with a population of 25,000 or more reported engaging in strategic planning, despite having no mandate or requirement to do so as of 1995.³

This bulletin reports findings of a 2017 School of Government survey of all municipal and county managers and elected officials in North Carolina to discern their views on the importance of strategic planning and to determine what difference, if any, it has made in their roles and relationships. Also included are quotes by local officials who agreed to follow-up interviews.

Strategic Planning Defined

Much of the literature on strategic planning in local governments seeks to define strategic planning, identify the processes involved, or examine what makes implementation successful. Strategic planning is defined as "a deliberative, disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it."⁴ The process usually focuses on addressing key strategic questions, including: (1) Where are we? (2) Why do we exist? (3) What are our values? (4) Where do we want to go? (5) How do we

1. John M. Bryson, Frances S. Berry, and Kaifeng Yang, "The State of Public Strategic Management Research: A Selective Literature Review and Set of Future Directions," *The American Review of Public Administration* 40, no. 6 (2010): 495–521; John M. Bryson and William D. Roering, "Initiation of Strategic Planning by Governments," *Public Administration Review* 48, no. 6 (1988): 995–1004.

2. Jeffrey L. Brudney, F. Ted Hebert, and Deil S. Wright, "Reinventing Government in the American States: Measuring and Explaining Administrative Reform," *Public Administration Review* 59, no. 1 (1999): 19–30.

3. Theodore H. Poister and Gregory Streib, "Elements of Strategic Planning and Management in Municipal Government: Status after Two Decades," *Public Administration Review* 65, no. 1 (2005): 45–56.

4. John M. Bryson, "The Future of Public and Nonprofit Strategic Planning in the United States," *Public Administration Review* 70, no. 1 (2010): 255–67.

get there? and (6) How do we know that we are making progress? To answer these questions, strategic planning processes usually involve at least eight components:

- a situational analysis or environmental scan, called a SWOT (strengths, weaknesses, opportunities, threats) or SOAR (strengths, opportunities, aspirations, results) analysis;
- a mission statement focusing on an organization's distinctive purpose and how it adds value;
- a values statement on how the organization treats its clients, employees, and citizens;
- a vision statement on the overall impact of mission accomplishment on the organization or community;
- three to five goal statements;
- objectives statements for each goal that are SMART (specific, measurable, aggressive (but attainable), results-oriented, and time-bound);
- strategies and annual action plans, with accountable staff, timelines, and budget allocations indicated; and
- performance measures.

In 2007 professional staff and faculty of the UNC School of Government developed a Strategic Public Leadership (SPL) model. One purpose of the practitioner survey described in this bulletin was to determine whether and how the model has been implemented in the field and what difference it is making for North Carolina local governmental organizations and their leadership teams.

The SPL cycle (see Figure 1) connects the work typically associated with the creation of a strategic plan to the activities needed to implement and evaluate it. The cycle differs from traditional strategic planning. Rather than simply creating a document, practitioners using the SPL model will construct a series of events and processes that connects governing board goals to management actions, creates tracking systems for monitoring progress, and facilitates the accountability of management and decision-makers.

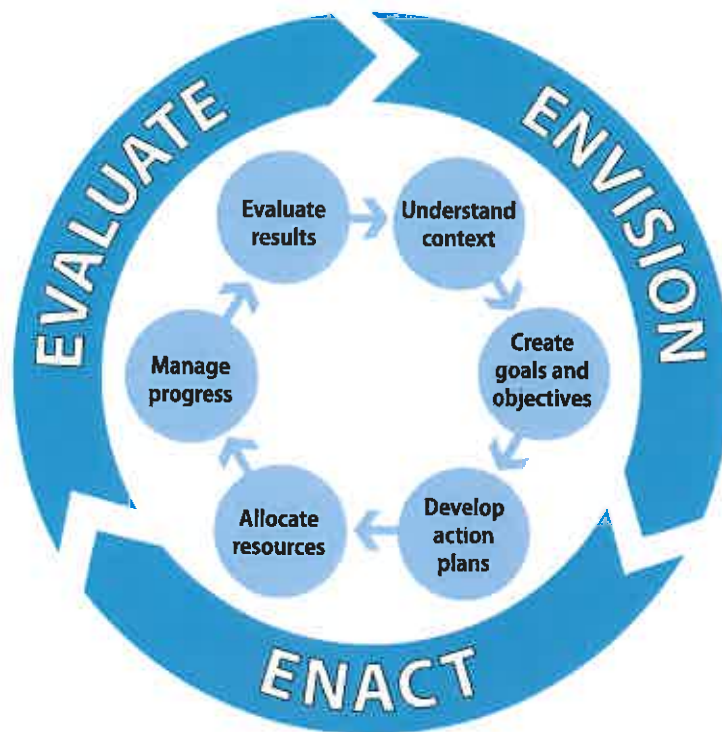
The first phase of the SPL process is to *envision* goals for the future that are informed by data and history. The second phase, *enact*, involves developing action plans and allocating resources. The final phase, *evaluate*, requires leaders to monitor progress and review results. The SPL cycle ties strategic goals to actionable priorities, budget items, and monitoring systems. And, while no model can guarantee success, the SPL cycle offers leaders a framework to

- focus on and remind themselves and others about strategic priorities;
- align resources with agreed-upon goals; and
- track performance, services, and processes that contribute to desired outcomes.

The SPL cycle produces more effective strategic plans by

- emphasizing the *ongoing connections and alignments* between the plan and other parts of the organization;
- adding project *implementation, accountability, and follow-up* to the planning process; and
- translating "big ideas" into measurable goals and action plans with *tracking systems* to ensure the accountability of staff and decision-makers.

Figure 1. Strategic Public Leadership: Setting Priorities and Getting Results



Implementation and Impact of Strategic Plans

An examination of strategic planning in the public sector reveals wide variation in the extent to which strategic planning components are used and taken seriously by public managers and elected officials. As one researcher observes, “The extent to which these efforts are worthwhile is not all that clear.”⁵ The literature identifies a number of common challenges in moving strategic planning to meaningful action. These include the following:

- failing to engage stakeholders or use their feedback;
- developing goals that are vague, too numerous to manage, and not prioritized;
- using watered-down SMART objectives;
- failing to identify cross-cutting goals and budget requests;
- using inappropriate benchmarks and performance measures;
- underestimating resource requirements; and
- unwillingness to evaluate implementation and take corrective steps.⁶

5. Theodore H. Poister, David W. Pitts, and Lauren Hamilton Edwards, “Strategic Management Research in the Public Sector: A Review, Synthesis, and Future Directions,” *The American Review of Public Administration* 40, no. 5 (2010): 522–45.

6. Bryson, “The Future of Public and Nonprofit Strategic Planning in the United States,” S263; Poister et al., “Strategic Management Research in the Public Sector,” S247; Jeremy L. Hall, “Performance

Linking Strategic Plans to Other Initiatives

Once a strategic planning process is in place, the School of Government suggests engaging in the following practices along with the plan to help integrate it into an organization's culture and day-to-day operations. In this way, organizations can maximize the benefit of strategic plans and processes.

- **Benchmark:** Choose key measurements to track as indicators of achievement toward a desired goal.
- **Performance evaluation:** Assign action steps to specific staff to ensure and track the progress of implementation.
- **Budgeting and resource allocation:** Make decisions to invest resources to further priority goals.
- **Internal and external communication:** Use the format of the plan as a tool for reporting progress to others.
- **Citizen engagement and education:** Create opportunities for citizens to hear information and provide input to either the creation or implementation of the plan.
- **Employee orientation:** Use the plan to recruit and orient new employees by explaining what the organization is working toward as well as how each person is expected to contribute to making progress through specific goals and action steps.
- **Disciplined attention:** Use the plan to help focus the governing board's attention on community and organizational priorities.

A variety of factors influence the success of strategic planning and implementation efforts. Bryson and Roering found that the following elements "seem necessary" to start a strategic planning process:

- (1) a powerful process sponsor, (2) an effective process champion, (3) a strategic planning team, (4) an expectation of disruptions and delays, (5) a willingness to be flexible concerning what constitutes a strategic plan, (6) an ability to think of junctures as a key temporal metric, and (7) a willingness to construct and consider arguments geared to many different evaluative criteria.⁷

This characterization parallels Bryson's later observation that strategic planning should be viewed as a process to be tended⁸ over time. Likewise, one of the 2017 School of Government strategic planning study interviewees suggested, "It's a living, breathing document, it's got to change, as priorities change within the city."

Adding to the Bryson and Roering criteria described above, Burby argued that effective strategic plans involve "broad stakeholder involvement" and found that planning processes including a wider array of stakeholder input were more likely to be implemented than plans with limited participation.⁹ These points were reflected in our interviews. For example: "It's

Management: Confronting the Challenges for Local Government," *Public Administration Quarterly* 41, no. 1 (2017): 43–66.

7. Bryson and Roering, "Initiation of Strategic Planning by Governments," 995.

8. Bryson, "The Future of Public and Nonprofit Strategic Planning in the United States."

9. Raymond J. Burby, "Making Plans That Matter: Citizen Involvement and Government Action," *Journal of the American Planning Association* 69, no. 1 (2003): 33–49.

council's strategic plan, but it's our staff's strategic plan, it's everyone's strategic plan. It is the strategy by which we are going to move in the direction we said we were going to." And, "You can show community leaders what we're working on, and why we're doing it, and they've had a chance to have input, and if you show measurable progress across those goals, then I think that celebrating that with the community helps build trust and belief that the system works."

Existing literature has identified elements of strategic planning processes that can help improve outcomes. For example, plans with clear, easily measured objectives and extensive and ongoing monitoring resulted in more relevant plans and better organizational outcomes.¹⁰ Other elements that can improve outcomes include linking employee objectives and performance evaluations to strategic goals, publicly reporting performance measures, and connecting budget requests to strategic goals and objectives.¹¹

Otherwise, the question of exactly how strategic planning can improve government outcomes remains an area of further study.¹² Relatively little is known about the ways strategic planning has changed how local governments function, clarified roles and responsibilities in decision-making, or influenced the dynamics of relationships among and between professional staff and elected officials. Our survey sought to fill that void.

Research Methodology

To draw on local government experiences, in early 2017 the School of Government surveyed city councilors, county commissioners, and municipal and county managers in North Carolina. Two hypotheses were developed for testing:

H1: Local governments that engage in strategic planning will have greater role clarity among elected officials, managers, and staff than those that do not engage in strategic planning.

H2: Managers and elected officials in local governments that engage in strategic planning will report having stronger, more positive relationships than those whose governments do not engage in strategic planning.

This bulletin outlines our findings in these two areas and offers a snapshot of strategic planning experience across North Carolina jurisdictions as well as related practitioner perspectives.

The first phase of our study involved soliciting responses to an online survey. The survey link was sent to all 100 counties and 552 municipalities, using School of Government email lists of appointed and elected local officials.

The survey started with demographic questions such as the respondent's jurisdiction, office, and length of service. Next, respondents described their jurisdiction's level of strategic planning on a scale from "no plan" to "at least one multi-year strategic plan complete." No definition for

10. Rebecca Hendrick, "Strategic Planning Environment, Process, and Performance in Public Agencies: A Comparative Study of Departments in Milwaukee," *Journal of Public Administration Research and Theory* 13, no. 4 (2003): 491–519.

11. Poister and Streib, "Elements of Strategic Planning and Management in Municipal Government"; Poister et al., "Strategic Management Research in the Public Sector."

12. Poister et al., "Strategic Management Research in the Public Sector."

strategic plan was given, so some respondents may have considered their comprehensive plan or land use plan as a strategic plan.

At this point the survey split, with respondents without a strategic plan completing one set of questions and respondents with a strategic plan completing a longer set of questions. The “no plan” group responded to questions assessing why they do not engage in strategic planning, the level of role clarity for elected officials, and the quality of relationships between elected and appointed officials. The “engages in planning” group answered similar questions about role clarity and quality of relationships but also responded to questions to assess how their strategic plans are used in decision-making.

Following survey completion, we identified six jurisdictions to participate in more in-depth group discussions or individual interviews. They included one county and one municipality from each of the three geographic regions in the state. A focus group of managers was also conducted at the 2017 North Carolina City and County Management Association’s Winter Seminar as well as a small number of individual interviews to add to the richness of the qualitative data.

Results

The survey had 299 respondents; 131 were from counties and 125 from municipalities. Some respondents did not designate their jurisdictions. As shown in Figure 2, the vast majority of the respondents had an annual or multi-year plan underway or in place. A full third of both counties and municipalities reported having completed a multi-year plan.

As indicated in Table 1 and Figure 2, while wealth and population size were positively correlated with the level of strategic planning, local governments of any economic condition or population can and do engage in strategic planning. Levels of income, budget size, assessed property values, or population size may make strategic planning easier or more necessary, but they are not barriers to the practice.

Figure 2 shows that 14 percent of the county and 16 percent of the municipal respondents did not have a strategic plan in place or a process underway. With respect to the reasons given by respondents from non-planning localities, Figure 4 shows that the budget process serves as the strategic plan in many of these jurisdictions, followed by local elected official disinterest or opposition, lack of sufficient funds to pay for strategic planning consultants, and insufficient qualified in-house personnel.

Hypothesis 1

Our first hypothesis was that local governments engaged in strategic planning would have greater role clarity, especially among elected officials. Specifically, we expected that elected officials would better understand their roles as policymakers and big-picture thinkers and would be less likely involved in day-to-day management issues. We assessed this hypothesis as part of our survey data, asking both the “no plan” and “engages in planning” groups whether elected officials were focused more on long-term projects or daily operations in their respective jurisdictions (see Figure 5).

The presence of a strategic plan appears to have the hypothesized effect, with almost twice as many of the jurisdictions engaged in strategic planning agreeing with the statement “Elected

Table 1. Respondent Demographic Information

	County respondents n = 131	Municipal respondents n = 125
Region		
Eastern	39	40
Central	67	61
Western	25	24
Level of strategic planning		
No plan in place or in process	20	25
Annual work plan in place	45	25
Multi-year planning process underway	33	42
Multi-year strategic plan document complete	30	26
At least one multi-year strategic plan cycle complete	20	19
Median income		
Under \$30,000	5	15
\$30,000–\$39,999	53	38
\$40,000–\$49,999	55	24
\$50,000–\$69,999	18	36
\$70,000 and above	0	12
Population		
<i>County</i>		
Under 15,000	12	
15,000–29,999	21	
30,000–59,999	29	
60,000–89,999	14	
90,000–119,999	7	
120,000–149,999	18	
150,000–179,999	13	
180,000 and above	17	
<i>Municipal</i>		
Under 1,000		7
1,000–2,999		33
3,000–5,999		27
6,000–9,999		18
10,000–29,999		30
30,000–59,999		4
60,000–99,999		1
100,000 and above		5

