

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Chatham County Board of Education
Pittsboro, North Carolina

FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

PREPARED BY

Tony M. Messer, Chief Finance Officer
and the Finance Department

CHATHAM COUNTY BOARD OF EDUCATION

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Administration

Derrick D. Jordan, Ed.D.
Superintendent

Janice A. Frazier
Assistant Superintendent

Amanda J. Hartness, Ed.D.
Assistant Superintendent

Chris D. Blice
Chief Operations Officer

Tony M. Messer
Chief Finance Officer



Board of Education

Karen Howard
Chair

David Hamm
Vice-Chair

Gary Leonard

Del Turner

Chatham County Board of Education

LETTER OF TRANSMITTAL

As of November 6, 2014

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

As Superintendent and Chief Finance Officer for Chatham County Schools, we are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Chatham County Board of Education for the fiscal year ended June 30, 2014. The report also provides supplementary information that may help the reader understand the operations and financial position of the local education agency overseen by the Board. We believe that the data in this report is presented in a manner that describes fairly the financial position and results of operations of our local education agency in accordance with the accounting standards promulgated by Statements #34 and #54 of the Governmental Accounting Standards Board (GASB).

In compliance with the Public School Laws of North Carolina, the Comprehensive Annual Financial Report of the Chatham County Board of Education, operating as "Chatham County Schools", for the fiscal year ended June 30, 2014, is herewith submitted. Responsibility for the accuracy, completeness and clarity of the report rests with the Superintendent and the Chief Finance Officer.

Management's Discussion and Analysis (MD&A) follows the independent auditor's report and provides a narrative introduction as well as an overview and analysis of the basic financial statements. The MD&A should be read in conjunction with this letter of transmittal.

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



In the spring of 2014, the Association of School Business Officials International (ASBO) awarded the Certificate of Excellence in Financial Reporting and the Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Chatham County Board of Education for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the second time that the Chatham County Board of Education received both awards in the same fiscal year. These two awards are made to school districts that publish a comprehensive annual report which are easily readable, organized and that satisfy generally accepted accounting principles and applicable legal requirements.

ORDER OF PRESENTATION

The report consists of four sections: Introductory, Financial, Statistical and Compliance. The Introductory Section includes this transmittal letter, an organizational chart, a school district map, a list of the Board members, and principal officials. The Financial Section includes management's discussion and analysis, the independent auditor's report with accompanying financial statements and schedules. The notes to the financial statements include information to assist in understanding the Board's financial condition. The Statistical Section includes several tables of unaudited data providing financial history of the Board as well as demographics and other informative statistics. The Compliance Section includes the following: 1) Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, 2) Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Implementation Act, 3) Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act, 4) Schedule of Findings and Questioned Costs, 5) Summary Schedule of Prior Year's Audit Findings, and 6) Schedule of Expenditures of Federal and State Awards.

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

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



REPORTING ENTITY

This report includes all of the funds of the Chatham County Board of Education, which is an independent reporting entity as defined by GASB statement #14 and a primary government for GASB #34 purposes.

The Chatham County Board of Education, elected by the citizens of Chatham County, is the level of government having oversight responsibility and control over activities related to the public schools in Chatham County, North Carolina. N.C. General Statute 115C-140 empowers the Chatham County Board of Education with general control and supervision of all matters pertaining to the schools in the system. The school system receives local, state, and federal government funding and must comply with the legal requirements of each funding source entity. While the Board does receive county funding, the county is not entitled to share in any surplus nor is it required to finance any deficits. The Board has no tax levying or borrowing authority and is required to maintain accounting records according to a Uniform State format.

The Board consists of five members elected for staggered terms of four years. The Chair and Vice Chair are elected by a majority vote of the Board each year. The Superintendent serves as secretary to the Board.

FINANCIAL AND BUDGETARY CONTROL

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

Readers are directed to the management discussion and analysis within the financial section of this CAFR for a detailed explanation of the financial statements for the year ended June 30, 2014. In developing and evaluating the Board's accounting system, consideration is given to the adequacy of the internal control structure. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of the basic financial statements in accordance



with generally accepted accounting principles. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of cost and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the Board's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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

COMPARISON OF BUDGET TO ACTUAL

Comparisons of budget to actual performance are provided for all major funds in the financial statement section that follows this introductory section of the CAFR. As is more fully explained in the management discussion and analysis section included in the basic financial statements, there were several budget amendments during the year, and all variances from the initial and final budgets were expected.

MAJOR INITIATIVES

The focus of the school system for the next several years will be in several areas:

- Implement the Common Core/Essential Standards;
- Development of a K-3 Literacy Culture for the district;
- Middle School World Language Program
- Revise AIG Program;
- Revise School Improvement Plan format and process;
- Conduct a Salary Study for Classified Personnel;
- Response to Instruction (RTI)
- Refresh Technology
- SIP Format & Process Revision
- Non-Traditional Learning Opportunities
- Implement Advancement Via Individual Determination (AVID) English Learner College Readiness Program.

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



FUND CODES

A fund is an independent fiscal and accounting entity consisting of cash and other resources. These funds, together with all related liabilities, obligations, reserves and equities are segregated by appropriate accounting techniques for the purpose of carrying on specific activities or attaining certain objectives in accordance with established legal regulations, restrictions, or limitations. The Chart of Accounts uses six funds, which we believe are appropriate for use by a local school administrative unit; however, other funds may be added as required.

1. **State Public School Fund** – Appropriations for the current operating expenses of the public school system from monies made available to the local school administrative unit by the Department of Public Instruction.
2. **Local Fund** – Appropriations for the current operating expenses of the local school administrative unit other than appropriations included in the State Public School Fund and the Federal Grant Fund. This shall include, but not be limited to, revenues from fines and forfeitures, county appropriations for current expenses and appropriated fund balances (revenues accruing to a school administrative unit in prior years but not yet expended).
3. **Federal Grant Fund** – Appropriations for the expenditure of federal categorical grants made available through the Department of Public Instruction and other federal grants allocated directly to the local school administrative units.
4. **Capital Outlay Fund** – Appropriations for:
 - (a) The acquisition of real property for school functions including but not limited to school sites, athletic fields, garages, and administrative offices;
 - (b) The acquisition, construction, enlargement, renovation or replacement of buildings and other structures, including but not limited to buildings for classrooms and laboratories, career and technical education purposes, media centers, auditoriums, gymnasiums, administrative offices, and storage;
 - (c) The acquisition or replacement of instructional apparatus, furniture and furnishings, computers and related processing equipment, business machines, and similar items of furnishings and equipment;
 - (d) The acquisition of school buses as additions to the fleet;
 - (e) The acquisition of activity buses and other motor vehicles;
 - (f) Such other objects of expenditures as may be assigned to the Capital Outlay Fund by the uniform budget format. The cost of acquiring or constructing a new building, enlarging or renovation of an existing



building, shall include the cost of all plants, works, appurtenances, structures, facilities, furnishings, machinery and equipment necessary or useful in connection therewith; financing charges; the cost of plans, specifications, studies, reports, and surveys; legal expenses; and all other costs necessary or incidental to the construction, enlargement or renovation.

5. *School Food Service Fund* – All revenues and expenditures related to the School food service fund operations are received and expended through this fund.
6. *Administrative Fund* – Revenues and expenditures for trust and agency fund as needed by the local school administrative unit to account for trust and agency arrangements such as endowments, funds of individuals held by the Director of Finance, and special funds of individual schools.