Figure 2. Strategic Planning for Different Jurisdictions

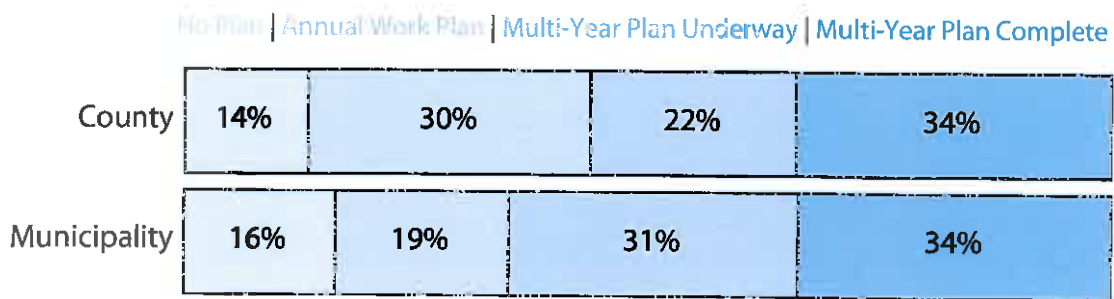


Figure 3. Strategic Planning for All Budgets and Populations

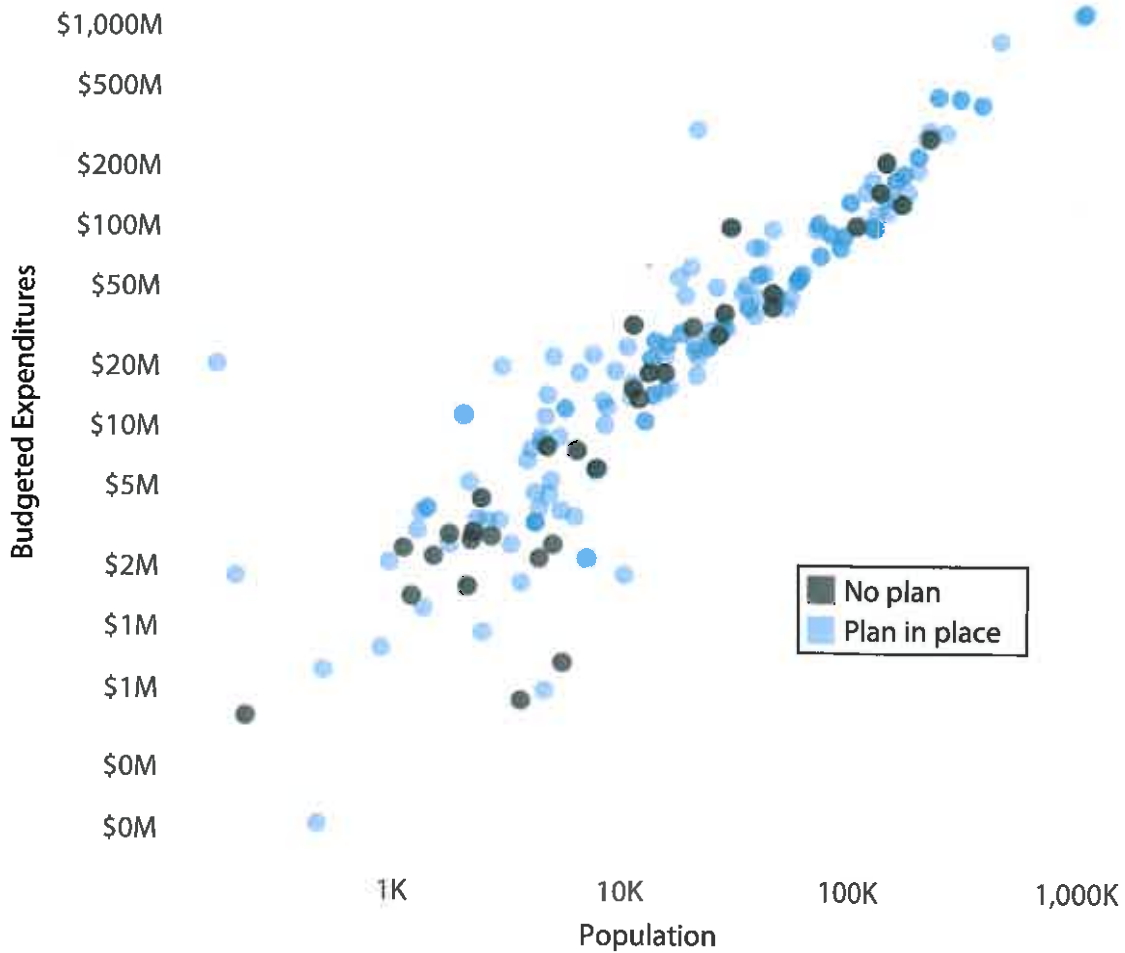
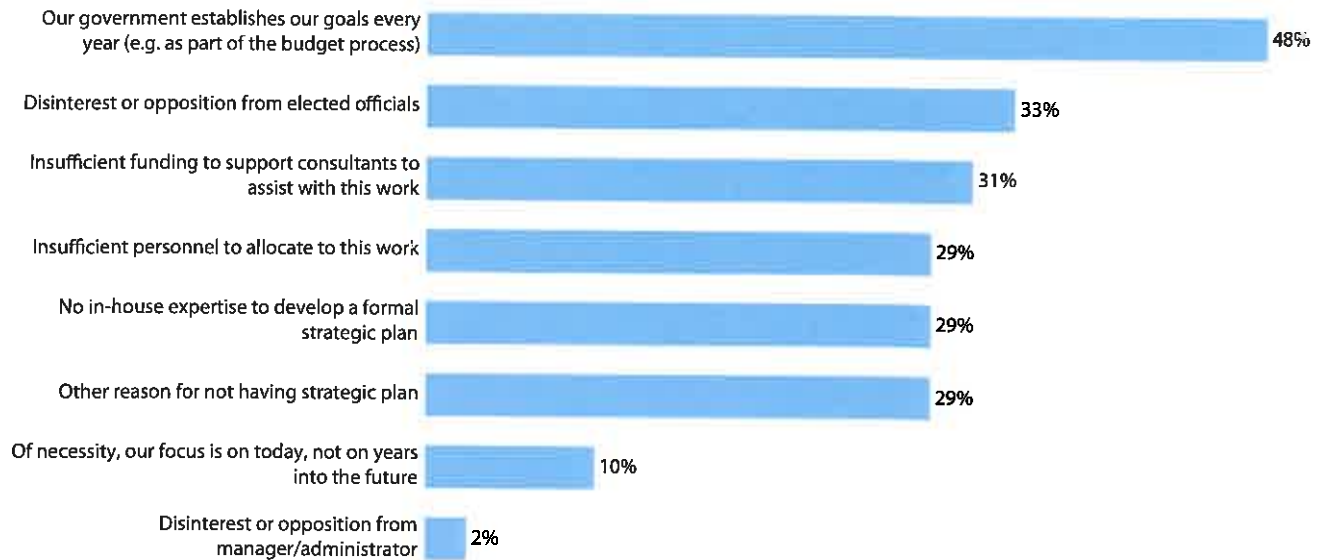


Figure 4. Reasons for No Strategic Plan



officials are focused on the big picture.” For the second metric, whether elected officials are focused on daily operations, responses also match the expected result, but to a lesser extent.

Figure 6 shows the division of responsibility for design, documentation, implementation, and facilitation of strategic plans. While the manager clearly plays an influential role, elected officials also have important responsibilities in three of these areas. (Documentation is chiefly a staff function.) One interviewee highlighted these distinctions: “Within a strategic plan, there is a management piece and a leadership piece. Management is the manager’s role, implementing, etc. Leadership is the board’s duty to keep the values and initiatives at the forefront, providing leadership to inspire management/implementation by staff.” A mayor made this observation about the various roles and functions: “The strategic plan becomes the budget. The manager knows how to go manage that and the board can trust [the manager] to do that and bring back things that they need help with or completed outcomes. It’s shifting the board up to high-level policies and priorities and the manager to the day-to-day running of government.”

Several other interviewees addressed various dimensions of these responsibilities as they relate to the interactions of departments, the management team, and elected officials.

“Strategic planning is something I can always fall back on if I don’t think I’m getting direction. . . . It gives me reassurance that, at some point in time, [the plan] was the . . . direction provided [by] the council. It’s kind of hard to find in the comprehensive plan, because most of my issues that I’m dealing with are day-to-day, hot-wire issues that need to be responded to with some degree of definitiveness. It’s a critical tool to have.”

“Departments were kind of working in silos—we’re one county—aren’t we better as one than we are working in silos? We can leverage all of our resources much better if we have a plan, one initiative that we’re all working on.”

Figure 5. The Relationship between Strategic Plans and Role Clarity

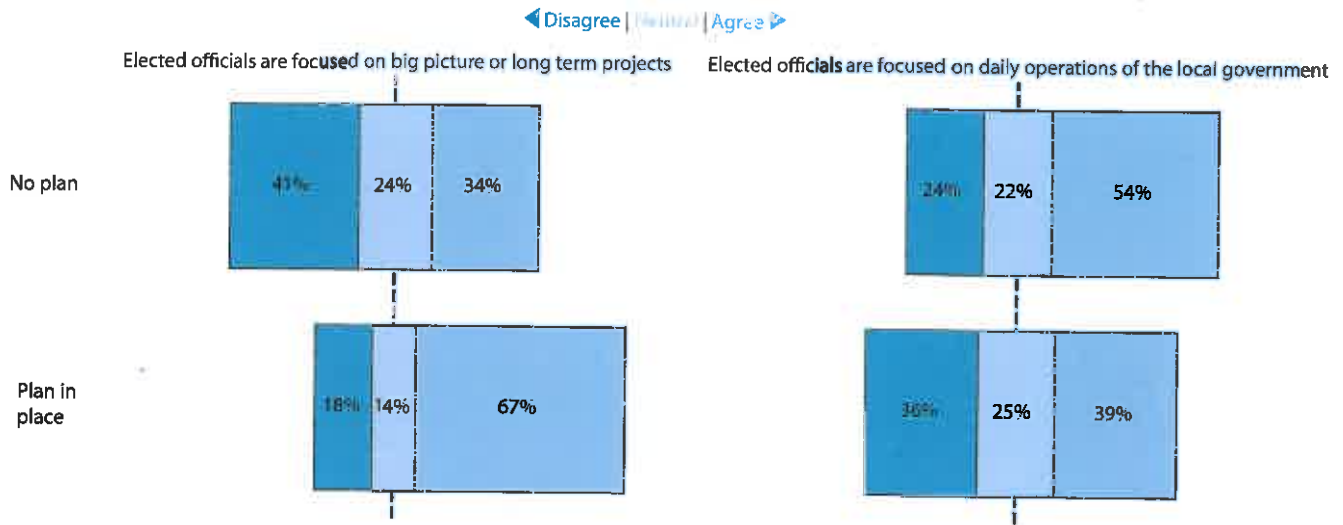
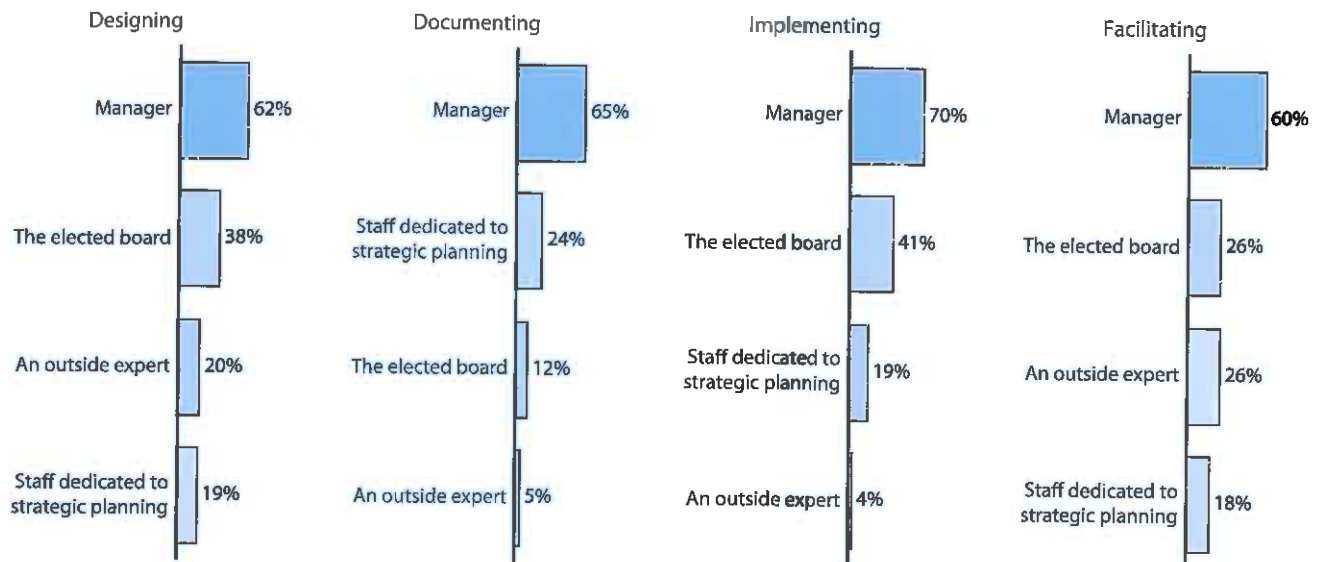


Figure 6. Responsibility in Strategic Planning

Who is responsible for the following aspects of strategic plans?



Suggestions for Clarifying Roles and Responsibilities in the Planning Process			
Primary Roles in Strategic Planning			
	Elected officials	Shared	Appointed officials
In general	<p>Initiate and commit to strategic planning process.</p> <p>Determine expectations and outcomes for a strategic planning process.</p> <p>Use a process that engages the public.</p> <p>Champion the planning process throughout the community.</p>	<p>Recognize and celebrate successes.</p> <p>Focus on why you do the work, not just the money that is spent.</p> <p>Focus on continuous improvement rather than punitive reactions if organization fails to meet expected outcomes.</p> <p>Allow flexibility in the plan to account for changing community needs.</p>	<p>Allow elected officials the space, support, and expertise to set the course.</p> <p>Champion the planning process throughout the organization.</p> <p>Align all major systems, budget, personnel, performance evaluation, and work plans to the strategic plan.</p> <p>Orient the organization to its responsibility to align with agreed-upon strategies.</p> <p>Create outward-facing report of progress.</p>
Throughout planning process	<p>Assess the implications of upcoming changes.</p> <p>Set strategic focus for the organization.</p> <p>Engage various community organizations as stakeholders to formulate plans.</p> <p>Report to the public on progress.</p>	<p>Emphasize measurable objectives and outcomes.</p> <p>Allow plan and process to clarify roles and minimize occasion for confusion.</p> <p>Use the plan to tell the story of your organization and community.</p>	<p>Anticipate upcoming changes with potential community impact.</p> <p>Offer professional advice about implications.</p> <p>Alert all to the plans of other relevant stakeholders.</p> <p>Find and share resources related to plans; provide technical assistance.</p> <p>Expect departments to tie their plans to plan strategies.</p> <p>Encourage discussion about the plan at all levels of the organization.</p> <p>Guide annual work plans and performance.</p>

Hypothesis 2

Our second hypothesis was that appointed and elected officials in local governments engaged in strategic planning will report having stronger, more positive relationships than those whose governments do not engage in strategic planning. Nearly all respondents (90 percent) agreed with the statement that the relationship between elected officials and the manager is enhanced by having strategic goals. Eighty percent said the same was true about the relationships between and amongst elected officials (see Figure 7).

In our survey we identified a number of indicators to assess the quality of relationships between elected officials and between appointed and elected officials. We asked if respondents could describe their relationships according to the following metrics: the relationship is built on mutual respect, we communicate well, we frequently engage in disruptive behavior or personal attacks during debate on issues, or we have personally attacked each other. Jurisdictions that had engaged in strategic planning were closer to the expected response on all but one indicator (disruptive behaviors between elected officials), suggesting that strategic planning is related to stronger relationships between elected and appointed officials (see Figure 8).

We also asked whether strategic plans were used to evaluate individual performance. As shown in Figure 9, half to two-thirds of the jurisdictions with a plan indicated that plans played a role in staff performance evaluations.

We were also curious if having a strategic plan would influence whether, or to what extent, elected officials engaged in self-reflective activities. Clearly, this has not been the case. Only 13 percent of respondents indicated that the self-evaluations of elected officials require them to assess the strategic plan.

Finally, we wanted to know how many elected bodies actually engage in any self-evaluation at all (regardless of whether it is related to a strategic plan). Figure 10 shows that this is not a common practice among elected bodies in North Carolina. Yet, elected officials engaged in strategic planning are more self-reflective as a body than those with no plan.

We also sought to examine the role of strategic planning in decision-making. The average responses as depicted in Figure 11 show that the most common ways local governments use the

Figure 7. Perspectives on Relationships and Strategic Goals

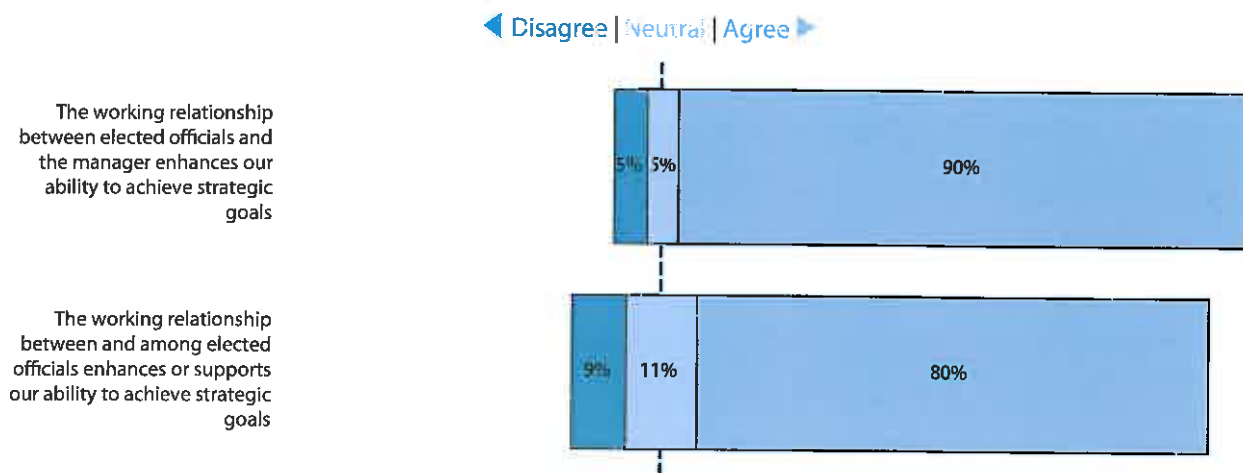


Figure 8. Quality of Relationships between Appointed and Elected Officials Based on Presence of Strategic Plan (Percent Agreeing)



strategic plan in decision-making are in allocating revenue, ensuring both appointed and elected officials are supportive of achieving plan goals, and incorporating references to strategic goals in meeting agendas.

We also found that decision-making practices were correlated with each other in this context, meaning that if a local government includes the strategic plan in one decision-making process, it is likely to incorporate the plan in other processes as well.

Two interviewees reported the following positive impacts:

“The board understands and supports what’s in the plan. They were very methodical in developing it and very serious about what’s in there. They expect plan priorities to show up in developmental work plans.”

“When we have budget requests come in, we take this plan very seriously. So every budget request—this season we ask that every one, almost, be linked to the strategic plan in some form or fashion. . . . We focus mainly on what the city’s priorities are, and we try and do our best to get more of the strategic plan things funded, or shift resources where we can.”