ECONOMIC CONDITION AND OUTLOOK

The County, founded in 1770, encompasses more than seven hundred square miles of land. Chatham County is located near the geographic center of North Carolina. Residents can enjoy the benefits of both rural and urban life because, while Chatham County is largely rural, it is an easy commute to the nearby urban centers. These neighboring areas provide employment for many Chatham County residents because they offer significant employment opportunities in higher education, research and government. However, local government is the top employer within Chatham County. This is a common trend in rural areas across the country.

The financial health of the Chatham County Board of Education is largely dependent upon the economic prospects of the State of North Carolina and of the County of Chatham. The Board of County Commissioners continued to show tremendous support for the school system by increasing the 2013-2014 County appropriation. This increase was used primarily to provide instructional and non-instructional support. The funding increase maintains our positioning as one of the top 10 locally funded school districts in North Carolina.

INDEPENDENT AUDIT

Dixon Hughes Goodman LLP has audited the financial records and transactions of the Chatham County Board of Education for the year ended June 30, 2014. They are a firm of independent certified public accountants. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133 and the State Single Audit Implementation Act. The auditor's report is included in the financial section of this report.



ACKNOWLEDGEMENTS

The preparation of the Comprehensive Annual Financial Report in a timely manner could not have been accomplished without the efforts and dedication of the Superintendent's staff, Finance Department and our independent audit firm. We would like to express appreciation to all staff members who assisted in the preparation of this report. As required by NC General Statute 115C-44, copies of this report will be filed with the Local Government Commission, the State Board of Education, and the Board of County Commissioners. A copy will also be made available for public inspection in the Superintendent's office as well as in the Finance office and on our website www.chatham.k12.nc.us.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Derrick D. Jordan'.

Derrick D. Jordan, Ed.D.
Superintendent

A handwritten signature in black ink, appearing to read 'Tony M. Messer'.

Tony M. Messer, MSA, SFO, CSBD
Chief Finance Officer

Chatham County Board of Education
Pittsboro, North Carolina
Comprehensive Annual
Financial Report
For the Fiscal Year Ended June 30, 2014

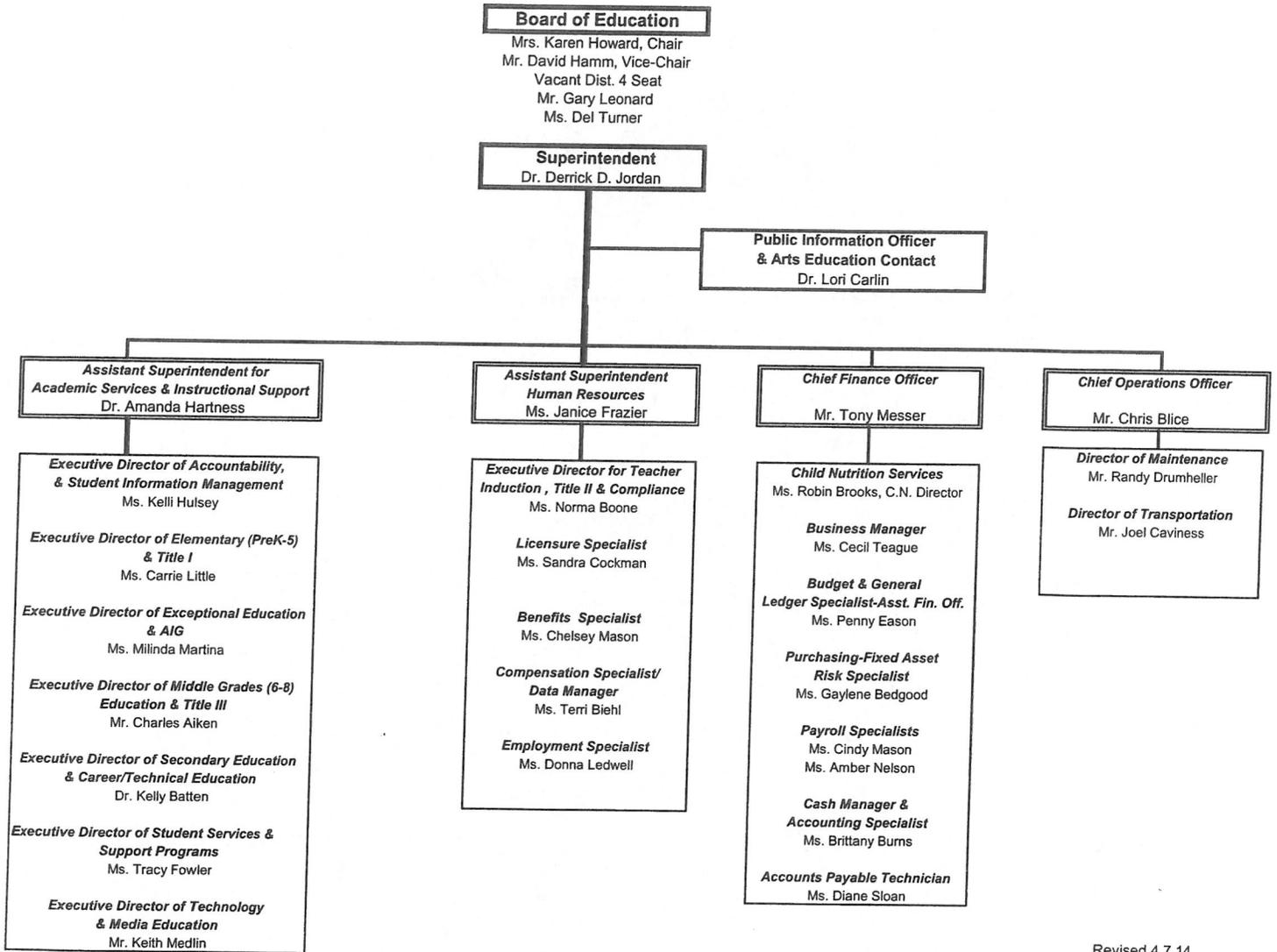
Board Members

Karen Howard, Chair
David Hamm, Vice-Chair
Gary Leonard, Del Turner

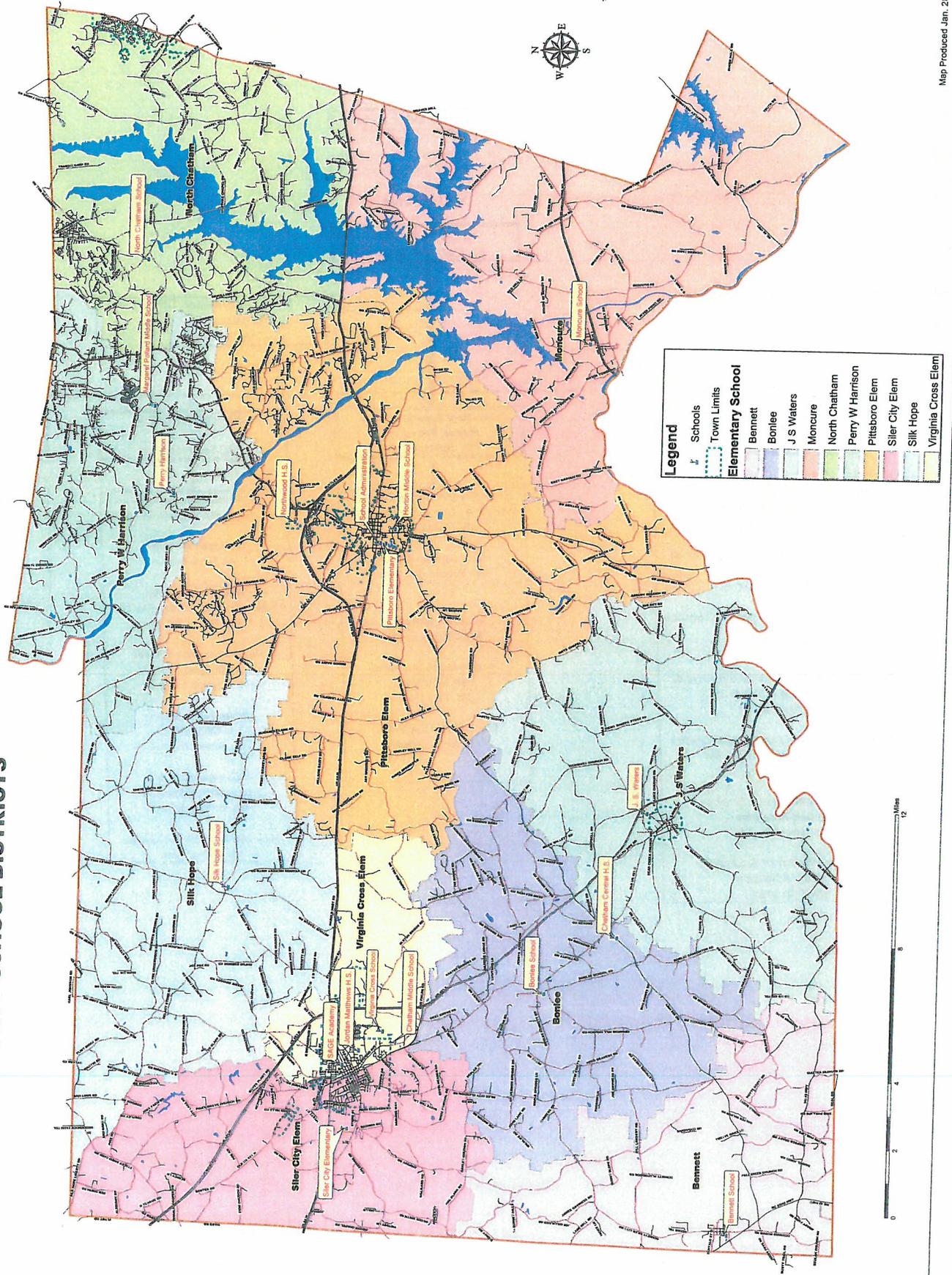
Principal Officers

Dr. Derrick D. Jordan	Superintendent
Dr. Amanda J. Hartness	Assistant Superintendent of Academic Services & Instructional Support
Janice A. Frazier	Assistant Superintendent of Human Resources
Chris D. Blice	Chief Operations Officer
Tony M. Messer	Chief Finance Officer
Dr. Lori M. Carlin	Public Information Officer
Kathleen Tanner Kennedy	General Counsel

Prepared by Tony M. Messer, MSA, SFO, CSBD
And the Finance Office



CHATHAM COUNTY SCHOOL DISTRICTS





Government Finance Officers Association

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

Presented to

**Chatham County
Board of Education
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Association of School Business Officials International



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

Chatham County Board of Education

For Its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2013

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



Handwritten signature of Terrie S. Simmons in black ink.

Terrie S. Simmons, RSBA, CSBO
President

Handwritten signature of John D. Musso in black ink.

John D. Musso, CAE, RSBA
Executive Director



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

To the Chatham County Board of Education
Pittsboro, 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 the Chatham County Board of Education ("Board"), as of and for the year then ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board'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 of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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 of the Board as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School, Other Restricted, and Federal Grants funds 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 Management's Discussion and Analysis on pages four through ten be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provided 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 an opinion on the financial statements that collectively comprise the Board's basic financial statements. The individual fund schedules and the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules and the accompanying 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. In our opinion, the individual fund schedules, and the accompanying schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on them.

Dixon Hughes Goodman LLP

Pinehurst, North Carolina
November 6, 2014

CHATHAM COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Chatham County Board of Education's (the "Board") financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2014. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board's final membership for the fiscal 2013-2014 was 8,193. In 2012-2013 it was 8,073. The stable population allows for consistent planning from year-to-year with school organization, curriculum forecasting.
- In 2013-2014, instructional initiatives were closely scrutinized to determine their contributions to student achievement and Annual Measurable Objectives in a climate of declining state and federal resources and future mandated curriculum changes on the horizon. There was a continued focus to use financial resources to target individual subgroups and offer more immediate remediation. Chatham County Schools experienced success in 2013-2014. All seventeen schools either met or exceeded growth for the school year. Also, through a wide range of cost savings and strategic planning, the school district continued to meet the challenges of revenue shortages in a difficult economic environment.

Overview of the Financial Statements

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Supplemental section that presents budgetary statements for the governmental and proprietary funds.*

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

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

Government-wide Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

The Board has three types of funds:

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

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

Proprietary funds: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. The Board has one proprietary fund, the enterprise School Food Service Fund.

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

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Board has one fiduciary fund – the Scholarship Fund, which is a scholarship fund under the control of the administrative unit. This is accounted for as a private purpose trust fund.

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

The fiduciary fund statements are shown as Exhibits 10 and 11 of this report.

Financial Analysis of the Board as a Whole

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$84.3 million as of June 30, 2014. The largest component of net position is the Board's net investment in capital assets of \$81.7 million, which comprises 96.9% of the total net position.

Following is a summary of the Statement of Net Position:

**Table 1
Condensed Statement of Net Position
As of June 30, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/14</u>	<u>6/30/13</u>	<u>6/30/14</u>	<u>6/30/13</u>	<u>6/30/14</u>	<u>6/30/13</u>
Current and other assets	\$ 7,884,579	\$ 8,761,426	\$ 1,187,602	\$ 1,190,199	\$ 9,072,181	\$ 9,951,625
Capital assets	<u>81,562,380</u>	<u>83,162,132</u>	<u>214,203</u>	<u>272,969</u>	<u>81,776,583</u>	<u>83,435,101</u>
Total assets	<u>89,446,959</u>	<u>91,923,558</u>	<u>1,401,805</u>	<u>1,463,168</u>	<u>90,848,764</u>	<u>93,386,726</u>
Current liabilities	3,962,898	3,923,201	114,497	72,656	4,077,395	3,995,857
Long-term liabilities	<u>2,461,025</u>	<u>2,585,818</u>	<u>39,218</u>	<u>70,089</u>	<u>2,500,243</u>	<u>2,655,907</u>
Total liabilities	<u>6,423,923</u>	<u>6,509,019</u>	<u>153,715</u>	<u>142,745</u>	<u>6,577,638</u>	<u>6,651,764</u>
Net investment in capital assets	81,442,183	82,319,708	214,203	272,969	81,656,386	82,592,677
Restricted net position	1,200,058	1,725,288	-	-	1,200,058	1,725,288
Unrestricted net position	<u>380,795</u>	<u>1,369,543</u>	<u>1,033,887</u>	<u>1,047,454</u>	<u>1,414,682</u>	<u>2,416,997</u>
Total net position	<u>\$ 83,023,036</u>	<u>\$ 85,414,539</u>	<u>\$ 1,248,090</u>	<u>\$ 1,320,423</u>	<u>\$ 84,271,126</u>	<u>\$ 86,734,962</u>

The net position of the Board's governmental activities decreased \$2.4 million during the year, from \$85.4 million at June 30, 2013 to \$83.0 million at June 30, 2014. This decrease is primarily attributable to a \$447 thousand decrease in cash and cash equivalents and a \$1.6 million decrease in capital assets. While the decrease in cash is due to several factors, mainly related to changes in revenues and expenses as detailed in Table 2 below, the main driver of the decrease in capital assets is depreciation charges in excess of capital outlay. The net position of the Board's business-type activities decreased \$72 thousand from \$1.3 million at June 30, 2013 to \$1.2 million at June 30, 2014. This decrease is primarily due to a \$59 thousand dollar decrease in capital assets from depreciation charges in the current year.