Figure 9. Plans and Performance Evaluations

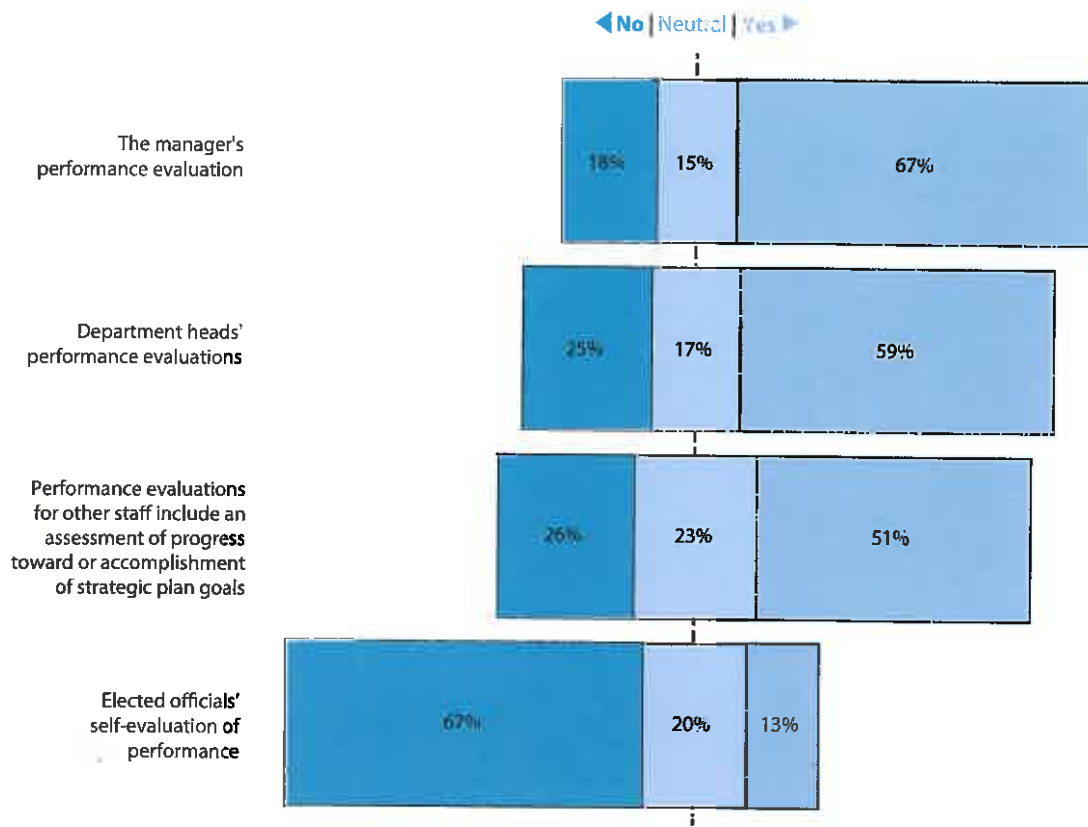


Figure 10. Self-Reflection Practices of Elected Officials as a Body

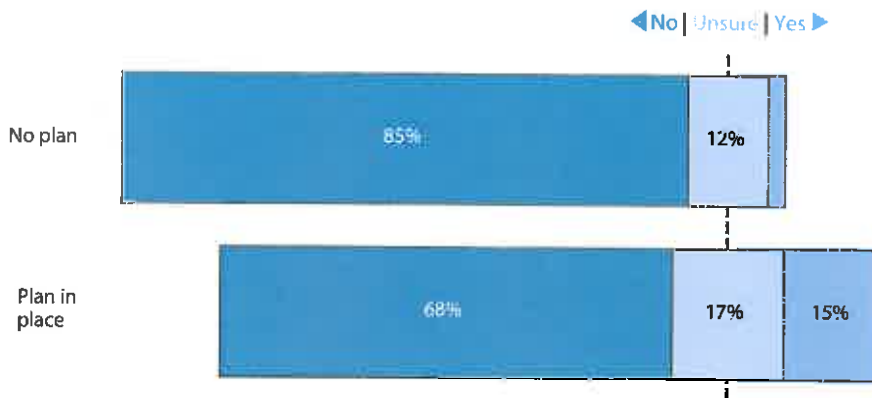
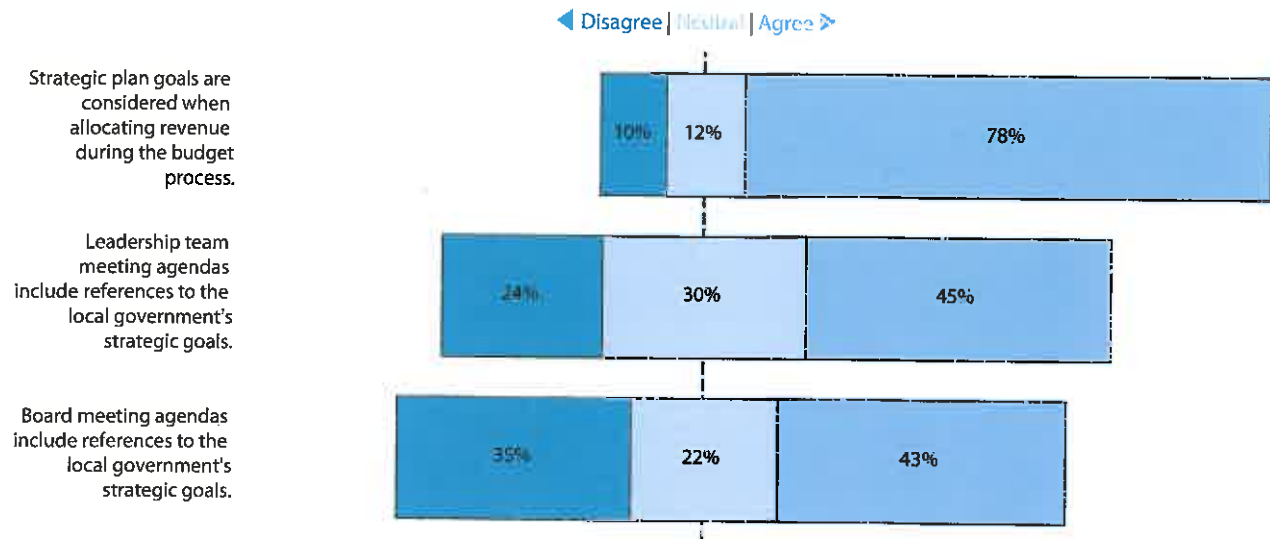


Figure 11. Strategic Plans and Decision-Making Practices



Key Findings at a Glance

Organizations that engage in strategic planning were at least slightly more likely to report the following about their jurisdictions:

- Elected officials engage in self-review as a body.
- The relationship between elected officials is based on mutual respect.
- Elected officials communicate well.
- Elected officials are focused on the big picture.
- Elected officials are not involved in day-to-day management issues.
- Elected official–manager relationships are based on mutual respect.
- There are generally no disruptive or negative interactions between managers and elected officials.
- Managers and elected officials do not engage in personal attacks.
- The manager and elected officials communicate well.

Organizations with strategic plans also generally agree with the following statements:

- The relationship between elected officials supports the strategic plan.
- The relationship between manager and elected officials supports the strategic plan.
- The strategic plan is embedded in the budget.
- The manager’s evaluation is based at least in part on the strategic plan.

New Insights

As researchers, what insights have we gained from this snapshot from the field?

Expected Findings

Expected findings include the following:

- Strategic planning is possible regardless of a jurisdiction's population size or budget.
- Relationships and role clarity between managers and elected officials are improved somewhat when plans are in place.
- The most likely way that local governments link plans to decision-making is through budget allocations.
- Managers play the biggest role overseeing a strategic planning process from start to finish; however, elected officials and others contribute to varying degrees throughout the process.

Unexpected Findings

Unexpected findings include the following:

- **Elected bodies in jurisdictions with strategic planning are more likely to self-reflect about their own performance.** Overall, elected officials are not very likely to engage in self-evaluation as a body. This is consistent with our experience working with elected bodies. But apparently having a plan in place makes such self-evaluation more likely than if no plan existed. We find this encouraging and hope that as more jurisdictions adopt strategic plans, elected bodies will use the plans to gauge their own performance over time.
- In jurisdictions with strained relationships, the presence of a plan is not a panacea. Yet our research shows that **having a plan is constructive in building stronger, more positive relationships within elected bodies and between elected and appointed officials.**
- The gap between the perceived quality of relationships between managers and their elected bodies and between elected members is puzzling. Less than 10 percent of managers would characterize their relationships with elected officials as negative, yet **one-quarter to one-third of elected officials said their relationships with fellow elected officials include disruptive behavior and personal attacks** (see Figure 8). This finding may warrant further research.

Conclusion

Several interviewees talked about the “big picture” and long-term impacts of strategic planning on role clarity, relationships, and decision-making:

“A strategic plan crystalizes the story for your community. It provides consistency of message.”

“So [a plan and process] is a broader way of thinking, it's not necessarily so narrowly focused on numbers and tax rate, it's focused on vision for the future.”

“It’s an opportunity—local government is so day-to-day. There’s always something going on. . . . And so strategic planning gives folks in the organization the opportunity to step back, think longer-term, and prioritize.”

“If you open up the dialogue to say we’re going to talk about our future and what we want to see our county become, it kind of changes the focus from how we’re going to make sure we’re more efficient to how we’re going to make sure that we plan our future like we’d like it to be.”

“A strategic plan is also helpful in showing other levels of government (county, state) what you are doing, what you need, and how you fit in with their plans and goals.”

Strategic planning does make a difference! Overall, with respect to the value added by strategic planning, our study suggests that local governments can benefit from: (a) clearer delineation of the roles of elected officials and professionals as they relate to long-term goals and day-to-day management; (b) stronger, more positive working relationships; and (c) closer connections among a variety of decision-making processes beyond just budgeting. These affirmative returns suggest that strategic planning can be a worthwhile investment for communities of all types to make.

Appendix: A Closer Look at the Data

We have shown that leaders who do strategic planning perceive their roles and relationships differently from those who do not. However, we have not determined the statistical significance of these differences. Our analysis here assures us that strategic planning can improve local government function by enhancing role clarity and relationships, but further study illustrating statistical significance would strengthen our results, particularly around relationships.

Our first hypothesis was that local governments engaged in strategic planning will be characterized by greater role clarity, especially among elected officials. Specifically, we expected that elected officials would better understand their roles as policy-makers and big-picture leaders and would less likely become involved in day-to-day management issues. We assessed this hypothesis as part of our survey data with two questions asked of both the “no plan” and “engages in planning” groups.

Indicator	Average response		Expected response
	No plan	Engages in strategic planning	
Elected officials are focused on the big picture or long-term projects.	Neither agree nor disagree (1.86)	Somewhat agree (2.67)	Strongly agree (4.00)
Elected officials are focused on daily operations of the local government.	Neither agree nor disagree (2.36)	Neither agree nor disagree (2.03)	Strongly disagree (0.00)

On the first of these indicators, the presence of a strategic plan appears to have the hypothesized effect, with jurisdictions engaged in strategic planning agreeing more with the statement “Elected officials are focused on the big picture.” On the second indicator, responses also move in the expected direction, but to a lesser extent.

Our second hypothesis was that appointed and elected officials in local governments engaged in strategic planning will report having stronger, more positive relationships than those in governments that do not engage in strategic planning. In our survey we asked a number of questions to assess the quality of relationships between elected officials and between appointed and elected officials, which are listed below.

Indicator	Average response		Expected response
	No plan	Engages in strategic planning	
The working relationship between and among elected officials is built on mutual respect.	Somewhat agree (2.98)	Somewhat agree (3.16)	Strongly agree (4.00)
Elected officials frequently engage in negative or disruptive behavior when debating issues.	Somewhat disagree (1.09)	Somewhat disagree (1.20)	Strongly disagree (0.00)
Elected officials have personally attacked each other.	Somewhat disagree (1.36)	Somewhat disagree (1.31)	Strongly disagree (0.00)
Elected officials communicate well with each other.	Neither agree nor disagree (2.25)	Somewhat agree (2.69)	Strongly agree (4.00)
The working relationship between elected officials and the manager/administrator is built on mutual respect.	Somewhat agree (3.08)	Somewhat agree (3.48)	Strongly agree (4.00)
Elected officials and the manager/administrator frequently engage in negative or disruptive behavior when debating issues.	Somewhat disagree (0.69)	Somewhat disagree (0.60)	Strongly disagree (0.00)
Elected officials and the manager/administrator have personally attacked each other.	Somewhat disagree (0.78)	Somewhat disagree (0.55)	Strongly disagree (0.00)
Elected officials and the manager/administrator communicate well with each other.	Somewhat agree (2.81)	Somewhat agree (3.21)	Strongly agree (4.00)

On all but one indicator jurisdictions engaged in strategic planning were closer to the expected response, suggesting that strategic planning is related to stronger relationships between elected and appointed officials.

We also sought to examine the role strategic planning made in decision-making. To do this we asked local governments engaged in strategic planning the following questions.

Indicator	Average response	Expected response
Elected officials' self-evaluation or self-review requires them to assess their use or implementation of the strategic plan.	(0.46)	Yes (2.00)
Department heads' performance evaluations include an assessment of progress toward or accomplishment of strategic plan goals.	(1.33)	Yes (2.00)
Performance evaluations for other staff include an assessment of progress toward or accomplishment of strategic plan goals.	(1.25)	Yes (2.00)
The manager's/administrator's performance evaluation includes an assessment of progress toward or accomplishment of strategic plan goals.	(1.47)	Yes (2.00)

Note: 0: No 1: Unsure 2: Yes

Indicator	Average response	Expected response
The working relationship between and among elected officials enhances or supports our ability to achieve strategic goals.	Somewhat agree (3.11)	Strongly agree (4.00)
Strategic plan goals are considered when allocating revenue during the budget process.	Somewhat agree (2.98)	Strongly agree (4.00)
Board meeting agendas include references to the local government's strategic goals.	Neither agree nor disagree (2.12)	Strongly agree (4.00)
Leadership team meeting agendas include references to the local government's strategic goals.	Neither agree nor disagree (2.29)	Strongly agree (4.00)
The working relationship between elected officials and the manager/administrator enhances or supports our ability to achieve strategic goals.	Somewhat agree (3.44)	Strongly agree (4.00)

These average responses show that the most common ways local governments incorporate the strategic plan into decision-making practices are to consider the plan when allocating revenue and ensure both appointed and elected officials are supportive of achieving plan goals.

We also ran a correlation matrix for these responses and found that these decision-making factors were correlated with each other, meaning that if a local government includes the strategic plan in one decision-making process, they are likely to incorporate the plan in other processes as well.



JG

ITEM #:

LEE COUNTY AGENDA ABSTRACT BOARD OF COMMISSIONERS MEETING

MEETING DATE: February 01, 2019

SUBJECT: Open Broadband Introduction and Discussion

DEPARTMENT: Information Technology

CONTACT PERSON: Kyle Edwards

TYPE: Consent Agenda Action Item Public Hearing Information

REQUEST	NA
BUDGET IMPACT	NA
ATTACHMENTS	NA
PRIOR BOARD ACTION	NA
RECOMMENDATION	N/A
SUMMARY	

Open Broadband provides hybrid fiber and fixed wireless ISP solutions to bring fast and reliable broadband internet to under-served communities. They recently completed a project at the Copper Ridge neighborhood and were able to provide much needed bandwidth increases for citizens there.

Compared to fiber or cable, fixed-wireless is much faster to deploy, and does not involve digging up streets or moving lines on poles. It is much faster than DSL, satellite, and cellular hotspots, and is very low latency.

I have asked Open Broadband to come and present what they are doing in Lee County and other surrounding counties so that the Board of Commissioners are aware of this company, their business model/strategy/goals, and can gather more information if you see fit.

eSigned via GreenDoc.com
Kyle W. Edwards
Key: 4f4bc0883110ab110614e5382b02e7006



LEE COUNTY AGENDA ABSTRACT BOARD OF COMMISSIONERS MEETING

ITEM #:
VI.

(Use the Down or Up Arrows to move between fields of the Form)

MEETING DATE: February 1, 2019

SUBJECT: Agenda Management Proposal

DEPARTMENT: Administration

CONTACT PERSON: Jennifer Gamble, Deputy County Attorney/Clerk to the Board

INFORMATION:

BUDGET IMPACT	Annual Fee - FY 19 \$7,920, FY 20 \$8,474, FY 21 \$9,067.61 \$3,950 - Set Up and Remote Training Fee (One Time) 60 Day Pilot Program - No Charge
ATTACHMENTS	Granicus Meeting Management Solution for Novus Agenda Proposal
SUMMARY	

Review of purpose and benefit of agenda/meeting management solution, demonstration of product, and time schedule for launch in February 2019.

Jennifer Gamble

Subject: [EXTERNAL]Lee County NC NovusAGENDA Board Member Retreat Demonstration
Location: Phone and Internet

Start: Fri 2/1/2019 10:30 AM
End: Fri 2/1/2019 11:00 AM
Show Time As: Tentative

Recurrence: (none)

Organizer: Alex Chacon

CAUTION: External Email. Do not click links or open attachments unless verified. Send all suspicious email as an attachment to [Bad Mail](#)

Alex's Meeting

Please join my meeting from your computer, tablet or smartphone.

<https://www.gotomeet.me/AlexChacon280>

You can also dial in using your phone.

United States: +1 (571) 317-3122

Access Code: 164-176-741

First GoToMeeting? Let's do a quick system check: <https://link.gotomeeting.com/system-check>

Alex Chacon
Account Executive – Sales
Granicus, Inc.
Work: (720) 240-9586 ext 1025 Cell: (561) 866-2449
www.Granicus.com





Granicus Proposal for Lee County NC

Granicus Contact

Name: Alex Chacon
Phone: +1 5618662449
Email: alex.chacon@granicus.com

Proposal Details

Quote Number: Q-52301
Prepared On: 1/3/2019
Valid Through: 2/15/2019

Pricing

Payment Terms: Net 30 (Payments for subscriptions are due at the beginning of the period of performance.)
Currency: USD
Period of Performance: The term of the Agreement will commence on the date this document is signed and will continue for 36 months.