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

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

**Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2014 and 2013**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Revenues:						
Program revenues:						
Charges for services	\$ 2,175,915	\$ 2,154,641	\$ 1,178,192	\$ 1,202,763	\$ 3,354,107	\$ 3,357,404
Operating grants and contributions	49,151,555	49,267,301	2,780,890	2,608,537	51,932,445	51,875,838
Capital grants and contributions	120,197	395,346	-	-	120,197	395,346
General revenues:						
Other revenues	<u>29,681,693</u>	<u>32,089,459</u>	<u>5,161</u>	<u>1,008</u>	<u>29,686,854</u>	<u>32,090,467</u>
Total revenues	<u>81,129,360</u>	<u>83,906,747</u>	<u>3,964,243</u>	<u>3,812,308</u>	<u>85,093,603</u>	<u>87,719,055</u>
Expenses:						
Governmental activities:						
Instructional services	59,251,102	60,296,274	-	-	59,251,102	60,296,274
System-wide support services	18,658,688	19,665,840	-	-	18,658,688	19,665,840
Ancillary services	99,510	63,654	-	-	99,510	63,654
Nonprogrammed charges	2,481,652	2,033,031	-	-	2,481,652	2,033,031
Interest on long-term debt	1,371	33,368	-	-	1,371	33,368
Unallocated Depreciation	2,981,285	2,737,379	-	-	2,981,285	2,737,379
Business-type activities:						
School food service	-	-	4,083,831	3,969,567	4,083,831	3,969,567
Total expenses	<u>83,473,608</u>	<u>84,829,546</u>	<u>4,083,831</u>	<u>3,969,567</u>	<u>87,557,439</u>	<u>88,799,113</u>
Transfers in (out)	<u>(47,255)</u>	<u>(47,503)</u>	<u>47,255</u>	<u>47,503</u>	<u>-</u>	<u>-</u>
Decrease in net position	(2,391,503)	(970,302)	(72,333)	(109,756)	(2,463,836)	(1,080,058)
Beginning net position	<u>85,414,539</u>	<u>86,384,841</u>	<u>1,320,423</u>	<u>1,430,179</u>	<u>86,734,962</u>	<u>87,815,020</u>
Ending net position	<u>\$ 83,023,036</u>	<u>\$ 85,414,539</u>	<u>\$ 1,248,090</u>	<u>\$ 1,320,423</u>	<u>\$ 84,271,126</u>	<u>\$ 86,734,962</u>

Total governmental activities generated revenues of \$81.1 million while corresponding expenses totaled \$83.5 million for the year ended June 30, 2014, resulting in the aforementioned decrease in net position of \$2.4 million. Comparatively, revenues were \$83.9 million and expenses were \$84.9 million for the year ended June 30, 2013, resulting in a decrease in net position of \$970 thousand. Driving the decrease in revenues were reduced supplements from Chatham County for capital projects. The Board's primary sources of revenues were funding from the State of North Carolina, Chatham County, and the United States Government, which respectively comprised 55.0%, 35.7% and 5.2% of total revenues. As would be expected, instructional services expenses comprised 71.0% of total governmental-type expenses while system-wide support services made up 22.4% of those expenses for the year ended June 30, 2014. In comparison, instructional services and support services made up 71.1% and 23.2% of governmental-type expenses in the prior year.

Total business-type activities generated revenues of \$4.0 million while corresponding expenses totaled \$4.1 million for the year ended June 30, 2014. This operating activity, inclusive of net transfers from other funds of \$47 thousand, produced a decrease in net position of \$72 thousand. Revenue and expenses in 2014 increased by \$152 thousand and \$114 thousand, respectively, in comparison to 2013. The increase in revenues was due to an increase in federal reimbursements to offset the rise in food cost. Comparatively, the results of business-type activities in the current year were similar to the prior year which had a decrease in net position of \$110 thousand.

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

Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of \$6.0 million at June 30, 2014, a decrease of \$1.3 million from the \$7.3 million reported at June 30, 2013. Specific to the General Fund, the Board's revenues were consistent with the prior year with a decrease of only \$93 thousand; however, a rise in operational support costs and payments to charter schools resulted in a loss in the General Fund for the fiscal year ended June 30, 2014 of \$986 thousand. The Other Restricted Fund reported a slight decrease in revenues in the current year of \$38 thousand resulting from a decrease in funding for specific programs from the State of North Carolina. Although the Other Restricted Fund incurred additional expenditures in the current year, the Other Restricted fund was the only fund that reported a positive net change in fund balance for the year ended June 30, 2014. Related to the State Public School Fund, State of North Carolina funding was consistent with that of the prior year with only an increase of \$20 thousand. This fund must return any unused funding back to the state. In the Capital Outlay Fund, State of North Carolina funding decreased \$275 thousand as a result of decreased installment purchase obligations assumed by the state. In addition, Chatham County funding decreased \$2.1 million for reduced capital outlay needs. In the Federal Grants Fund, U.S. Government funding decreased \$472 thousand due to the expiration of several American Recovery and Reinvestment Act programs. This fund is also required to revert most unused funding, however, certain programs allow for carryover funding to be utilized in subsequent years. Overall, total governmental expenditures in the fiscal year ended 2014 decreased by \$2.5 million, or 2.9% from 2013 as a result of budgetary cuts; however, expenditures still exceeded revenues by \$1.2 million before transfers.

Proprietary Funds: The Board's business-type fund, the School Food Service Fund, incurred a loss of \$72 thousand for the year ended June 30, 2014 as compared to a \$110 thousand decrease in the prior year. The School Food Service Fund recognized an increase in federal reimbursements to offset rising food costs. Through effective costs management, the Board was able to reduce the current year loss in comparison to the previous year.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and program allocations. Since several revenue sources are either unknown or uncertain at the beginning of the fiscal year when the original budget is adopted, budget revisions are necessary throughout the year to recognize these adjustments. During the year, budgeted revenues were decreased by \$3.4 million as Chatham County appropriations for operations were reduced. Budgeted expenditures, however, remained consistent at \$29.3 million. As a result, the Board was required to appropriate fund balance of \$3.4 million in its final budget. Actual expenditures for the year ended June 30, 2014 came in at \$2.4 million less than the budget due to controlled spending by the board. The fund balance remaining is available to be used to offset future needs.