One-Time Fees

Solution	Billing Frequency	Quantity/Unit	One-Time Fee
NovusAGENDA - Setup & Config	50% Up Front 50% Upon Delivery	1 Each	\$3,200.00
NovusAGENDA - Online Training	50% Up Front 50% Upon Delivery	1 Units	\$750.00
SUBTOTAL:			\$3,950.00

Annual Fees for New Subscriptions

Solution	Billing Frequency	Quantity/Unit	Annual Fee
NovusAGENDA	Annual	1 Each	\$7,920.00
SUBTOTAL:			\$7,920.00



Remaining Period(s)			
Solution(s)		Year 2	Year 3
NovusAGENDA		\$8,474.40	\$9,067.61
	TOTAL:	\$8,474.40	\$9,067.61



Product Descriptions	
Name	Description
NovusAGENDA	NovusAGENDA Software License
NovusAGENDA - Setup & Config	Professional services offered to clients to install, deploy, and configure NovusAgenda
NovusAGENDA - Online Training	Webinar based training for NovusAGENDA including: -Item creator training -Item approver training -Agenda preparer training -System administrator training -Board member training



Terms and Conditions

- Link to Terms: https://granicus.com/pdfs/Master_Subscription_Agreement.pdf
- This quote is exclusive of applicable state, local, and federal taxes, which, if any, will be included in the invoice. It is the responsibility of Lee County NC to provide applicable exemption certificate(s).
- Any lapse in payment may result in suspension of service and will require the payment of a setup fee to reinstate the subscription.
- If submitting a Purchase Order, please include the following language: All pricing, terms and conditions of quote Q-52301 dated 1/3/2019 are incorporated into this Purchase Order by reference.
- Lee County NC is eligible to receive up to five (5) two-day passes to the 2019 Granicus National Summit, valued at \$299.00 each. The Granicus National Summit is the premiere user conference for public sector professionals across federal, state, and local government. Attendees will be provided with hands-on training led by Granicus subject matter experts, as well as opportunities to learn and network with peers and leaders in government. *Granicus National Summit Dates: May 14-15, 2019*

Agreement and Acceptance

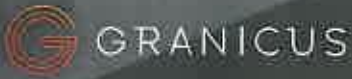
By signing this document, the undersigned certifies they have authority to enter the agreement. The undersigned also understands the services and terms.

Billing Information

Name:
Phone:
Email:
Address:

Lee County NC

Signature:
Name:
Title:
Date:



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ITEM #:
VII. A.

LEE COUNTY AGENDA ABSTRACT BOARD OF COMMISSIONERS MEETING

(Use the Down or Up Arrows to move between fields of the Form)

MEETING DATE: February 1, 2019

SUBJECT: Discussion regarding fund balance and net assets

DEPARTMENT: Administration/Finance

CONTACT PERSON: Lisa G. Minter, Assistant County Manager/Finance Director

TYPE: Consent Agenda Action Item Public Hearing Information

REQUEST	N/A
BUDGET IMPACT	N/A
ATTACHMENTS	(1) Excerpt from FY 2018 CAFR, (2) County Fund Balance Information, (3) Ancillary Governmental Participant Investment Program (AGPIP) Overview, (4) AGPIP Frequently Asked Questions, and (5) LGC Memo 1103 regarding NC Department of State Treasurer's Local Government Other Post Employment Benefits (OPEB) Fund, and (6) Powerpoint Slides
PRIOR BOARD ACTION	N/A
RECOMMENDATION	N/A
SUMMARY	

Lee Carter, Vice President for Capital Management of the Carolinas, LLC and a former senior staff member with Local Government Commission, will be here to discuss with the Board of Commissioners the difference between net assets and fund balance that are reported in the County's financial statements. He will also address the impacts of funding the County's other post-employment benefits (OPEB).

INTRODUCTORY SECTION

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October 31, 2018

The Board of County Commissioners and Citizens of Lee County
Lee County, North Carolina

Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the State publish a complete set of financial statements annually. The financial statements must be presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Lee County for the fiscal year ended June 30, 2018.

This report consists of management's representations concerning the finances of Lee County. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of Lee County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Lee County's financial statements in conformity with GAAP. Since the costs of internal controls should not outweigh their benefits, Lee County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Thompson, Price, Scott, Adams & Co., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Lee County for the fiscal year ended June 30, 2018, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that Lee County's financial statements for the year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

Lee County, founded in 1907, is located on the fall line dividing the Piedmont and Coastal Plains regions of the state. It has a land area of 255 square miles and a population of 60,430. There are two municipalities within the County, the largest being the City of Sanford, which serves as the County seat.

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

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

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

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

Factors Affecting Financial Condition

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

Local economy. Lee County is geographically located at the southern base of the Research Triangle Region, which includes the Raleigh-Cary Metropolitan Statistical Area (MSA) with a 2018 population estimate of 1,338,928 and the Durham-Chapel Hill MSA with a population estimate of 571,105. Lee County is part of the eight county Raleigh Durham Combined Statistical Area (CSA), which has a total population of 2,207,935. Lee County is also located within commuting distance of the Fayetteville MSA, home of Fort Bragg, the US army's largest military installation. The Fayetteville MSA has a 2018 population estimate of 551,314.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Long-term financial planning. The County prepares a five-year capital improvements program and updates it each year. At June 30, 2018, general fund projects estimated at \$3.2 million were planned over the next five years and community development projects totaled \$27.8 million. The program also includes \$17.2 million in projects for Lee County Schools. On May 9, 2018, Lee County sold limited obligation bonds totaling \$30,095,000 for the construction of a new elementary school, courthouse complex renovations, and park improvements. However, future projects may be impacted by future economic conditions. To assist in the funding of the County's capital improvements program, the Board of Commissioners placed a referendum on the ballot in November 2009 for the levy of an additional ¼ percent sales tax. The referendum was approved, and the levy began on July 1, 2010.

During the year, the County engaged in several initiatives to ensure its ability to continue to meet long-term expectations. From a budgetary standpoint, several actions were taken to counter the effects of increased debt service. Those actions resulted in the Board adopting a budget totaling \$75,164,491 that was approximately 5.57 percent above the budget for FY 2017-18. The County maintained its property tax rate at \$0.795 per \$100 of assessed value.

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

Awards and Acknowledgments

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Lee, North Carolina, for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This was the twenty-second consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principals and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments - The preparation of this report would not have been possible without the assistance and dedication of the staff of the Finance Department. I would like to thank Thompson, Price, Scott, Adams & Co., the County's independent auditors, for their guidance in preparing this report. The cooperation of each County department is also appreciated as we work together to serve Lee County. In addition, I wish to express my appreciation to the Board of Commissioners and County Manager John Crumpton for their continued support and leadership in conducting the financial affairs of the County.

Respectfully submitted,



Lisa G. Minter
Assistant County Manager/Finance Director



Government Finance Officers Association

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

Presented to

**County of Lee
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

COUNTY OF LEE, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

June 30, 2018

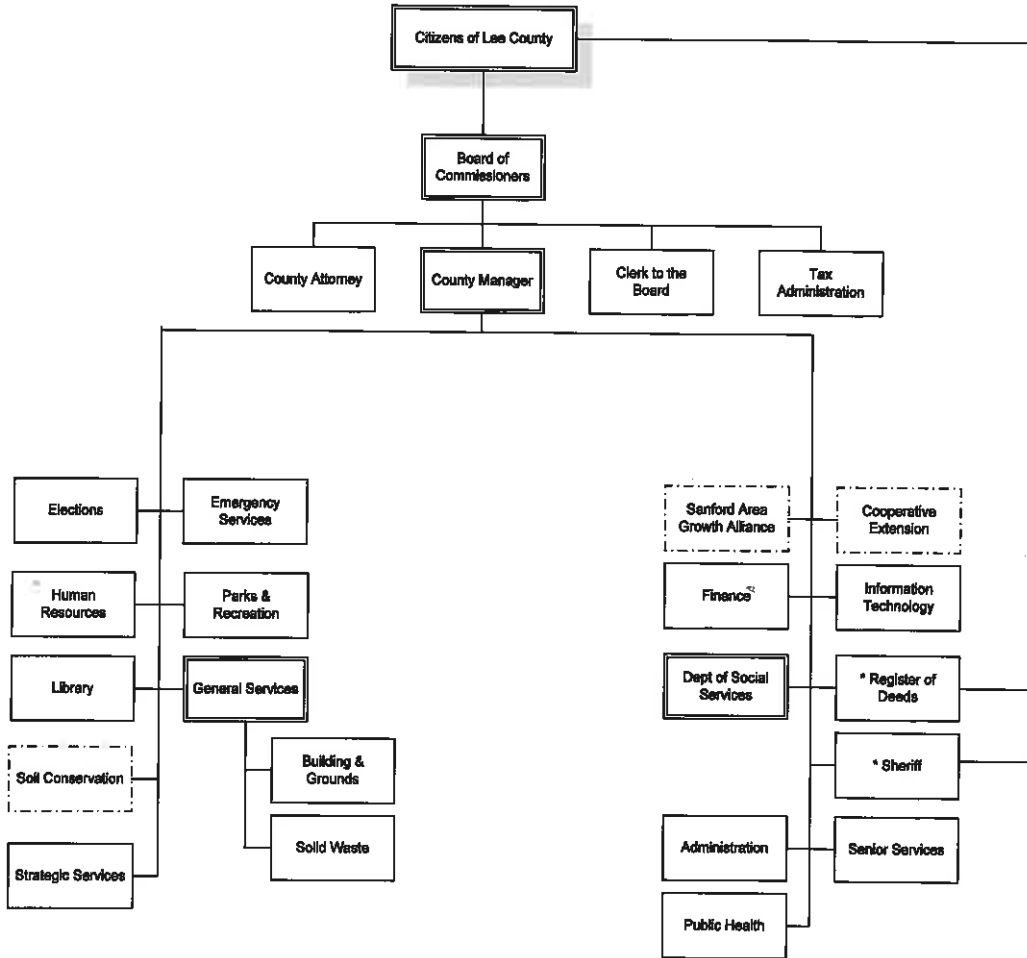
BOARD OF COUNTY COMMISSIONERS

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

COUNTY OFFICIALS

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

COUNTY OF LEE, NORTH CAROLINA
ORGANIZATIONAL CHART



* Elected Officials
 ----- Liaison Relationship

FINANCIAL SECTION

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**CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS AND TAX ADVISORS**

Alan W. Thompson, CPA

R. Bryon Scott, CPA

Gregory S. Adams, CPA

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Members

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information Lee County, North Carolina as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

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

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

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

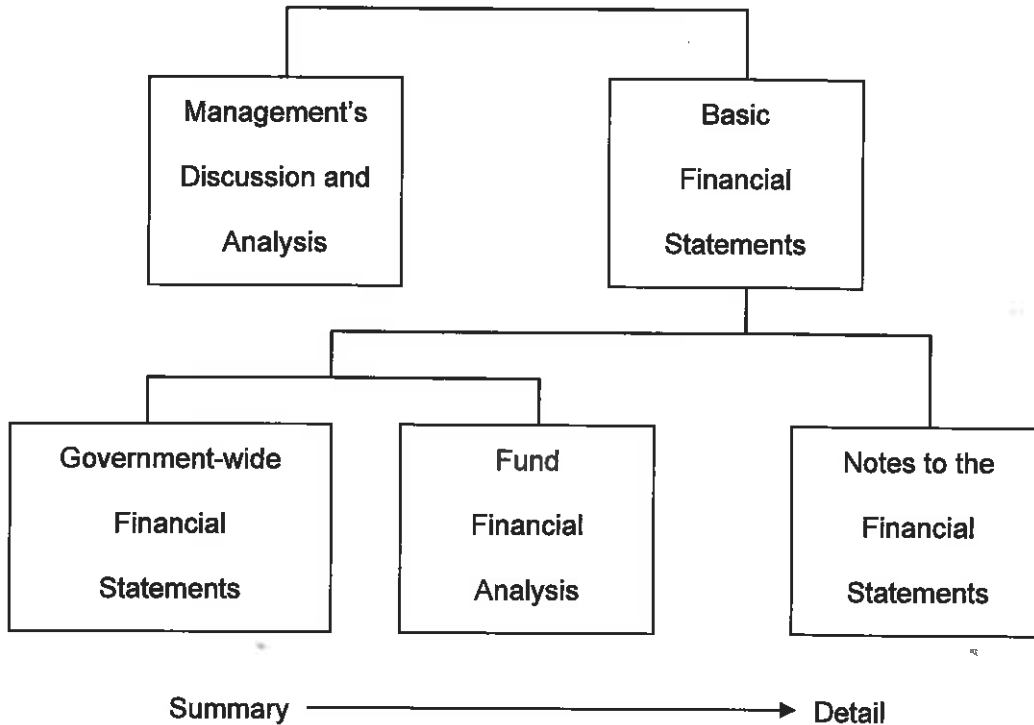
Financial Highlights

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

Overview of the Financial Statements

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

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



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's general fund and the non-major governmental funds, which are added together in one column on the basic financial statements. Budgetary information required by North Carolina General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's pension and benefit plans.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County has nine fiduciary funds: the Brown Bequest Trust Fund, and eight agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 27 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide health insurance benefits to retirees and pension benefits to its employees. Required supplemental information can be found on page 70 of this report.

Government-Wide Financial Analysis

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

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

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

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

As with many counties in the State of North Carolina, the County's Governmental Activities deficit in unrestricted net position is due primarily to the portion of the County's outstanding debt incurred for the Lee County Board of Education (the "schools") and Central Carolina Community College (the "community college"). Under North Carolina law, the County is responsible for providing capital funding for the school and community college systems. The County has chosen to meet its legal obligation to provide the systems capital funding by using a mixture of County funds, general obligation debt, and installment financings. The assets funded by the County; however, are titled to, and utilized by the school and community college systems. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. As of June 30, 2018, approximately \$88.9 million of the outstanding debt on the County's financial statement was related to assets included in the school and community college systems' financial statements.

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

- Continued diligence in the collection of current year property taxes by maintaining a collection percentage of 99.21 percent for real and personal property and 100.00 percent for motor vehicles.
- Continued low cost of debt due to the County's high bond ratings.
- Continued accumulation of funds into the Capital Projects Outlay Fund. The County Commissioners continued to set aside the equivalent of 0.75 cent on the tax rate to fund capital projects. Accumulated funds will be used to fund debt service for a new elementary school, courthouse complex renovations, and park improvements.
- The General Fund had budgeted fund balance appropriated of \$3,927,584 that was not used during the fiscal year.
- County departments were conservative in their spending and General Fund expenditures at June 30, 2018 were \$4,584,544 under budget.

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

Key factors that help offset the decrease are as follows:

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

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

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

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

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

Financial Analysis of the County's Funds

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

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

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

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the County's fund balance available for appropriation in the General Fund was \$14,670,340, while total fund balance reached \$20,591,514. The Board of Commissioners of Lee County has adopted a set of financial policies that states the County will maintain as a floor an available fund balance equal to 16 percent of the General Fund expenditures at the end of each fiscal year; however, the County will strive

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

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

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

Major budget increases during the year include:

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

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

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

Capital Asset and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2018, totals \$22,365,038 (net of accumulated

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

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

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

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

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

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 23,457,668	\$ 24,692,282	\$ -	\$ -	\$ 23,457,668	\$ 24,692,282
Limited Obligation Bonds	33,212,129	-	-	-	33,212,129	-
Certificates of Participation	28,727,000	32,138,000	-	-	28,727,000	32,138,000
Installment Notes	13,288,354	15,326,549	-	-	13,288,354	15,326,549
Note Payable	-	-	320,971	-	320,971	-
Compensated Absences	1,754,452	1,766,520	16,382	18,905	1,770,834	1,785,425
Net Pension liability (LRS)	3,610,894	5,046,925	43,114	60,262	3,654,008	5,107,187
Total Pension Liability (LEOSSA)	1,229,784	1,162,685	-	-	1,229,784	1,162,685
Net OPEB liability	24,030,040	9,076,942	264,814	186,428	24,294,854	9,263,370
Totals	\$ 129,310,321	\$ 89,209,903	\$ 645,281	\$ 287,612	\$ 129,955,602	\$ 89,475,498

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

As mentioned in the financial highlights section of this document, Lee County maintained its Aa2 rating Moody's Investor Service and its AA rating from Standard and Poor's Corporation during the fiscal year. These bond ratings are a clear indication of the sound financial condition of Lee County.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Lee County is \$329,422,744.

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

Economic Factors and Next Year's Budgets and Rates

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

The following factors were considered when developing the 2019 budget:

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

Budget Highlights for the Fiscal Year Ending June 30, 2019

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

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

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

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

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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

Exhibit 1

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

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

Exhibit 2

LEE COUNTY, NORTH CAROLINA
 Statement of Activities
 For the Year Ended June 30, 2018

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Change in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
Government activities:						
General government	\$ 8,894,682	\$ -	\$ -	\$ (8,244,933)	\$ -	\$ (8,244,933)
Public safety	13,533,239	235,817	-	(12,573,381)	-	(12,573,381)
Economic and physical development	1,788,613	30,017	-	(1,758,596)	-	(1,758,596)
Human services	12,943,413	6,695,999	-	(4,525,422)	-	(4,525,422)
Cultural and recreation	1,591,557	115,634	-	(1,122,633)	-	(1,122,633)
Education	41,564,924	-	-	(41,564,924)	-	(41,564,924)
Interest on long-term debt	2,896,297	-	-	(2,896,297)	-	(2,896,297)
Total governmental activities	83,212,725	7,077,467	-	(72,686,186)	-	(72,686,186)
Business-type activities:						
Water & Sewer	320,325	-	-	-	(320,325)	(320,325)
Solid Waste Management Fund	1,390,842	1,310,715	-	-	(80,127)	(80,127)
Total business-type activities	1,711,167	1,310,715	-	-	(400,452)	(400,452)
Total primary government	\$ 84,923,892	\$ 7,077,467	\$ -	(72,686,186)	(400,452)	(73,086,638)
General revenues:						
Ad valorem taxes				45,297,237	-	45,297,237
Sales taxes				13,889,956	-	13,889,956
Other taxes				1,103,417	-	1,103,417
Grants and contributions not restricted to specific programs				703,051	140,904	843,955
Investment earnings				608,155	14,625	622,780
Miscellaneous				392,692	-	392,692
Total general revenues				61,994,508	155,529	62,150,037
Change in net position				(10,691,678)	(244,923)	(10,936,601)
Net position, beginning, previously reported				(19,176,546)	1,545,704	(17,632,842)
Restatement				(15,941,948)	(89,282)	(16,031,230)
Net position, beginning, restated				(35,120,494)	1,456,422	(33,664,072)
Net position, ending				(45,812,172)	1,211,499	(44,600,673)

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

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

Exhibit 3

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

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

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

Exhibit 3
(cont.)

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

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

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

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

Exhibit 4

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

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

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

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

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal.

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

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

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

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

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

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (26,723,157)

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

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

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

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

Exhibit 5

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

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

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

Exhibit 6

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

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

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

Exhibit 7

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

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

LEE COUNTY, NORTH CAROLINA
Statement of Cash Flows - Proprietary Funds
For The Year Ended June 30, 2018

Exhibit 8

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

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

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

Exhibit 9

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

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

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

Exhibit 10

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lee County and its component units conform to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a seven-member board of commissioners, is one of the 100 counties established in North Carolina under General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. The Lee County Water and Sewer District #1 exists to provide and maintain a water and sewer system for the County residents within the District. The District is reported as an Enterprise Fund in the County's financial statements. Lee County Industrial Facility and Pollution Control Financing Authority (the *Authority*) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. Lee County Development Corporation (the *Corporation*) exists for the purpose of providing debt financing for the County, to fulfill various statutory obligations involving but not limited to purchase and sale, construction and/or lease of real estate and improvement, facilities, and equipment. The Corporation has no financial transactions or account balances; therefore, it is not presented in the combined financial statements.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Water and Sewer District #1	Blended	Under State law (G.S. 162A-89), the County's Board of Commissioners also serves as the governing board for the District. The County has operational responsibility for the District.	None issued.
Lee County Industrial Facility and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board that is appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued.
Lee County Development Corporation	Discrete	The Corporation has a three-member board of directors who are established through the by-laws of the Articles of Incorporation.	None issued.

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation – Government-wide and Fund Financial Statements (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The County reports the following major governmental funds:

General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

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

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

The County reports the following major enterprise funds:

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

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

Additionally, the County reports the following fund types:

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

Private-purpose trust fund. The County maintains one private-purpose trust fund: the Kenneth Brown Bequest Fund. Private-purpose trust funds are used to account for resources legally held in trust for use by a not-for-profit organization. These funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The Kenneth Brown Bequest Fund accounts for assets where the interest and principal can be spent.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation – Government-wide and Fund Financial Statements (Continued)

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains agency funds to account for amounts collected on behalf of the Town of Broadway, the City of Sanford, and the Central Business District for property taxes; amounts collected on behalf of the City of Sanford for room occupancy tax; amounts deposited with Social Services for the benefit of certain individuals; and various legal fines and forfeitures that the County is required to remit to the Lee County Board of Education; monies deposited with the Jail for the benefit of certain inmates; and monies deposited with the County for health insurance benefits for retirees of the former Lee-Harnett Mental Health Authority.

Enterprise Funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Lee County has two enterprise funds: the Water and Sewer District #1 Fund and the Solid Waste Management Fund.

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

C. Measurement Focus, Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting (Continued)

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Since September 1, 2013, the State of North Carolina has been responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. These property taxes are due when vehicles are registered. Motor vehicle property tax revenues are applicable to the fiscal year in which they are received. Uncollected taxes that were billed by the County for periods prior to September 1, 2013 or those for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

D. Budgetary Data

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deposits and Investments

All deposits of the County are made in board-designated official depositories and are secured as required by North Carolina G.S. 159-31. The County may establish official depositories with any bank or savings association whose principal office is located in North Carolina. The County may also establish time deposits in the form of NOW and SuperNow accounts, money market accounts, and certificates of deposit.

State Law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

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

Cash and Cash Equivalents

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

Restricted Assets

The unexpended bond proceeds of the Central Carolina Community College project funds are classified as restricted assets because their use is restricted to those projects. The unexpended bond proceeds of the Series 2018 Limited Obligation Bonds are classified as restricted assets within the Elementary School Facility Fund, the Courthouse Complex Renovations Fund, and the Park Improvements Fund. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. The taxes are based on the assessed values as of January 1, 2017.

Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Transfers to" in the General Fund and "Transfers from" in the receiving fund.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost where records are available and at an estimated historical cost where no historical records exist. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. The costs of normal maintenance and repair that do not add to the value of the assets or materially extend assets' lives are not capitalized.

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows/Inflows of Resources

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

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statements of net position.

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

Compensated Absences

The vacation policies of the County provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Net Position/Fund Balances

Net Position

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position/Fund Balances (Continued)

Fund Balances

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

The governmental fund types classify fund balance as follows:

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

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

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

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

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

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

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

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

Committed for Economic and Physical Development – portion of fund balance that can only be used for economic and physical development projects.

Committed for Public Safety – portion of fund balance that can only be used for public safety purposes.

Committed for Human Services – portion of fund balance that can only be used for human services purposes.

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position/Fund Balances (Continued)

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

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

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

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned to specific purpose. The general fund should be the only fund to report a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative fund balance.

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

The County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 16% of budgeted expenditures. The County’s financial policy also directs management to strive to reach an available fund balance level of 24% of budgeted expenditures. Amounts in excess of that will be transferred to a capital reserve fund to provide equity resources to fund the County’s capital improvement plan.

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

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

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Outstanding encumbrances in the governmental funds at June 30, 2018 were as follows:

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Defined Benefit Pension Plans

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

F. Reconciliation of Government-wide and Fund Financial Statements

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balance or Net Position of Individual Funds

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

B. Excess of Expenditures over Appropriations

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

III. DETAIL NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

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

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

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments

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

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

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

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

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits at least 75% of the County's investment portfolio to maturities of less than 12 months. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than three years.

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2018, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAA by Standard & Poor's as of June 30, 2018. The County's investments in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high-grade money market instruments as permitted under North Carolina General Statute 159-30 as amended.

Concentration of Credit Risk. With the exception of U.S. Treasury securities and agencies and authorized pools, Lee County's investment policy does not allow for an investment in one issuer in excess of 40% of the County's total investments.

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

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

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

C. Receivables

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

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

D. Capital Assets

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

Governmental activities by type:

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

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

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Business-type activities by type:

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

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

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

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

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

E. Liabilities

Payables

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

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

F. Pension Plan and Other Post-Employment Obligations

1. Local Governmental Employees' Retirement System

Plan Description

The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

1. Local Governmental Employees' Retirement System (Continued)

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

Contributions

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

Refunds of Contributions

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

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

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

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

1. Local Governmental Employees' Retirement System (Continued)

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

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

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

Actuarial assumptions

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

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

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

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

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

1. Local Governmental Employees' Retirement System (Continued)

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

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

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

Discount Rate

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

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

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

1. Local Governmental Employees' Retirement System (Continued)

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

Pension plan fiduciary net position

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

2. Law Enforcement Officers' Special Separation Allowance

Plan Description

The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>66</u>
Total	<u>69</u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

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

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

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

Actuarial Assumptions

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

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

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

Mortality rates are based on the following:

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

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

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

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

Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$42,610 as benefits came due for the reporting period.

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

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

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

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

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

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

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

3. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

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

Funding Policy

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

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

Plan Description

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

Funding Policy

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

5. Registers of Deeds' Supplemental Pension Fund

Plan Description

The County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a non-contributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Register of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided

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

Contributions

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

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

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

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

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

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

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

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

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

Actuarial Assumptions

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

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

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

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

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

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

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

Discount Rate

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

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

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

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

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

Pension plan fiduciary net position

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

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

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

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

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

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

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

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

Plan Description

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

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

Benefits Provided

THE HCB Plan provides healthcare benefits for retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and have at least 15 years of continuous years of employment with Lee County immediately preceding retirement. Retirees who were hired prior to March 1, 2010 select from two pre-65 health plan options; a HSA plan (basic plan) that is fully paid for by the County and also includes an annual contribution to the retirees' Health Spending Account, or a PPO plan that requires monthly contributions from retirees. Once the retiree becomes covered by Medicare, the retiree is moved to a Medicare Advantage Prescription Drug Plan (MA-PD) fully subsidized by the County. Retirees who were hired after March 1, 2010 are able to select from two pre-65 health plan options; a HSA plan (basic plan) that is fully paid for by the County and also includes an annual contribution to the retirees' Health Spending Account, or a PPO plan that requires monthly contributions from retirees. Coverage ends at the earlier of a retiree reaching age 65, becoming covered under another comparable group medical plan, or becoming entitled to Medicare. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

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

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

Total OPEB Liability

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

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

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

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

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

Changes in the Total OPEB Liability

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

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

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

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

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

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

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

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

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

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

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

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

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

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

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

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

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

Year ended June 30:	
2019	\$ (382,149)
2020	(382,149)
2021	(382,149)
2022	(382,149)
2023	(382,149)
Thereafter	(298,074)

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

G. Deferred Compensation Plan

The County offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans available to all County employees permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Participation in the plan is at the option of the employee.

The County has complied with changes in the laws which govern the County's Deferred Compensation Plan, requiring all assets of the plan be held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement 32, *Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans*, the County's Deferred Compensation Plans are not reported as County agency funds.

H. Other Employment Benefits

The County has elected to provide death benefits to employees through a Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to his/her death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from Death Benefit Plan. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

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

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

I. Closure Costs - Lee County Landfill Facility

Due to State and federal laws and regulations, the County chose to stop accepting substantially all waste at its landfill and placed a final cover on the site; however, the County continued to accept a limited amount of waste, primarily construction and demolition materials until June 30, 2008. The County is placing a final cover on the construction and demolition site. The County is required to perform certain maintenance and monitoring functions at the site as part of the closure, but it is not subject to the financial assurance rule. Although closure costs are paid after the date the landfill stopped accepting waste, the County reports a portion of these closure costs as an operating expense in each period based on the life of the landfill. The total cost of closure is

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

estimated to be \$712,946; \$688,933 has been incurred as of June 30, 2018 and the remaining \$24,013 is reported as liability within the Solid Waste Management Fund at June 30, 2018. These amounts are based on what it would cost to perform all necessary closure and monitoring; however, actual costs may be higher due to inflation, changes in technology or changes in regulations.

J. Deferred Outflows and Inflows of Resources

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

K. Contingent Liabilities

The County has elected to pay the direct cost of employment security benefits in lieu of employment security taxes on the payroll. A liability for benefit payments could accrue in the year following discharge of employees.

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies. The amount, if any, of such refunds cannot be determined at this time although management believes that such amounts would be immaterial. No provision has been made in the accompanying financial statements for the refund of grant funds.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

L. Risk Management

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

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

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

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

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

M. Long-Term Obligations

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

1. Changes in Long-Term Debt

The following is a summary of changes in the County's long-term debt for the year ended June 30, 2018:

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

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

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

M. Long-Term Obligations (Continued)

2. Certificates of Participation and Limited Obligation Bonds

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

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

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

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

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

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

M. Long-Term Obligations (Continued)

3. General Obligation Bonds

All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit, and taxing power of the County. Principal and interest payments are appropriated when due.

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

Serviced by the General Fund:

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

\$ 21,850,000

Annual debt service requirements to maturity for the County's general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,150,000	\$ 863,937
2020	1,150,000	806,438
2021	1,150,000	748,937
2022	1,150,000	691,438
2023	1,150,000	633,937
2024-2028	5,750,000	2,307,188
2029-2033	5,750,000	1,214,687
2034-2037	<u>4,600,000</u>	<u>350,750</u>
Total	<u>\$ 21,850,000</u>	<u>\$ 7,617,312</u>

4. Installment Notes Payable

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

<u>Amount</u>	<u>Original Issue</u>		<u>Payment Information</u>		<u>Outstanding Balance</u>	<u>Purpose and Collateral</u>
	<u>Date</u>	<u>Rate</u>	<u>Period</u>	<u>Amount</u>		
\$ 1,622,021	August 2008	0.00%	Annual	115,859	\$ 579,293	School QZAB
12,000,000	May 2010	6.40%	Annual	Principal	2,031,000	RZEDB - Lee County High School
6,678,064	May 2010	6.40%	Annual	Principal	6,678,061	QSCB - Lee County High School
4,000,000	May 2010	6.40%	Annual	Principal	<u>4,000,000</u>	QZAB - Lee County High School
Total installment notes payable					<u>\$ 13,288,354</u>	

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

M. Long-Term Obligations (Continued)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,837,858	\$ 813,380
2020	1,896,858	703,172
2021	1,832,858	589,188
2022	1,808,858	479,300
2023	1,808,858	370,948
2024-2028	<u>4,103,064</u>	<u>408,328</u>
Total	<u>\$ 13,288,354</u>	<u>\$ 3,364,316</u>

The legal debt margin is governed by North Carolina G.S. 159-55. The net debt of the unit should not exceed 8% of the appraised value of property subject to taxation. As of June 30, 2018, Lee County has a legal debt margin of \$329,422,744.

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

Net Investment in Capital Assets

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

N. Joint Ventures

The County, in conjunction with eight other county governments (Anson, Guilford, Harnett, Hoke, Montgomery, Moore, Randolph, and Richmond) participates in a joint venture to operate The Sandhills Center for Mental Health, Developmental Disabilities, and Substance Abuse Services (Center). The Center operates units in each of the counties to provide services to residents who are in need of assistance for either mental health, developmental disabilities, or alcohol or drug-related problems. Each participating government appoints members to the Center's twenty-five-member governing board, with Lee County appointing two. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. The County contributed \$240,000 to the Center during the fiscal year ended June 30, 2018. None of the participating governments has any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2018. Complete financial statements for the Center can be obtained from the Center's office in West End, North Carolina 27376.

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

N. Joint Ventures (Continued)

will be paid in semi-annual installments over a period of 15 years. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2018. Complete financial statements for the Airport can be obtained from the Airport's administrative office at 3000 Airport Road, Sanford, NC 27330.

The County, in conjunction with the State of North Carolina, the Lee County Board of Education and the counties of Chatham and Harnett, participate in a joint venture to operate the Central Carolina Community College. Lee County and the State each appoint four members of the seventeen-member board of trustees of the community college. The Boards of Education for Chatham, Harnett and Lee jointly appoint four members to the board of trustees. The counties of Chatham and Harnett each appoint two members to the board of trustees, and the president of the community college's student government serves as an ex-officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues debt to provide financing for new and restructured facilities. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$2,907,860 to the community college for operating purposes and \$290,000 for capital outlay purposes during the fiscal year ended June 30, 2018. In addition, the County contributed \$49,000 to the operation of the Civic Center that is operated by the community college. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements as of June 30, 2018. Complete financial statements for the community college may be obtained from the community college's business office at 1105 Kelly Drive, Sanford, NC 27330.

The County, in conjunction with the City of Sanford, the Town of Broadway, and the Sanford Chamber of Commerce, participates in the Sanford-Lee County Partnership for Prosperity, Inc. Lee County appoints three members to the twenty-nine-member board. The Partnership for Prosperity is a joint venture established to facilitate economic expansion within the County. The County has an ongoing financial responsibility for the Corporation because the Corporation's continued existence depends on the participating governments' continued funding. The County contributed \$270,000 to the Partnership during the fiscal year ended June 30, 2018. None of the participating governments has any equity interest in the Corporation, so no equity interest has been reflected in the financial statements at June 30, 2018. Financial reports for the Corporation can be obtained from the Corporation's administrative office at 115 Chatham Street, Sanford, NC 27330.

O. Jointly Governed Organization

The County, in conjunction with four other counties and twenty municipalities established the Triangle J Council of Governments (Council). The participating governments established the Council to coordinate certain funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$11,264 to the Council during the fiscal year ended June 30, 2018.

P. Supplemental and Additional One-Half of One Percent Local Government Sales and Use Taxes

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2018, the County reported these local option sales taxes within its General Fund. The County expended the restricted portion of these taxes for funding of debt service of school capital outlay.

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

Q. Additional Support by Others

Benefit Payments Issued by the State

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

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

R. Conduit Debt Obligations

Lee County Industrial Facility and Pollution Control Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Four series of industrial revenue bonds were outstanding as of June 30, 2018. The original issue amount of such bonds totaled \$15,650,000. The amount of conduit debt outstanding at June 30, 2018 was not determinable and could not be reasonably estimated.

S. Interfund Balances and Activity

Transfers From / To Other Funds

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

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

U. Change in Accounting Principles/Restatement

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

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**REQUIRED SUPPLEMENTAL
FINANCIAL DATA**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the schedules:

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

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

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

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

Notes to schedule:

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

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

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

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

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

CCCC HEALTH SCIENCES CENTER FUND

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

ELEMENTARY SCHOOL FACILITY FUND

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

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

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

(Continued)

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

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

(Continued)

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

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

(Continued)

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

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

(Continued)

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

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

(Continued)

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

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

(Continued)

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

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

(Continued)

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

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

(Continued)

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

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

(Continued)

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

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

Memorandum #2018-10
 County Cash, Taxes and Fund Balance Available, June 30, 2017
 June 4, 2018
 Page 7

The table below shows the average percentage of fund balance available for appropriation for similarly grouped counties for the fiscal year ended June 30, 2017. Officials should use these figures to compare their unit to similar units and evaluate the adequacy of their unit's current reserves.