Capital Assets

Capital assets decreased by \$1.7 million, or 2.0%, compared to the previous year. During the year ended June 30, 2014 the Board sustained construction and renovation costs of \$601 thousand on construction in progress, \$1.1 million of additions to capital assets being depreciated not previously included in construction in progress, and incurred depreciation charges of \$3.3 million. Completed construction in progress projects of \$2.0 were transferred to buildings in the year ended June 30, 2014. Much of the construction and renovation costs related to various school projects. The following is a summary of the capital assets, net of depreciation at June 30, 2014 and 2013. Refer to Note 2-A-4 in the Notes to the Financial Statements for more detail.

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

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

**Table 3
Summary of Capital Assets
As of June 30, 2014 and 2013**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Land	\$ 2,260,024	\$ 2,260,024	\$ -	\$ -	\$ 2,260,024	\$ 2,260,024
Construction in progress	503,857	1,902,348	-	-	503,857	1,902,348
Buildings and improvements	76,610,551	76,421,958	-	-	76,610,551	76,421,958
Equipment and furniture	1,063,850	1,090,748	214,203	272,969	1,278,053	1,363,717
Vehicles	1,124,098	1,487,054	-	-	1,124,098	1,487,054
Total	\$ 81,562,380	\$ 83,162,132	\$ 214,203	\$ 272,969	\$ 81,776,583	\$ 83,435,101

Debt Outstanding

During the year ended June 30, 2014, the Board's debt related to installment purchases decreased by \$722 thousand through debt repayments. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue or for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction. Refer to Note 2-B-6 in the Notes to the Financial Statements for more detail.

Economic Factors

The Board anticipates modest increases in the student enrollment over the next several years until more information is available about the Chatham Parks Development and the potential mega-site in the western part of the county (see below). Local support from Chatham County continues to be a major source of funding for the Board of Education; therefore, the economic outlook for Chatham County directly affects that of the school district. Despite the difficult economy, Chatham County continues to have the state's 2nd highest per capita income. As of the latest data available, per capita income is 34% higher than the state average. The county's unemployment rate as of August 2014 was 4.9% and continues to trend well below the state's (7%) and nation's (6.3%) unemployment rate. The county's August 2014 rate ranked the second lowest in the state.

Economically, things are encouraging for Chatham County. Chatham County ranked 15th out of 100 counties in property valuation per capita at \$136,600 which is 29% higher than the state average.

Building permit revenue increased by 25% from fiscal year 2013 to fiscal year 2014, while the number of residential permits increased 10%. Register of deeds stamps are paid when properties are sold within the county. They were up 16% in fiscal 2014. Both of these revenue sources were conservatively budgeted in FY 2015 at 3% less than FY 2014 projected levels.

Chatham County has the potential for a radical shift from a relatively rural, bedroom community to one with a coveted industry and booming population. At present, there are two developments in negotiation with various government and business interests. Chatham Park, the proposed development for lands owned by Jim Goodnight (SAS CEO), is a large-scale planned development district. Chatham Park Master Plan includes zoning for business, residential, and recreation. With 22,000 homes and more than 13 million square feet of research and development space, it would be the largest development in the history of Chatham County.

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

Requests for Information

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

Tony M. Messer, Chief Finance Officer
Chatham County Board of Education
P.O. Box 128
Pittsboro, NC 27312

**CHATHAM COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2014**

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 6,981,541	\$ 897,725	\$ 7,879,266
Due from other governments	617,466	109,855	727,321
Receivables	2,379	103,949	106,328
Inventories	283,193	76,073	359,266
Capital assets:			
Land, improvements, and construction in progress	2,763,881	-	2,763,881
Other capital assets, net of depreciation	78,798,499	214,203	79,012,702
Total capital assets	<u>81,562,380</u>	<u>214,203</u>	<u>81,776,583</u>
Total assets	<u>89,446,959</u>	<u>1,401,805</u>	<u>90,848,764</u>
Liabilities			
Accounts payable and accrued expenses	358,347	14,197	372,544
Accrued salaries and wages payable	1,479,595	10,733	1,490,328
Unearned revenue	-	25,334	25,334
Long-term liabilities:			
Due within one year	2,124,956	64,233	2,189,189
Due in more than one year	2,461,025	39,218	2,500,243
Total liabilities	<u>6,423,923</u>	<u>153,715</u>	<u>6,577,638</u>
Net Position			
Net investment in capital assets	81,442,183	214,203	81,656,386
Restricted for:			
Stabilization by State Statute	148,626	-	148,626
School Capital Outlay	348,902	-	348,902
Individual Schools	702,530	-	702,530
Unrestricted	380,795	1,033,887	1,414,682
Total net position	<u>\$ 83,023,036</u>	<u>\$ 1,248,090</u>	<u>\$ 84,271,126</u>

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

CHATHAM COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
Instructional services:								
Regular instructional	\$ 35,009,618	\$ -	\$ 27,074,139	\$ -	\$ (7,935,479)	\$ -	\$ (7,935,479)	
Special populations	9,955,679	-	8,506,416	-	(1,449,263)	-	(1,449,263)	
Alternative programs	4,615,172	-	3,247,074	-	(1,368,098)	-	(1,368,098)	
School leadership	6,148,578	-	2,934,454	-	(3,214,124)	-	(3,214,124)	
Co-curricular	386,156	1,740,449	-	-	1,354,293	-	1,354,293	
School-based support	3,135,899	-	2,756,209	-	(379,690)	-	(379,690)	
System-wide support services:								
Support and development	1,351,916	-	355,225	-	(996,691)	-	(996,691)	
Special populations support and development	190,685	-	178,741	-	(11,944)	-	(11,944)	
Alternative programs and services support and development	163,215	-	162,668	-	(547)	-	(547)	
Technology support	1,151,227	-	79,342	-	(1,071,885)	-	(1,071,885)	
Operational support	12,798,600	435,466	2,715,629	120,197	(9,527,308)	-	(9,527,308)	
Financial and human resource	1,100,931	-	724,518	-	(376,413)	-	(376,413)	
Accountability	111,811	-	2,293	-	(109,518)	-	(109,518)	
System-wide pupil support	467,604	-	-	-	(467,604)	-	(467,604)	
Policy, leadership, and public relations	1,322,699	-	301,964	-	(1,020,735)	-	(1,020,735)	
Ancillary services	99,510	-	-	-	(99,510)	-	(99,510)	
Non-programmed charges	2,481,652	-	112,883	-	(2,368,769)	-	(2,368,769)	
Interest on long-term debt	1,371	-	-	-	(1,371)	-	(1,371)	
Unallocated depreciation expense, excluding direct depreciation expense charged to programs								
Total governmental activities	2,981,285	-	-	-	(2,981,285)	-	(2,981,285)	
Business-type activities:								
School food service	83,473,608	2,175,915	49,151,555	120,197	(32,025,941)	-	(32,025,941)	
Total business-type activities	4,083,831	1,178,192	2,780,890	-	-	(124,749)	(124,749)	
Total primary government	4,083,831	1,178,192	2,780,890	-	-	(124,749)	(124,749)	
Total primary government	\$ 87,557,439	\$ 3,354,107	\$ 51,932,445	\$ 120,197	(32,025,941)	(124,749)	(32,150,690)	
General revenues:								
Unrestricted county appropriations - operating					25,551,130	-	25,551,130	
Unrestricted county appropriations - capital					3,433,064	-	3,433,064	
Investment earnings, unrestricted					21,100	1,711	22,811	
Miscellaneous, unrestricted					676,399	3,450	679,849	
Transfers					(47,255)	47,255	-	
Total general revenues and transfers					29,634,438	52,416	29,686,854	
Change in net position					(2,391,503)	(72,333)	(2,463,836)	
Net position, beginning					85,414,539	1,320,423	86,734,962	
Net position, ending					\$ 83,023,036	\$ 1,248,090	\$ 84,271,126	