Average Available Fund Balance and Median of North Carolina Counties

Population Grouping	Number of Units	Average 2016-2017 Fund Balance Available	Average 2016-2017 Expenditures	Average FBA as a Percentage of Average Expenditures	Median 2016-2017 Fund Balance Available	Median FBA as a Percentage of Average Expenditures
Counties						
All	93	35,312,204	120,319,797	29.35%	21,284,846	30.55%
100,000 or more	26	83,259,066	301,020,405	27.66%	58,711,311	28.49%
50,000 to 99,999	26	25,393,787	75,948,066	33.44%	25,005,764	31.51%
25,000 to 49,999	20	16,263,805	48,323,870	33.66%	16,290,658	33.35%
Under 25,000	21	6,370,699	20,099,212	31.70%	6,135,342	30.45%

*As of March 9, 2018 we had not received the 2017 audit reports for Anson, Gates, Greene, Hoke, Northampton, Robeson and Washington Counties; therefore the fund balance available, cash and investments, uncollected property taxes figures and tax collection percentage for that county is not included. Beginning with year ended June 30, 2013, fiduciary funds are not included the cash and investments figures.

The statistics presented in this report were gathered from various sources. The fund balance, cash, and investment earnings data was obtained from the audit review process. The assessed valuation, tax rate, and last year of revaluation for each county were compiled from the Department of Revenue. The N.C. Department of Revenue calculates the assessment-to-sales ratios annually for each county. This ratio is based on a sample of selected real estate transactions within a county and equals the assessed valuation divided by the actual sales price. The county populations were provided by the Office of State Budget and Management and are estimates as of July 1, 2016. The tax rate equivalents and effective tax rates were calculated by the staff of the Department of State Treasurer. The average tax rates in this year's report are calculated on a dollar-weighted average basis. All data included in this report are the most recently available information. If you have any questions concerning this memorandum, please contact Sharon Edmundson at (919) 814-4289 or via email at sharon.edmundson@nctreasurer.com.

ANCILLARY GOVERNMENTAL PARTICIPANT INVESTMENT PROGRAM

General Overview

North Carolina Department of State Treasurer (NCDST) has established an Ancillary Governmental Participant Investment Program, as authorized by North Carolina law, to help ensure your investments benefit from low cost professional management. NCDST has leveraged our existing relationship with BlackRock to offer two new funds in the program: a Bond Index Fund (BIF) and an Equity Index Fund (EIF). In addition, the Short Term Investment Fund (STIP) managed internally by NCDST is available in the program. You'll have the opportunity to select and designate an allocation among the investment funds, based on your current investment authority.

Ancillary Governmental Participant Investment Funds

Bond Index Fund (BIF): The BIF invests in high quality debt securities eligible under N.C.G.S. 147-69.2 (b) (1)-(6). The BIF maintains a low cost approach to investing in investment grade fixed income assets through a passive index strategy. The BIF is designed to produce a return consistent with the Barclay's U.S. Aggregate Bond Index benchmark. Fund fees are 2.5 bps up to \$750 million total fund assets and 2bps once total fund assets are above \$750 million.

Equity Index Fund (EIF): The EIF invests primarily in US and non-US equity securities eligible under N.C.G.S. 147-69.2 (b) (8) with the objective of closely approximating the capitalization weighted total return of the markets for global publicly traded equity securities while maintaining a low cost approach. The EIF is designed to produce a return consistent with the Morgan Stanley Capital International All Country World Index benchmark. Fund fees are 2 bps.

Short Term Investment Fund (STIF): The STIF invests in highly liquid money market instruments and short to intermediate Treasuries, Agencies, and AAA-rated corporate obligations pursuant to N.C.G.S. 147-69.1-(C)(1)-(7). The STIF is designed to preserve capital, provide liquidity, and produce a return consistent with the iMoneyNet First Tier Institutional Money Market Fund Net Index benchmark. Fund fees and charges have historically been approximately 3 bps annualized.

NCDST has the authority to assess a separate administrative fee of up to 15 bps to cover its reasonable costs for the BIF and EIF including, but not limited to, legal, accounting, auditing, and other administration fees. This separate fee is currently waived, however, NCDST has discretion to impose this fee in the future.

Liquidity & Risks

The BIF and EIF are less liquid than short-term investments such as STIF. Such liquidity constraints should be taken into consideration when making allocations in the program. The BIF and EIF may potentially offer a higher rate of return than traditional short-term portfolios but you must understand that to achieve such performance the BIF and EIF may experience periods of declines in market value and/or principal loss and there is no guarantee of performance.

Enrollment

As a Participant, you will receive an enrollment packet and need to fill out certain forms, and at that time designate the allocation of monies across the investment Funds. Participants have the option to allocate across a combination of all three funds (based on your current investment authority under North Carolina Law).

NCDST Contact

Submit all inquiries to AGPIP@nctreasurer.com

Disclosure:

The furnishing of these terms is not intended to constitute investment advice offering an investment product. NCDST is undertaking their statutory responsibility set out in NCGS 147-69.3. There is no agreement or understanding between NCDST and any Fund participant under which the latter receives advice from NCDST concerning investments which are to be used as a primary basis for the participant's investment decisions relating to the Funds. The participant acknowledges that: (1) the Funds has liquidity limitations, volatility of returns, and risk of loss, including the potential for loss of the principal invested; (2) that NCDST is not providing investment advice to the participant; (3) that investing in the Funds is only suitable for participants who are willing to bear the economic risks of the investment; (4) that the participant will carefully review and consider all potential risks and costs before enrolling and investing.

Frequently Asked Questions

WHAT IS THE ANCILLARY GOVERNMENTAL PARTICIPANT INVESTMENT PROGRAM?

North Carolina Department of State Treasurer (“NCDST”) maintains an Ancillary Governmental Participant Investment Program (“AGPIP”) in which the Treasurer is authorized to invest monies for governmental entities that are outside the North Carolina Retirement System. As part of that program, NCDST has established investment pools (or “Funds”), as authorized by North Carolina law, for investment by participants. NCDST has leveraged our existing relationship with BlackRock to offer two funds managed by BlackRock: a Bond Index Fund (“BIF”) and an Equity Index Fund (“EIF”). The BIF and EIF maintain a low-cost approach to investment through a passive index strategy. The BIF is designed to produce a return consistent with the Barclay’s U.S. Aggregate Bond Index benchmark, net of fees and the EIF is designed to produce a return consistent with the Morgan Stanley Capital International All Country World Index benchmark net of fees. In addition, the Short-Term Investment Fund (“STIF”) managed internally by NCDST Investment Management Division is also an option in the program.

WHAT IS THE PROCESS TO ENROLL?

A Participant must email AGPIP@nctreasurer.com to request information and required documents. The Participant must meet all eligibility requirements set forth in the North Carolina General Statutes and all required documents must be signed by an authorized representative. All executed documents should be sent to AGPIP@nctreasurer.com.

WHAT ARE MY INVESTMENT OPTIONS?

If eligible, the Participant has the option to invest in:

- 1) Bond Index Fund (BIF)
- 2) Equity Index Fund (EIF) (requires special statutory authority, which NCDST will verify)
- 3) Short Term Investment Fund (STIF)
- 4) Any combination of the three funds

WHAT ARE THE BENEFITS?

The BIF and EIF funds are a low-cost approach to investment management using passive index strategies.

CAN I LEAVE MY MONIES IN STIF ONLY?

Yes, the STIF fund can be the sole investment vehicle if desired.

IS THERE A MINIMUM AND MAXIMUM AMOUNT OF INVESTMENT?

The STIF Fund does not have a minimum balance requirement. There is a \$100,000 minimum account balance required for an investment in each of the BIF and EIF and no maximum.

CAN WE INVEST MONEY AT ANY TIME?

For the initial enrollment, monies can be invested in the AGPIP funds no later than the 5th business day prior to the end of the month. This gives the AGPIP Team necessary time to set up all of your accounts. Thereafter, deposits into the STIF account can be made any day of the month by 10 am to receive same day credit. Monies can be invested in the AGPIP BIF/EIF funds only once per month and no later than the 5th business day prior to the end of the month using the deposit/withdrawal form. Send the completed form to AGPIP@nctreasurer.com.

WHAT MONIES CAN BE INVESTED INTO THE AGPIP FUNDS?

Eligible monies are defined in the North Carolina General Statutes applicable to your organization.

WHO ARE THE FUND MANAGERS AND WHY WERE THEY SELECTED?

NCDST selected BlackRock (BlackRock Institutional Trust Company, N.A. for EIF and BlackRock Financial Management, Inc., for BIF), one of the world's largest asset management firms, with assets under management of approximately \$4.7 trillion, to leverage an existing relationship with NCDST. Currently, BlackRock manages more than \$15 billion for the state's retirement system. The STIF fund is managed internally by NCDST.

WHAT IS THE EXPERIENCE OF THE MANAGER?

BlackRock was established in 1988 with a strong background in fixed income, equity, and advisory services. BlackRock is one of the leading asset managers in the world and has been working with NCDST for over 13 years. For more information, go to www.blackrock.com.

HOW DOES BLACKROCK COMPARE TO OTHER MANAGERS IN SIMILAR FUNDS?

NCDST utilizes BlackRock for numerous investment management services because of its resources, risk management practices and cost-effectiveness compared to its competitors managing similar funds.

WHAT ARE THE FEES?

STIF: Fund fees and charges have historically been approximately 3 bps annualized.

BIF: Investment management fees for the BIF are 2.5 bps up to \$750 million total fund assets and 2bps once total fund assets are above \$750 million. NCDST has the authority to assess a separate administrative fee of up to 15 bps to cover its reasonable costs including, but not limited to, legal, accounting, auditing, and other administration fees. This separate fee is currently waived; however, NCDST has discretion to impose this fee in the future.

EIF: Investment Management fees for the EIF are 2 bps. NCDST has the authority to assess a separate administration fee of up to 15 bps to cover its reasonable costs including, but not limited to, legal, accounting, auditing, and other administration fees. This separate fee is currently waived; however, NCDST has discretion to impose this fee in the future.

HOW LIQUID IS THIS INVESTMENT?

The BIF and EIF are not as liquid as the STIF, and are intended for more long-term investing. While there is liquidity in both the BIF and the EIF, neither fund is intended to meet the recurrent liquidity needs.

HOW LONG WILL IT TAKE TO LIQUIDATE EITHER EIF OR BIF IF NEEDED?

Funds can be liquidated once per month and it can take up to 5 business days after the end of the month to receive funds. Withdrawal requests will be handled as instructed on the deposit/withdrawal form.

IS NCDST WILLING TO MEET WITH OUR BOARD/COMMISSION?

NCDST is willing to provide additional information and conduct in person presentations as appropriate.

WHAT ARE THE RISKS ASSOCIATED WITH THE AGPIP FUNDS?

The AGPIP funds' underlying investments are subject to risks including but not limited to, **credit risk** (the risk an issuer or other counterparty to an investment will not fulfill its obligations, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline), **liquidity risk** (the risk that over a certain period of time an investment cannot be traded quickly enough in the market without impacting the market price), **interest rate risk** (the risk that changes in interest rates will adversely affect the fair value of debt instruments), **currency risk** (the risk that changes in the value of the dollar relative to other currencies impacts the value of your investments), **country risk** (the risk that foreign equity, bond, or currency markets, notably emerging markets, encounter political, economic, or financial instability or systemic failure), and general equity market risks.

For detailed information refer to the Enrollment Agreement Terms and Conditions "principal risks" section.

WILL NCDST PROVIDE OVERSIGHT OF THE AGPIP FUNDS?

NCDST will perform periodic evaluations.

WHAT TYPE OF SECURITIES DO EACH OF THE AGPIP FUNDS HOLD?

Short Term Investment Fund (STIF): The STIF invests in highly liquid money market instruments and short to intermediate Treasuries, Agencies, and AAA-rated corporate obligations pursuant to N.C.G.S. 147- 69.1(c)(1)-(7). The STIF is designed to preserve capital, provide liquidity, and produce a return consistent with the iMoneyNet First Tier Institutional Money Market Fund Net Index benchmark.

Bond Index Fund (BIF): The BIF invests in high quality debt securities eligible under N.C.G.S. 147-69.2 (b) (1)-(6). The BIF maintains a low-cost approach to investment grade fixed income assets through a passive strategy. The BIF is designed to produce a return consistent with the Barclay's U.S. Aggregate Bond Index benchmark.

Equity Index Fund (EIF): The EIF invests primarily in US and non-US equity securities eligible under N.C.G.S. 147-69.2 (b)(8) with the objective of closely approximating the capitalization weighted total return of the markets for global publicly traded equity securities while maintaining a low-cost approach. The EIF is designed to produce a return consistent with the Morgan Stanley Capital International All Country World Index benchmark.

How often are there changes in the AGPIP Funds?

HOW OFTEN ARE THERE CHANGES IN THE AGPIP FUNDS?

NCDST may make changes in the investment funds as detailed in the enrollment agreement and will attempt to notify all participants, in advance. Notification would generally occur within 30 days of an anticipated change absent exigent circumstances.

HOW OFTEN AND WHAT REPORTS WILL WE RECEIVE?

NCDST's Custodian (BNYM) will provide a monthly statement with account transactions and balances. These statements will be sent by the AGPIP Team via email from the AGPIP mailbox. Performance reporting will be provided via email on a quarterly basis.

WHO WILL BE MY POINT OF CONTACT FOR QUESTIONS?

All inquiries should be sent to AGPIP@nctreasurer.com and an AGPIP Team member will respond to your inquiry within 48 hours.

CAN THE DEPARTMENT OF STATE TREASURER PROVIDE AN INVESTMENT POLICY FOR THE AGPIP AND THE 10-YEAR EXPECTED GEOMETRIC REAL RATE OF RETURN FOR EACH ASSET CLASS?

The Department of State Treasurer does not maintain an investment policy for individual AGPIP clients and their monies invested through AGPIP. The AGPIP plan document contains investment guidelines for each fund, but the investment policy, target asset allocation, and periodic rebalancing is the responsibility of each AGPIP client. The 10-year expected geometric real rate of return for each asset class should be obtained from your investment consultant, or independently determined because the Department of State Treasurer does not provide any investment advice or legal advice to AGPIP clients.

To assist in the management of the North Carolina Retirement Systems, the Department of State Treasurer does periodically develop projected long-term investment returns and inflation assumptions through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of certain investment strategies. The Department of State Treasurer's most recent informal survey of sell-side investment research and consultant whitepapers found the following for 10-year geometric compounded annualized rate of return assumptions:

Asset Class	Survey Average	Survey Minimum	Survey Maximum
Global Public Equity Index	6.75%	5.88%	7.40%
Aggregate Bond Index	2.84%	2.60%	3.06%
Cash	2.32%	1.80%	2.89%
Inflation	2.19%	1.99%	2.49%

The Department of State Treasurer is not recommending that AGPIP participants use these figures for their GASB disclosures, however, it may be useful information for internal discussions. Real rates of return can be calculated from these 10-year geometric compounded annualized rate of return assumptions by subtracting the inflation assumption.

Please note this FAQ is for informational purposes only. NCDST is not offering or soliciting the sale of securities. In addition, NCDST is not offering investment advice, counsel or solicitation for investment in any security.



State of North Carolina

Department of State Treasurer

RICHARD H. MOORE
TREASURER

*State and Local Government Finance Division
and the Local Government Commission*

T. VANCE HOLLOMAN
DEPUTY TREASURER

Memorandum # 1103

June 13, 2008

TO: All Local Government Finance Officers and Independent Auditors

FROM: Sharon Edmundson, Director, Fiscal Management

SUBJECT: North Carolina Department of State Treasurer's Local Government Other Post Employment Benefits (OPEB) Fund

As permitted by G.S.147-69.2 and G.S. 147-69.4, the Department of State Treasurer (DST) has created the Local Government OPEB Fund to be used by local governments, public authorities and certain other entities in North Carolina that choose to fund all or part of their annually required contribution for other post-employment benefits provided to former employees or beneficiaries of former employees of the contributing unit. Participation in this fund is completely voluntary but all units should be aware of several facts as follows:

- Unless a unit has expanded investment authority given to it by legislation, it must abide by G.S. 159-30 in investing all funds, including those set aside for OPEB funding. Participation in the Treasurer's OPEB Fund is the only exception to that requirement unless the unit has specific expanded investment authority.
- The Treasurer's OPEB Fund will be invested in investments as permitted by G.S. 147-69.2.
- Once a unit sets funds aside in an irrevocable trust, whether through the Treasurer's OPEB Fund or through some other investment permitted by G.S. 159-30.1, it must implement GASB Statement 43. We encourage units that choose to fund to do so in the year they implement GASB Statement 45. In this way Statements 43 and 45 are implemented simultaneously.
- Funding is voluntary, whether through the Treasurer's OPEB Fund or other irrevocable trust but once funds are deposited they may only be used to fund OPEB benefits.

GASB 45 is being implemented in phases over a three year period with Phase I governments implementing as of June 30, 2008. Phase II will implement as of June 30, 2009, and Phase III as of June 30, 2010. Units are divided into the same groups as for implementation of GASB 34. Early implementation is permitted. Please see Memorandum # 1064 for more information on implementation.