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

**CHATHAM COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

Exhibit 3

	Major Funds						Total Governmental Funds
	General	Other Restricted	State Public School	Individual Schools	Capital Outlay	Federal Grants	
Assets							
Cash and cash equivalents	\$ 5,771,055	\$ 177,322	\$ -	\$ 571,346	\$ 461,818	\$ -	\$ 6,981,541
Due from other governments	20,059	55,779	450,010	-	70,409	21,209	617,466
Accounts receivable	2,379	-	-	-	-	-	2,379
Due from other funds	-	-	-	131,184	-	-	131,184
Inventories	283,193	-	-	-	-	-	283,193
Total assets	\$ 6,076,686	\$ 233,101	\$ 450,010	\$ 702,530	\$ 532,227	\$ 21,209	\$ 8,015,763
Liabilities and fund balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 239,307	\$ 6,124	\$ -	\$ -	\$ 112,916	\$ -	\$ 358,347
Accrued salaries and wages payable	995,719	12,657	450,010	-	-	-	1,479,595
Due to other funds	131,184	-	-	-	-	21,209	131,184
Total liabilities	1,366,210	18,781	450,010	-	112,916	21,209	1,969,126
Fund balances:							
Nonspendable:							
Inventories	283,193	-	-	-	-	-	283,193
Restricted:							
Stabilization by State Statute	22,438	55,779	-	-	-	-	148,626
School Capital Outlay	-	-	-	-	70,409	-	348,902
Individual Schools	-	-	-	702,530	-	-	702,530
Assigned:							
Subsequent year's expenditures	4,261,490	-	-	-	-	-	4,261,490
Other special programs	-	158,541	-	-	-	-	158,541
Unassigned	143,355	-	-	-	-	-	143,355
Total fund balances	4,710,476	214,320	-	702,530	419,311	-	6,046,637
Total liabilities and fund balances	\$ 6,076,686	\$ 233,101	\$ 450,010	\$ 702,530	\$ 532,227	\$ 21,209	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

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

81,562,380

Some liabilities, including those for compensated absences and installment purchase obligations are not due and payable in the current period and therefore are not reported in the funds.

(4,585,981)

Net position of governmental activities

\$ 83,023,036

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

CHATHAM COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

Exhibit 4

	Major Funds						Total Governmental Funds
	General	Other Restricted	State Public School	Individual Schools	Capital Outlay	Federal Grants	
Revenues:							
Intergovernmental							
State of North Carolina	\$ -	\$ 886,257	\$ 43,603,107	\$ -	\$ 120,197	\$ -	\$ 44,609,561
Chatham County	25,551,130	-	-	-	3,433,064	-	28,984,194
U.S. Government	-	57,143	-	-	-	4,187,691	4,244,834
Other	359,500	1,297,159	-	1,740,449	16,046	-	3,413,154
Total revenues	25,910,630	2,240,559	43,603,107	1,740,449	3,569,307	4,187,691	81,251,743
Expenditures:							
Current:							
Instructional services:							
Regular instructional	8,984,668	7,506	25,617,037	-	-	288,826	34,898,037
Special populations	1,505,433	104,580	6,662,993	-	-	1,650,942	9,923,948
Alternative programs	169,838	1,183,551	1,460,654	-	-	1,786,420	4,600,463
School leadership	1,494,907	-	2,934,454	1,699,620	-	-	6,128,981
Co-curricular	384,925	-	-	-	-	-	384,925
School-based support	209,124	160,571	2,685,594	-	-	70,615	3,125,904
System-wide support services:							
Support and development	992,382	-	354,722	-	-	503	1,347,607
Special populations support and development	11,336	-	75,432	-	-	103,309	190,077
Alternative programs and services support and development	27	-	-	-	-	162,668	162,695
Technology support	1,068,216	-	79,342	-	-	-	1,147,558
Operational support	7,822,634	453,131	2,704,104	-	-	11,525	10,991,394
Financial and human resources	420,159	-	677,263	-	-	-	1,097,422
Accountability	109,162	-	2,293	-	-	-	111,455
System-wide pupil support	226,256	239,858	-	-	-	-	466,114
Policy, leadership, and public relations	966,608	49,911	301,964	-	-	-	1,318,483
Ancillary Services	93,524	5,986	-	-	-	-	99,510
Non-programmed charges	2,437,659	-	-	-	-	112,883	2,550,542
Debt service:							
Principal retirement	-	-	-	-	722,227	-	722,227
Interest and fees	-	-	-	-	32,066	-	32,066
Capital outlay:							
Land, buildings, and site improvement	-	-	-	-	2,176,483	-	2,176,483
Furnishings and equipment	-	-	-	-	970,927	-	970,927
Total expenditures	26,896,858	2,205,094	43,555,852	1,699,620	3,901,703	4,187,691	82,446,818
Revenues over (under) expenditures	(986,228)	35,465	47,255	40,829	(332,396)	-	(1,195,075)
Other financing uses:							
Transfers to other funds	-	-	(47,255)	(43,993)	-	-	(91,248)
Net change in fund balances	(986,228)	35,465	-	(3,164)	(332,396)	-	(1,286,323)
Fund balances:							
Beginning of year	5,712,389	178,855	-	705,694	751,707	-	7,348,645
Decrease in reserve for inventories	(15,685)	-	-	-	-	-	(15,685)
End of year	\$ 4,710,476	\$ 214,320	\$ -	\$ 702,530	\$ 419,311	\$ -	\$ 6,046,637

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

**CHATHAM COUNTY BOARD OF EDUCATION
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2014**

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ (1,286,323)
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	(15,685)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,595,237)
Proceeds from the sale of capital assets are recorded as revenues in the fund statements but not in the statement of activities.	(9,500)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Gain on disposal of capital assets	4,985
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	722,227
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Difference in accrued interest payable and interest expensed on fund statements	30,695
Compensated absences	<u>(242,665)</u>
Total changes in net position of governmental activities	<u>\$ (2,391,503)</u>

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

**CHATHAM COUNTY BOARD OF EDUCATION
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014**

	General Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Chatham County	25,551,130	25,551,130	25,551,130	-
Other	370,870	370,870	359,500	(11,370)
Total revenues	<u>25,922,000</u>	<u>25,922,000</u>	<u>25,910,630</u>	<u>(11,370)</u>
Expenditures:				
Current:				
Instructional services	15,203,800	14,609,768	12,748,895	1,860,873
System-wide support services	11,933,526	12,156,909	11,616,780	540,129
Ancillary services	73,842	102,491	93,524	8,967
Nonprogrammed charges	2,100,000	2,442,000	2,437,659	4,341
Total expenditures	<u>29,311,168</u>	<u>29,311,168</u>	<u>26,896,858</u>	<u>2,414,310</u>
Revenues over (under) expenditures	(3,389,168)	(3,389,168)	(986,228)	2,402,940
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	<u>3,389,168</u>	<u>3,389,168</u>	-	<u>(3,389,168)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(986,228)	<u>\$ (986,228)</u>
Fund balances:				
Beginning of year			5,712,389	
Decrease in reserve for inventories			<u>(15,685)</u>	
End of year			<u>\$ 4,710,476</u>	

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

State Public School Fund			
Original Budget	Final Budget	Actual	Variance with final budget positive (negative)
\$ 42,758,695	\$ 45,010,666	\$ 43,603,107	\$ (1,407,559)
-	-	-	-
<u>42,758,695</u>	<u>45,010,666</u>	<u>43,603,107</u>	<u>(1,407,559)</u>
39,405,680	40,758,113	39,360,732	1,397,381
3,295,280	4,205,061	4,195,120	9,941
-	-	-	-
<u>42,700,960</u>	<u>44,963,174</u>	<u>43,555,852</u>	<u>1,407,322</u>
57,735	47,492	47,255	(237)
(57,735)	(47,492)	(47,255)	237
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
		<u>-</u>	
		<u>\$ -</u>	

**CHATHAM COUNTY BOARD OF EDUCATION
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014**

	Other Restricted			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State of North Carolina	\$ 1,264,162	\$ 882,857	\$ 886,257	\$ 3,400
U.S. Government	57,143	57,143	57,143	-
Other	<u>948,103</u>	<u>1,276,000</u>	<u>1,297,159</u>	<u>21,159</u>
Total revenues	<u>2,269,408</u>	<u>2,216,000</u>	<u>2,240,559</u>	<u>24,559</u>
Expenditures:				
Current:				
Instructional services	1,540,408	1,459,000	1,456,208	2,792
System-wide support services	729,000	747,000	742,900	4,100
Ancillary services	-	10,000	5,986	4,014
Nonprogrammed charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,269,408</u>	<u>2,216,000</u>	<u>2,205,094</u>	<u>10,906</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	35,465	<u>\$ 35,465</u>
Fund balances:				
Beginning of year			<u>178,855</u>	
End of year			<u>\$ 214,320</u>	

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

Federal Grants Fund			
Original Budget	Final Budget	Actual	Variance with final budget positive (negative)
\$ -	\$ -	\$ -	\$ -
4,843,355	4,949,482	4,187,691	(761,791)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,843,355</u>	<u>4,949,482</u>	<u>4,187,691</u>	<u>(761,791)</u>
4,075,628	4,342,068	3,796,803	545,265
359,072	356,437	278,005	78,432
-	-	-	-
<u>408,655</u>	<u>250,977</u>	<u>112,883</u>	<u>138,094</u>
<u>4,843,355</u>	<u>4,949,482</u>	<u>4,187,691</u>	<u>761,791</u>
<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
		<u>-</u>	
		<u>\$ -</u>	

CHATHAM COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
June 30, 2014

Exhibit 7

	<u>Enterprise</u> <u>Major Funds</u> <u>School Food</u> <u>Service</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 897,725
Due from other governments	109,855
Accounts receivable	103,949
Inventories	<u>76,073</u>
Total current assets	<u>1,187,602</u>
Noncurrent assets:	
Capital assets:	
Furniture, equipment, and vehicles, net	<u>214,203</u>
Total assets	<u>1,401,805</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	14,197
Accrued salaries and wages payable	10,733
Unearned revenue	25,334
Compensated absences	<u>64,233</u>
Total current liabilities	<u>114,497</u>
Noncurrent liabilities:	
Compensated absences	<u>39,218</u>
Total liabilities	<u>153,715</u>
Net Position	
Net position, investment in capital assets	214,203
Unrestricted	<u>1,033,887</u>
Total net position	<u>\$ 1,248,090</u>

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

**CHATHAM COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2014**

Exhibit 8

	Enterprise Major Fund School Food Service
Operating revenues:	
Food sales	\$ 1,178,192
Operating expenses:	
Food cost:	
Purchase of food	1,313,474
Donated commodities	237,290
Salaries and benefits	2,044,165
Indirect costs	200,000
Materials and supplies	127,943
Repairs and maintenance	11,383
Depreciation	98,218
Non-capitalized equipment	4,277
Contracted services	23,729
Other	23,352
Total operating expenses	<u>4,083,831</u>
Operating loss	<u>(2,905,639)</u>
Nonoperating revenues:	
Federal reimbursements	2,537,397
Federal commodities	237,290
State reimbursements	6,203
Gain on disposal of capital assets	3,450
Interest earned	1,711
Total nonoperating revenues	<u>2,786,051</u>
Loss before transfers	(119,588)
Transfers from other funds	<u>47,255</u>
Change in net position	(72,333)
Net position, beginning of year	<u>1,320,423</u>
Net position, end of year	<u>\$ 1,248,090</u>

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

CHATHAM COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2014

Exhibit 9

	Enterprise Major Fund School Food Service
Cash flows from operating activities:	
Cash received from customers	\$ 1,178,933
Cash paid for goods and services	(1,714,669)
Cash paid to employees for services	(2,148,585)
Net cash used by operating activities	<u>(2,684,321)</u>
Cash flows from noncapital financing activities:	
Transfers in from other funds	47,255
Federal and state reimbursements	<u>2,493,542</u>
Net cash provided by noncapital financing activities	<u>2,540,797</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(39,452)
Proceeds from sale of capital assets	<u>3,450</u>
Net cash used by capital and related financing activities	<u>(36,002)</u>
Cash flows from investing activities:	
Interest earned on investments	<u>1,711</u>
Net decrease in cash and cash equivalents	(177,815)
Cash and cash equivalents, beginning of year	<u>1,075,540</u>
Cash and cash equivalents, end of year	<u>\$ 897,725</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (2,905,639)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	98,218
Donated commodities consumed	237,290
Changes in assets and liabilities:	
Increase in accounts receivable	(103,949)
Increase in inventories	(21,211)
Increase in accounts payable and accrued liabilities	10,700
Increase in accrued salaries and wages payable	10,733
Increase in unearned revenue	741
Decrease in compensated absences payable	<u>(11,204)</u>
Total adjustments	<u>221,318</u>
Net cash used by operating activities	<u>\$ (2,684,321)</u>

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$237,290 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8.

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

**CHATHAM COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2014**

Exhibit 10

	<u>Scholarship Fund</u>
Assets	
Cash and cash equivalents	\$ 176,229
Net Position	
Assets held in trust for scholarships	\$ 176,229

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

CHATHAM COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2014

Exhibit 11

	<u>Scholarship Fund</u>
Additions:	
Contributions and other revenue	\$ 4,185
Deductions:	
Scholarships	<u>4,575</u>
Loss before transfers	(390)
Transfers from other funds	<u>43,993</u>
Change in net position	43,603
Net position, beginning	<u>132,626</u>
Net position, ending	<u>\$ 176,229</u>

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

**CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary funds. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. This fund is the "Local Current Expense Fund," which is mandated by State law [G.S. 115C-426].

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

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

**CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

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

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

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

The Board reports the following major enterprise fund:

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

The Board reports the following fiduciary fund:

Scholarship Fund. The Scholarship Fund is used to account for scholarship money under the control of the Board for the benefit of students in the district. This fund is considered a private-purpose trust.

C. Measurement Focus and Basis of Accounting

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

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

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

**CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the purpose level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys from one function to another within a fund without limitations and with a report to the Board of Education being required. Amendments are required for any revisions that alter total expenditures of any fund or that transfer amounts from any contingency appropriation within a fund. All amendments must be approved by the governing board. 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.

Encumbrance accounting is employed in all governmental funds except the Individual School Fund. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. There were no outstanding encumbrances at the year ended June 30, 2014.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF).