Memorandum #1103

North Carolina Department of State Treasurer's Local Government OPEB Fund

June 13, 2008

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In order to participate in the Treasurer's OPEB Fund, units also must open an account in the Short Term Investment Fund (STIF) with DST. Funds will move in and out of the Treasurer's OPEB Fund through the unit's STIF account. Funds can go into the STIF account at any time; in each month except June all funds deposited at least 5 business days prior to month end (or give notice of intent to deposit including date and amount) will move to the Treasurer's OPEB Fund on the first day of the month following deposit, along with interest earned on the STIF funds from the date of investment to the first of the following month. At that point, funds are invested in the irrevocable trust as required by GASB Statement 45. Funds deposited in June, at least 5 business days prior to month end (or give notice of intent to deposit including date and amount) will move from the individual STIF funds to an OPEB STIF Fund on June 30 in order to allow units to deposit their funds in the irrevocable trust by fiscal year end. As a result, on June 30 those funds would be considered to be in the irrevocable trust as required by GASB Statement 45.

Included with the memorandum are the contribution agreement, the application for participation in the STIF, and a sample resolution for local governments to use with their local board. Units must have their own boards adopt a resolution authorizing the finance officer or other designated staff to open the STIF account and participate in the Treasurer's OPEB Fund. Assuming a unit has no other OPEB investments, these agreements will be sufficient to establish the irrevocable trust requirement set by GASB in Statement No. 45.

Some important points to note in the contribution agreement:

- The minimum initial deposit is \$100,000. The minimum balance in the account is \$100,000 unless overall market valuation has caused it to drop below \$100,000.
- Subsequent deposits must be made in \$25,000 increments.
- Deposits may be made at any time but will only move to the OPEB Fund on the first of the month or on June 30, if the deposit, or notice of intent to deposit, is received at least 5 business days prior to month end. All deposits made by June 30 will be contributed to the OPEB Fund by that date, as long as the notice of intent to deposit is given, including date and amount, by June 23, or the actual deposit is made by that date.
- Each unit is permitted two withdrawals per year from the OPEB Fund after the first year, with provisions made for emergencies. Withdrawals must be made on the first of the month with a minimum of 5 business days notice.
- Each unit must certify that any funds withdrawn from the OPEB Fund will be used to provide other post employment benefits for its retirees or their beneficiaries.
- The OPEB Fund is an investment vehicle, not an OPEB plan. DST will not administer any benefits.
- Units will receive a quarterly statement reflecting their activity in the Fund.
- Units must notify DST of the intent to deposit at least 5 business days prior to the first of the month in order to move funds to the OPEB Fund on the first of the month. This intent can be made known either by actually depositing funds to the unit's STIF account or by notifying DST in writing of the amount of deposit and the expected date .

Units should review the documents with their local counsel. Please return all signed documents to Brad Bullock (919 508-5964) in the Financial Operations Division of the DST. The STIF account

Memorandum #1103

North Carolina Department of State Treasurer's Local Government OPEB Fund

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must be open before the unit can begin making deposits. If there are any questions or concerns please contact Sharon Edmundson at (919) 807-2381 or sharon.edmundson@nctreasurer.com.

**For Use by Local Governments, Public Authorities and Other Entities
Eligible to Participate in the Local Government Other Post-Employment Benefits Fund**

Contribution Agreement

Treasurer of the State of North Carolina

Section 1. General. The undersigned participant ("Participant") understands and acknowledges that it may contribute funds from time to time to the Local Government Other Post-Employment Benefits Fund (the "OPEB Fund") managed by the Department of State Treasurer (the "Treasurer"), to be held and invested in (i) public equity and derivative securities ("Public Equity") as permitted from time to time by North Carolina General Statute ("NCGS") § 147-69.2(b)(8), and/or (ii) certain obligations, asset-backed securities, repurchase agreements, time deposits and/or commercial paper (collectively "Fixed Income Obligations") as permitted from time to time by NCGS §§ 147-69.2(b)(1) through (6).

Participant understands and acknowledges that investments in Public Equity may be effected through investments made by the Treasurer in individual, common, or collective trust funds of banks, trust companies, and group trust funds of investment advisory companies or through other investment vehicles or investment management arrangements as may be permitted by statute from time to time, as long as the investment manager has assets under management of at least \$100 million. The trustee of any such third party trust ("Third Party Trustee") shall be appointed by the Treasurer and the investment manager of any such other investment vehicle or investment management arrangement shall be approved by the Treasurer ("Third Party Manager"). Participant further understands and acknowledges that investments may be effected by the Treasurer through third party custodial, underwriting and brokerage arrangements ("Third Party Custodians and Brokers").

Section 2. Representations, Warranties and Related Covenants. As a condition to its investment, Participant acknowledges, represents, warrants and agrees that:

(i) Contributions to the OPEB Fund are irrevocable and that assets of the OPEB Fund may only be used to provide other post-employment benefits to individuals who are former employees, or beneficiaries of former employees of Participant and are entitled to other post-employment benefits payable by Participant within the meaning of NCGS § 147-69.4.

(ii) Investments in the OPEB Fund are subject to, among other things: general investment risks (including the risk of the loss of capital); investment manager risk (which includes the risk that poor security selection by the manager will cause the investment to underperform relevant benchmarks or other investments with similar objectives); interest rate risks; and credit risks (including, where applicable, custodial credit risks, which is the risk that in the event of the failure of the counterparty, the Treasurer will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party).

(iii) Participant has taken full cognizance of and understands all of the risk factors related to investments in the OPEB Fund.

(iv) Participant is able to bear the economic risk of investments in the OPEB Fund.

(v) Participant has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of investment in the OPEB Fund.

(vi) Participant acknowledges that the Treasurer is solely responsible for determining the allocation of investments in the OPEB Fund between Public Equity and Fixed Income Obligations, subject to the limitations

described herein, and that the Treasurer will allocate investments in the OPEB Fund in accordance with the investment guidelines attached hereto as Attachment A (the "Investment Guidelines"). Participant acknowledges and agrees that the Investment Guidelines for the OPEB Fund may be changed from time to time with the consent of the majority of the participants in the OPEB Fund (voting in accordance with the then most recent end-of-period account values).

(vii) Participant acknowledges that its investment in the OPEB Fund is suitable for Participant based upon its other securities holdings and financial situation and needs and that Participant has adequate means of providing for possible contingencies.

(viii) Participant understands that it is not permitted to sell, transfer or assign any of its interest in the OPEB Fund. In order to liquidate its investment, Participant will be required to follow the procedures described in Section 4 of this agreement, including certifying that the withdrawal is permitted under NCGS § 159-30(g). The risk of any decline in the value of an investment in the OPEB Fund during the interval between any permitted withdrawal date, as further described in Section 4 of this agreement, is borne by Participant.

Further, Participant acknowledges, represents, warrants and agrees that (i) it is a local government, public authority, an entity eligible to participate in the Local Government Employee's Retirement System, or a local school administrative unit that may make contributions to the OPEB Fund under NCGS § 159-30(g) and § 147-69.4; (ii) is exempt from federal income tax under Section 115 of the Code and the Constitution of the United States as an instrumentality of the State of North Carolina; (iii) the investment by Participant described herein has been duly authorized by all necessary corporate action of Participant; and (iv) Participant has the requisite corporate power and authority to execute and deliver this document and to contribute the funds for investment as described herein; and (v) the Treasurer has the power and authority under NCGS § 147-69.2(b)(8) and applicable law to appoint a Third Party Trustee or Third Party Trustees to hold the funds contributed to the OPEB Fund for investments in Public Equity.

Participant will notify the Treasurer immediately if it has reason to believe that the foregoing acknowledgements, representations, warranties and agreements may cease to be true.

Section 3. Fees. Participant understands, acknowledges and agrees that customary fees will be charged against OPEB Fund's investment by Third Party Trustees, Third Party Managers and/or Third Party Custodians and Brokers. Participant also understands, acknowledges and agrees that the Treasurer will also charge fees to Participant against the portion of the OPEB Fund invested in Public Equity, as permitted by NCGS § 147-69.2(b4), equal to fifteen (15) basis points per year, which the Treasurer will use to defray its internal costs of administering the OPEB Fund. All third party and Treasurer fees shall be deducted from the OPEB Fund.

Section 4. Contributions and Withdrawals. In order to participate in an investment in the OPEB Fund, Participant is required to establish a Short Term Investment Fund ("Participant STIF") account with the Treasurer. Additional information regarding the establishment of a Participant STIF account can be found at <http://www.nctreasurer.com>. The Participant STIF account created by Participant will be used to move funds into and out of the investments in the OPEB Fund, as further described below.

(i) **Minimum Contributions.** The minimum initial contribution required to make an investment in the OPEB Fund is \$100,000. Subsequent contributions in investments in the OPEB Fund must be made in \$25,000 increments.

(ii) **Minimum Account Balance.** The minimum account balance that must be maintained in an investment in the OPEB Fund is \$100,000 in each account, unless overall market valuation has caused the balance in such account to drop below \$100,000.

(iii) **Procedures for Contributions and Withdrawals.** Participant must provide the Treasurer with at least five (5) business days notice of any contribution to or withdrawal from the OPEB Fund using the Contribution Form or Withdrawal Request Form attached hereto, as appropriate. **Contributions to and withdrawals from the OPEB Fund are permitted only on the first business day of each calendar month except that contributions**

will also be permitted on June 30 at each year. If a notice of contribution or withdrawal is received during the last five (5) business days of any calendar month, such contribution or withdrawal request will not be processed until the first business day of the calendar month after the next ensuing calendar month. **Participant may deposit proposed contributions in its Participant STIF account at any time during a month and such deposits (including accrued interest) accepted by the Treasurer for contribution to the OPEB Fund will be contributed to the OPEB Fund on the next processing date.**

(iv) *Other Limits on Withdrawals.* No withdrawals will be permitted during the first twelve (12) months after any investment in the OPEB Fund. After such time, Participant will be permitted to make no more than two (2) withdrawals from any investment in the OPEB Fund during any twelve (12) month period. Notwithstanding the foregoing, emergency withdrawals may be permitted, subject to the approval of a Deputy State Treasurer (determined in their sole discretion, on a case-by-case basis) and provided that Participant (i) reimburse the Treasurer for any expenses associated with such emergency withdrawal and (ii) pay any penalties charged by the Treasurer.

Section 5. RELIANCE BY THIRD PARTY TRUSTEES. PARTICIPANT EXPRESSLY AGREES THAT ALL OF THE ACKNOWLEDGEMENTS, REPRESENTATIONS, WARRANTIES AND AGREEMENTS MADE HEREIN MAY BE RELIED UPON BY ANY THIRD PARTY TRUSTEE APPOINTED BY THE TREASURER.

[Signature Page Follows]

The undersigned has caused this Application to be executed by its Authorized Representative as of the date written below.

Name of Participant (Type or Print)

By: _____

Name (Type or Print)	Signature
Title	Date

<p>Authorized Representative</p> <p>Name: _____</p> <p>Title: _____</p> <p>Address: _____</p> <p>_____</p> <p>Tel: _____ Fax: _____</p> <p>E-mail: _____</p>	<p>Primary Contact (for statements and communications, if different from Authorized Representative)</p> <p>Name: _____</p> <p>Title: _____</p> <p>Address: _____</p> <p>_____</p> <p>Tel: _____ Fax: _____</p> <p>E-mail: _____</p>
---	--

Initial Proposed Contribution to the OPEB Fund: \$ _____ *

Acknowledged and Agreed

_____ Date: _____

Treasurer, State of North Carolina

* Any accrued interest in the Participant STIF account with respect to the contribution will also be contributed to the OPEB Fund.

ATTACHMENT A

Sample Form of Resolutions for Local Governments, Public Authorities and Other Entities (“Participants”) Eligible to Participate in the Local Government Other Post-Employment Benefits Fund (“OPEB Fund”)

[This is only a sample, which may not be suitable for the use of particular Participants in the OPEB Fund. Please modify as applicable.]

WHEREAS, the Local Government Other Post-Employment Benefits Fund (the “OPEB Fund”) established pursuant to North Carolina General Statutes (“NCGS”) Section 147-69.4 consists of contributions made by local governments, public authorities and other entities authorized to make contributions to the OPEB Fund (“Participants”), which contributions are irrevocable;

WHEREAS, the assets of the OPEB Fund are not subject to the claims of creditors of any Participants and may only be withdrawn by a Participant to provide other post-employment benefits to individuals, who are former employees, or beneficiaries of former employees of the Participant, and who are entitled to other post-employment benefits payable by the Participant within the meaning of NCGS Section 147-69.4; and

WHEREAS, the **[Governing Body]** of **[Participant]** has determined that it is advisable and in the best interests of **[Participant]** to make contributions to the OPEB Fund, as provided in that certain Contribution Agreement between **[Participant]** and the Treasurer, the form of which has previously been made available to the **[Governing Body]** of **[Participant]** (the “Contribution Agreement”).

NOW, THEREFORE, BE IT RESOLVED, that the **[Governing Body]** hereby acknowledges and approves an initial contribution of \$_____ to the OPEB Fund (the “Contribution”) pursuant to the terms and conditions of the Contribution Agreement between **[Participant]** and the Treasurer in the form presented to the **[Governing Body]**;

FURTHER RESOLVED, that the appropriate officers, managers, and representatives of **[Participant]** (the “Authorized Representatives”) are hereby authorized and directed to execute and deliver the Contribution Agreement, to take any other actions deemed necessary or appropriate to consummate the transactions provided for therein, and to cause the Contribution to be made;

FURTHER RESOLVED, that all actions heretofore taken by any of the Authorized Representatives of **[Participant]** acting on behalf of **[Participant]** in furtherance of the foregoing resolutions are hereby ratified, adopted, approved and confirmed in all respects; and

FURTHER RESOLVED, that the Authorized Representatives of **[Participant]** acting on behalf of **[Participant]** are hereby authorized to take all such other actions as they may deem necessary or appropriate to give effect to the foregoing resolutions.

ATTACHMENT B

INVESTMENT GUIDELINES FOR OPEB FUND

The OPEB Fund may be invested in Public Equity and both short-term and long-term Fixed Income Obligations as provided in the Contribution Agreement with Participant.

The assets of the OPEB Fund will be invested within the following ranges:

	<u>Target</u>	Allocation Range	
		<u>Bottom</u>	<u>Top</u>
Long-term Fixed Income Obligations	15.0%	10.0%	30.0%
Short-term Fixed Income Obligations	15.0%	0.0%	30.0%
Total Fixed Income Obligations	30.0%	20.0%	40.0%
Public Equity	70.0%	60.0%	80.0%

Temporary imbalances may occur as a result of withdrawals, contributions and changes in asset values. Rebalancings will occur as soon as practicable. Investments may be held temporarily in short-term Fixed Income Obligations pending reinvestment in long-term Fixed Income Obligations and/or Public Equity.

**Department of State Treasurer
 Local Government Other Post-Employment Benefits Fund Application for Voluntary Short Term
 Investment Fund (STIF) Account**

Applying Entity: Statutory Authority, SL 2007-384 Name of Local Governmental Entity: _____						
Custodian (Applying Entity) Name: _____ Title: _____ Address: _____ Tel: _____ Fax: _____ E-mail: _____	Primary Contact (For statements and advices) Name: _____ Title: _____ Address: _____ Tel: _____ Fax: _____ E-mail: _____					
Security Administrator for CB\$ (Online Banking System) Name: _____ Tel: _____ E-mail: _____						
Name(s) of individual(s) to be executing signature card: Name (typed): _____ Title: _____ Name (typed): _____ Title: _____						
Certification by Custodian (Applying Entity): I certify that the information contained herein is correct. <table style="width:100%; border: none;"> <tr> <td style="width:50%; border: none;"> _____ Name (Type or Print) </td> <td style="width:50%; border: none;"> _____ Signature </td> </tr> <tr> <td style="border: none;"> _____ Title </td> <td style="border: none;"> _____ Date </td> </tr> </table>			_____ Name (Type or Print)	_____ Signature	_____ Title	_____ Date
_____ Name (Type or Print)	_____ Signature					
_____ Title	_____ Date					
For use by the Department of State Treasurer: STIF Account Number: _____ (Assigned by Banking) Date: _____ Flexcube Customer ID Number: _____ (Setup on Flexcube) Date: _____						

North Carolina Department of State Treasurer
 Banking Operations Section
 325 North Salisbury Street
 Raleigh, NC 27603-1385

Revised 5/2008

For assistance while filling out this form or while using CB\$, contact the CB\$ Helpdesk at 919-508-5914

FINANCIAL REPORTING, FUND BALANCE AND OPEB

**K. Lee Carter, Vice President
Capital Management of the Carolinas**

Financial Reporting

- Governments report information in 2 ways:
 - Government-wide accounting and reporting
 - Fund accounting and reporting
- Fund accounting and reporting is for day-to-day budgeting and management as well as for annual financial reporting
- Government-wide accounting and reporting shows the government as a whole and is for annual financial reporting

Overview of Fund Accounting

- Governmental entities must use fund accounting
- What is a fund?
- Categories of funds
 - Governmental
 - Proprietary
 - Fiduciary

Measurement Focus

- *WHAT* is being measured in a fund
- Governmental funds
 - Flow of current financial resources
 - Measures resources and uses of CASH
- Proprietary and trust funds / government-wide reporting
 - Flow of economic resources
 - Measures ALL transactions

Where are the *real* differences in these measurement focuses?

- Proceeds of long-term debt
- Repayment of principal on long-term debt
- Capital outlay
- Concept of depreciation
- Deferrals and amortization
- Treatment of bad debts

Basis of Accounting

- *When does measurement occur in a fund*
- *Governmental funds - modified accrual basis of accounting*
- *Proprietary, trust, and agency funds / government-wide reporting - accrual basis of accounting*

Government-wide Reporting

- Focus is on *activities*
 - Governmental activities
 - Business-type activities
- Fiduciary information *not* reported
- Consistent measurement focus and basis of accounting for both activities

Governmental Activities

- Governmental funds added together and consolidated
 - Measurement focus converted from current financial resources to total economic resources
 - Basis of accounting converted from modified accrual to full accrual
- Capital assets reported
- Long-term liabilities reported

Business-type Activities

- Enterprise funds added together
- Same measurement focus and basis of accounting

Fund Balance

Purposes For Fund Balance Reserves

- Cash flow
- Avoid short-term borrowing
- Operating cycle - i.e., taxes collected in December
- Reserve for emergencies, unforeseen events, unexpected opportunities

Purposes For Fund Balance Reserves (Cont.)

- Increased investment income
- Helps protect credit rating & obtain lower interest rates on borrowings
- May help avoid rate increases or service reductions
- Avoids LGC warnings

Legal Definition Of Available Fund Balance (G.S. 159-8(a))

- Formula:
 - Cash And Investments
 - Minus Liabilities
 - Minus Encumbrances
 - Minus Deferred Revenues Arising From Cash Receipts *
 - Equals Fund Balance Available For Appropriation
- * These are usually prepaid taxes or other items and are normally captioned as “Deferred Inflows of Resources” in the financial statements
- % of expenditures + transfers out - lease/installment financing agreements

LGC Fund Balance Policies

- Tax-levying governments:
 - Minimum of 8% in available fund balance for cash flow purposes
 - Larger amounts usually needed
 - Consider fund balance in relation to expenditures
 - Use averages for similar-sized units
 - Central range around average – 50% of average
 - Consider individual government’s situation

Fund Balance Policies

- As a % of
 - General Fund expenditures (current year)
 - General Fund revenues (current year)
 - General Fund appropriations (next year's budget)
 - General Fund budget (next year's)
- Minimum percentage
- Minimum dollar amount
- Excess amounts transferred to a Capital Reserve Fund

Fund Balance for Governmental Funds

- **Nonspendable**
- **Restricted**
- **Committed**
- **Assigned**
- **Unassigned**

OPEB

Managing the OPEB Liability

- Funding the benefit program
 - Irrevocable Trust Agreement - required by GASB standards for a plan to be considered to be administered by a trust
 - Separately established by each local government
 - Template available on State Treasurer’s website
 - Investments limited to investments authorized in G.S. 159 unless there is local legislation
 - Contributions are irrevocable, limited to the purpose of the Trust, and protected from creditors

Investment Background

- NCDST does not advise on investment options
- Investments are subject to risks beyond investments in G.S. 159
- Higher returns may be earned, but past performance is no guarantee of future results
- Various agreements must be completed first before investments can be made

Investment Options

- STIF
- Bond Index Fund
- Equity Index Fund

Funding

- How much should we fund?
 - ARC no longer exists
 - Initial investment
 - Market-timing
 - Dollar cost averaging
 - Similar to a pension – regular contributions
- Board discussions
- Benefits from funding on discount rate

Managing the Liability

- Vesting requirements
- Closed plans
- Capped benefits
- Benefits after participants are eligible for Medicare
- OPEB benefits as an employee recruiting tool

Managing Healthcare Costs

- Preventive care
 - Especially for chronic conditions
 - Baseline health readings
 - Wellness programs
 - Diet
 - Exercise

Managing Healthcare Costs (cont.)

- On-site health clinics
- Measuring biometrics
 - “Carrots”
 - “Sticks”
- Pharmacy
- High deductible plans and HSAs



Committed Today for a Better Tomorrow

ITEM #:
VII. B.

LEE COUNTY AGENDA ABSTRACT BOARD OF COMMISSIONERS MEETING

(Use the Down or Up Arrows to move between fields of the Form)

MEETING DATE: February 1, 2019

SUBJECT: Update from the Sanford Area Growth Alliance

DEPARTMENT: Sanford Area Growth Alliance

CONTACT PERSON: Michael Smith, CEO

TYPE: Consent Agenda Action Item Public Hearing Information

REQUEST	N/A
BUDGET IMPACT	N/A
ATTACHMENTS	Contract with SAGA for economic development services approved 6-4-18 provided for Board's annual review
PRIOR BOARD ACTION	Approved 2018 contract for economic development services June 4, 2018
RECOMMENDATION	N/A
SUMMARY	

SAGA CEO Michael Smith will present a review of the organization's projects and performance. Included in your packages is the contract for economic development services. This will need to be reviewed again before the budget is adopted.

This CONTRACT made and entered into this the 4th day of June, 2018, by and between the County of Lee, one of the 100 counties of the State of North Carolina and a body politic and corporate, hereinafter referred to as COUNTY, and the Sanford-Lee County Partnership for Prosperity, doing business as Sanford Area Growth Alliance, a non-profit corporation organized and existing under the laws of the State of North Carolina, hereinafter referred to as SAGA.

WITNESSETH

WHEREAS, Chapter 158 of the North Carolina General Statutes authorizes counties to engage in economic development activities; and,

WHEREAS, North Carolina General Statute §153A-449 authorizes counties to contract with and appropriate money to a corporation to carry out any public purpose that a county is authorized by law to perform; and,

WHEREAS, it is the desire of the Lee County Board of Commissioners that the County should engage in economic development activities and that SAGA should be employed to undertake such activities on behalf of the County; and,

WHEREAS, SAGA, by action of its Board of Directors, has indicated its willingness to perform such activities on behalf of the County; and,

WHEREAS, both parties desire a written memorandum of their agreement.

NOW, THEREFORE, in consideration of the premises, the sums to be paid, and the mutual promises herein set out, the parties have mutually agreed as follows:

- 1. County hereby engages SAGA to carry out a program of economic development in keeping with the authority granted to it by Chapter 158 of the North Carolina General Statutes and SAGA accepts such engagement and promises to perform and carry out such a program.**
- 2. County agrees to make an annual budgetary appropriation to pay for the services provided by SAGA to include the recruitment of new industry, business retention and expansion, marketing of Lee County and business/industrial sites and any other activity which is considered typical for an economic development agency to provide to a County.**
- 3. In consideration for making the annual budgetary appropriation, the County will appoint three members to the SAGA Board of Directors at their sole discretion and consistent with County Policy on Board Appointments. Based on the County's level of funding, the Board of Commissioners will review this on an annual basis.**
- 4. One of the Board members appointed to the Board of Directors shall be an elected County Commissioner. The Board of Commissioners can also elect an alternate Commissioner to serve on the SAGA Board of Directors. The alternate Commissioner can attend all meetings of the Board of Directors but shall not vote on any matters, unless the appointed Commissioner is absent.**

5. **The other members appointed to the SAGA Board of Directors by the Board of Commissioners shall be private citizens.**
6. **Lee County and SAGA agree to participate and plan an annual meeting that will include the City of Sanford and the Town of Broadway. At this meeting, SAGA will deliver a report to all three boards detailing the activities of SAGA. SAGA or any of the three local governments may propose additional meetings as needed. In addition, on an annual basis, SAGA will include an annual economic outlook report as well as a review of the successes achieved by SAGA. SAGA will also provide a monthly written report to the Lee County Board of Commissioners as an update on the activities of SAGA. The SAGA Director and/or the Economic Development Director will appear before the County Commissioners to give updates and seek support for projects in the County as needed.**
7. **Continue to operate a joint community and economic development office in the Old Buggy Factory in downtown Sanford in order to foster cooperation amongst Lee County, the City of Sanford and the Town of Broadway. The Old Buggy Factory will continue to be a "one stop shop" for the economic development growth of the community, as long as all parties agree to the continued relationship.**
8. **SAGA agrees to the following:**
 - a. **To select, supervise and evaluate the performance of the SAGA staff to ensure that the delivery of an effective Economic Development Program. SAGA will provide an updated list of staff to the Clerk to the Board of Commissioners annually or anytime there is a change in staff.**
 - b. **To direct the Economic Development staff to develop and implement an effective economic development program. The SAGA Board of Directors will monitor the results of the program and develop action plans to help develop job growth and investment in Lee County. Addendum A includes a list of current SAGA Board of Directors.**
 - c. **To follow the County's Economic Development Investment Guidelines in dealing with incentives to industry and businesses. The Executive Director will take the project before the SAGA Board of Directors or Executive Board for a recommendation. All recommendations, favorable or unfavorable, will be forwarded to the Lee County Board of Commissioners for their consideration, once recommended by the SAGA Economic Development Committee and/or the SAGA Executive Board of Directors and/or the SAGA Board of Directors.**
 - d. **To cooperate fully with all agencies located in Lee County whose goal is to grow the Town of Broadway, City of Sanford, and Lee County. These groups include, but are not limited to, the Sanford Area Chamber of Commerce, Lee County Board of Education, City of Sanford Downtown Development Corp., and Central Carolina Community College.**
 - e. **To keep accurate, thorough, and detailed records of the expenditure of funds appropriated by the County for economic development. Annually, SAGA will provide an annual budget request to the County Manager. The annual budget request will be the**

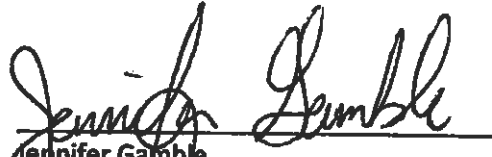
financial plan that addresses SAGA's efforts to recruit new industry and retain existing industry. The budget is due to the County Manager by March 15th of each year.

- f. Saga will provide an audit every other year to the Board of Commissioners. The years an audit is not provided, their auditor will conduct a financial review and a copy will be provided to the Commissioners. Beginning in Fiscal Year 2015-2016 a financial review will be conducted, then Fiscal Year 2016-2017 an audit will be conducted; for Fiscal Year 2017-2018 a financial review will be conducted. Either the financial report or the audit will be due to the Commissioners by December 31st of each year.**
 - g. SAGA will establish an audit committee that will work with SAGA's auditor to complete the annual audit. The audit committee currently consists of the treasurer of SAGA Board of Directors, the Lee County Manager, the Town of Broadway Manager and the City of Sanford Manager.**
 - h. SAGA may submit an annual Capital Improvements Plan to the Board of Commissioners which outlines the infrastructure needs of the County for economic development purposes over the next five (5) year period. Any capital improvement item over \$500,000.00 which the SAGA Board of Directors wants the Board of Commissioners to consider must go through the CIP process. Any capital funding less than \$500,000.00 will be included in SAGA's annual budget request submitted to the Board of Commissioners. SAGA can, during the fiscal year, come and request additional capital funding if projects present themselves that will to economic development and growth in the County.**
 - i. To apprise the Board of Commissioners and the County's Clerk of all job announcements before media is contacted for the purpose of a public announcement.**
 - j. To cooperate fully with the County's auditors in their annual examination of county expenditures.**
- 9. The annual appropriation to SAGA in FY 2018-19 will be three hundred and fifteen thousand dollars (\$315,000). The appropriation of funds by the County for subsequent fiscal years and the acceptance of the same by SAGA shall renew or extend this agreement for such fiscal year. As required by the Local Government Budget Fiscal Control Act, this agreement is subject to the annual appropriation clause of the Act.**
- 10. This agreement becomes effective July 1, 2018.**

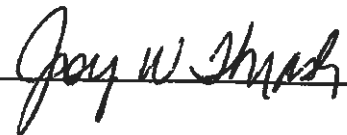
IN WITNESS WHEREOF, County has caused this instrument to be executed in its name by the Chairman of the Board of Commissioners for said County and attested by the Clerk of said board, and its County seal to be affixed, all by authority of its Board of Commissioners, first duly given; and SAGA has caused this instrument to be executed in its name by its President for said County and attested by its Secretary, and its corporate seal to be affixed, all by authority of its Board of Directors, first duly given, both effective as of the 1st day of July, 2018.

LEE COUNTY BOARD OF COMMISSIONERS

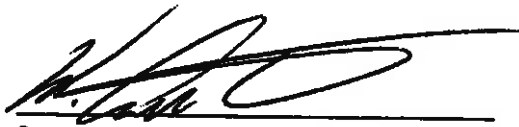
By: 


Jennifer Gamble
Clerk to the Board

SANFORD AREA GROWTH ALLIANCE

By: 

ATTEST:


Secretary

Addendum A

The SAGA Board of Directors currently consists of:

- 1. Larry "Doc" Oldham-Board of Commissioners**
- 2. Carol Carlson-Richard M. Carlson, CPA**
- 3. Faye Cameron-Broadway Realty**
- 4. Chet Mann-Mayor of Sanford**
- 5. Sam Gaskins-Sanford City Council**
- 6. Donald Andrews-Mayor of Broadway**
- 7. Tina Gross-Gross Farms**
- 8. Bill Murphy-Rodeco**
- 9. Charlie Welborn-DMJ & Co., PLLC**
- 10. Jeff Lamb-STI Polymer**
- 11. Rachael Raney-Sanford Herald**
- 12. Scott Hadley-NAI Carolantic**
- 13. Kim Sutton-Red Wolf Company**
- 14. Jimmy Keen-BB&T**
- 15. Carter Keller-Carolina Commercial Contractors, LLC & The Oaks**
- 16. Brad Crace-Caterpillar**
- 17. Spencer Thomas-Central Carolina Hospital**
- 18. Donnie Oldham-Simpson Construction**
- 19. David Foushee-First Bank**
- 20. Robin Perkins-Frontier Spinning Mills**
- 21. Kirk Bradley-Lee-Moore Capital Company**
- 22. Dr. Jim Foster-Lee County Farm Bureau**
- 23. Donnie Oldham-Sanford Contractors**
- 24. David Marsh-Sanford Honda**
- 25. Skip London-Static Control Components Inc.**
- 26. Doug Gay-Sanford Chamber of Commerce, Chair**
- 27. David Caplan-Farm Bureau**
- 28. Jerry Pedly-Mertek Solutions Inc.**
- 29. Julian Philpott-Central Carolina Community College**
- 30. Mark Akinosho-Lee County Board of Education**
- 31. Ron Hewitt-TSWDB**
- 32. Carl Barnes-Pilgrim's**
- 33. Bill Wilson III-Wilson, Reives & Silverman, PLLC**
- 34. April Montgomery-Reap NC, LLC**

Ex-Officio Members

- 1. Bud Marchant-President, CCCC**
- 2. Andy Bryan-Superintendent, Lee County Board of Education**
- 3. Bill Stone-Director, NC Cooperative Extension Lee County**
- 4. Bob Huets-Director, Raleigh Executive Jetport Authority**
- 5. John Crumpton-Lee County Manager**
- 6. Hal Hegwer-City of Sanford Manager**
- 7. Dustin Kornegay-Town of Broadway Manager**

The County of Lee North Carolina

Vendor/Contractor Name: Sanford-Lee County Partnership for Prosperity
D/B/A Sanford Area Growth Alliance

IRAN DIVESTMENT ACT CERTIFICATION
REQUIRED BY N.C.G.S. 147-86.59

As of the date listed below, the Vendor/Contractor listed above certifies that they are not on the Iran Final Divestment List ("List") created by the North Carolina State Treasurer pursuant to N.C.G.S. 147-86.58. Contractor/Vendor shall not utilize any subcontractor that is identified on the list.

E-VERIFY CERTIFICATION
REQUIRED BY N.C.G.S. 143-48.5 & 147-33.95(g)

As of the date listed below, the Vendor/Contractor listed above and all Vendor/Contractor's subcontractors certify that they are in compliance with the requirements of Article 2 of Chapter 64 of the North Carolina General Statutes, including the requirement for each employer with more than 25 employees in North Carolina to verify the work authorization of its employees through the federal E-Verify system.

The undersigned hereby certifies that he/she is authorized by the entity listed above to make the foregoing statement.

Joy W Thrash
Signature

Joy W Thrash
Printed Name

6/22/18
Date

CEO
Printed Title

This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.



Lisa G. Minter, Finance Director

6/6/18
Date

Vertical line of text on the right edge of the page, likely a scanning artifact or page number.



Committed Today for a Better Tomorrow

ITEM #:
VII. C.

LEE COUNTY AGENDA ABSTRACT BOARD OF COMMISSIONERS MEETING

(Use the Down or Up Arrows to move between fields of the Form)

MEETING DATE: February 1, 2019

SUBJECT: Reappraisal and Property Tax Update

DEPARTMENT: Tax Administration

CONTACT PERSON: Mary Yow, Tax Administrator

TYPE: Consent Agenda Action Item Public Hearing Information

REQUEST	N/A
BUDGET IMPACT	N/A
ATTACHMENTS	None
PRIOR BOARD ACTION	None
RECOMMENDATION	N/A
SUMMARY	

Mary Yow, Tax Administrator & Michael Brown, Reappraisal Coordinator will provide an update on the 2019 Reappraisal and discuss other Property Tax issues as appropriate.



LEE COUNTY AGENDA ABSTRACT BOARD OF COMMISSIONERS MEETING

ITEM #:
VII. D.

(Use the Down or Up Arrows to move between fields of the Form)

MEETING DATE: February 1, 2019

SUBJECT: FY 2020 Budget Discussion

DEPARTMENT: Administration

CONTACT PERSON: John Crumpton

INFORMATION:

BUDGET IMPACT	N/A
ATTACHMENTS	N/A
SUMMARY	

Discussion of upcoming budget recommendations and considerations for Lee County in 2020.