The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

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

2. Cash and Cash Equivalents

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

CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

3. Inventories

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

4. Capital Assets

The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1990 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

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

Chatham County holds title to certain properties, which are reflected as capital assets in the financial statements of the Board. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title of the property back to the Board, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

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

	<u>Years</u>
Buildings and improvements	5 - 50
Equipment and furniture	3 - 12
Vehicles	6 - 12

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

5. Long-term obligations

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

6. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2014 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate of the current portion of compensated absences has been made based on prior years' records.

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

7. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements are 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 the laws or regulations of other governments, or imposed by law through State Statute.

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for School Capital Outlay- portion of fund balance that can only be used for School Capital Outlay [G.S. 159-18 through 22].

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

Assigned fund balance – portion of fund balance that the governing body intends to use for specific purposes per Board policy 8110.

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. The governing body approves the appropriation; however the budget ordinance authorizes the superintendent to transfer amounts between, purpose, program and object codes.

Other special programs – portion of fund balance that will be used by other restricted fund activities, as determined by the governing body.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. A negative unassigned fund balance may be reported in any governmental fund, except for the general fund, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

8. Reconciliation of Government-wide and Fund Financial Statements

a. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net 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 \$76,976,399 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$139,475,989
Less accumulated depreciation	<u>(57,913,609)</u>
Net capital assets	81,562,380
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchases	(120,197)
Compensated absences	<u>(4,465,784)</u>
Total adjustment	<u>\$ 76,976,399</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$1,105,180 as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,700,590
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	<u>(3,295,827)</u>
Principal payments on debt owed are recorded as a use of funds on the fund statements but only the statement of net position in the government-wide statements	722,227
Proceeds from the sale of capital assets are recorded as revenues in the fund statements but not in the statement of activities	(9,500)

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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:

Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(242,665)
Difference in interest expense between fund financial statements (modified accrual) and government-wide statements	30,695
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	(15,685)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Gain on disposal of capital assets	<u>4,985</u>
Total adjustment	<u>\$ (1,105,180)</u>

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risk for deposits.

At June 30, 2014, the Board had deposits with banks with a carrying amount of \$3,303,431 and with the State Treasurer of \$-0-. The bank balances with financial institutions and the State Treasurer was \$4,067,680 and \$187,861, respectively. Of these balances, \$1,101,634 was covered by federal depository insurance and \$3,153,907 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

CHATHAM COUNTY BOARD OF EDUCATION
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2. Investments

At June 30, 2014, the Board's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>
Department of State Treasurer Short Term Investment Fund (STIF)	\$ 4,584,816	1.3 years	Unrated
North Carolina Capital Management Trust - Cash Portfolio	<u>167,248</u>	N/A	AAAm
Total:	<u>\$ 4,752,064</u>		

Interest Rate Risk. The Board of Education does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The STIF had a weighted average maturity of 1.3 years as of June 30, 2014.

Credit Risk. The Board's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard and Poor's as of June 30, 2014. The STIF is unrated and is authorized under North Carolina General Statute 147-69.1. The STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate term treasuries and agencies, and money market instruments. The Board has no policy on credit risk.

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

3. Receivables

Receivables at the government-wide level at June 30, 2014, were as follows:

	<u>Due from Other Governments</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 20,059	\$ 2,379	\$ 22,438
Other governmental activities	<u>597,407</u>	<u>-</u>	<u>597,407</u>
Total governmental activities	<u>\$ 617,466</u>	<u>\$ 2,379</u>	<u>\$ 619,845</u>
Business-type activities:			
School Food Service	<u>\$ 109,855</u>	<u>\$ 103,949</u>	<u>\$ 213,804</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 20,059	County and other reimbursements
Other Restricted Fund	55,779	Reimbursements and State and Federal grant funds
State Public School Fund	450,010	Operating funds from DPI
Capital Outlay Fund	70,409	County capital appropriations
Federal Grants Fund	<u>21,209</u>	Federal grant funds
Total governmental activities	<u>\$ 617,466</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 109,855</u>	USDA reimbursements

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4. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,260,024	\$ -	\$ -	\$ 2,260,024
Construction in progress	<u>1,902,348</u>	<u>600,850</u>	<u>1,999,341</u>	<u>503,857</u>
Total capital assets not being depreciated	<u>4,162,372</u>	<u>600,850</u>	<u>1,999,341</u>	<u>2,763,881</u>
Capital assets being depreciated:				
Buildings and improvements	121,874,258	2,830,784	-	124,705,042
Equipment and furniture	3,980,510	266,919	-	4,247,429
Vehicles	<u>7,773,237</u>	<u>1,378</u>	<u>14,978</u>	<u>7,759,637</u>
Total capital assets being depreciated	<u>133,628,005</u>	<u>3,099,081</u>	<u>14,978</u>	<u>136,712,108</u>
Less accumulated depreciation for:				
Buildings and improvements	45,452,300	2,642,191	-	48,094,491
Equipment and furniture	2,889,762	293,817	-	3,183,579
Vehicles	<u>6,286,183</u>	<u>359,819</u>	<u>10,463</u>	<u>6,635,539</u>
Total accumulated depreciation	<u>54,628,245</u>	<u>3,295,827</u>	<u>10,463</u>	<u>57,913,609</u>
Total capital assets being depreciated, net	<u>78,999,760</u>			<u>78,798,499</u>
Governmental activity capital assets, net	<u>\$ 83,162,132</u>			<u>\$ 81,562,380</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 1,375,949	\$ 39,452	\$ 15,299	\$ 1,400,102
Less accumulated depreciation for:				
Furniture and office equipment	<u>1,102,980</u>	<u>98,218</u>	<u>15,299</u>	<u>1,185,899</u>
Business-type activities capital assets, net	<u>\$ 272,969</u>			<u>\$ 214,203</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 2,981,285
Operational support	<u>314,542</u>
Total	<u>\$ 3,295,827</u>

Construction and Other Significant Commitments

The Board has active construction projects as of June 30, 2014 which will be paid with public bond funds. These projects include school roof repairs and a joint school bus and county garage. At year-end, the Board's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Renovations & Repairs	<u>\$ 163,685</u>	<u>\$ 395,925</u>

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Financing Commitments

Recent legislation permits the State Board of Education to finance the purchase of replacement school buses through installment purchases. The Board has entered into an agreement to purchase two buses in this manner. The term of the financing cannot exceed three years and the Board must purchase the buses from vendors approved by the Department of Public Instruction. The Department of Public Instruction will make the payments to the lender (Banc of America Public Capital Corp) on behalf of the Board out of funds allocated to the Board. Because future resources will be used to fund the payments under the installment agreement, no encumbrance of fund balance at June 30, 2014, has been recorded.

The future payments of this financing commitment as of June 30, 2014 are as follows:

Total purchase price, two buses	\$153,928
Total payments due in 2015	\$76,964
Total payments in subsequent years	\$76,964

B. Liabilities

1. Pension Plan Obligations

a. Teachers' and State Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 8.69% of annual covered payroll. The contribution requirements of plan members and Chatham County Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2014, 2013, and 2012 were \$3,908,075, \$3,762,523, and \$3,351,056, respectively, equal to the required contributions for each year.

b. Other Post-employment Benefits

1. Healthcare Benefits

Plan Description. The post-employment healthcare benefits are provided through a cost sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriate act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statutes, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable

CHATHAM COUNTY BOARD OF EDUCATION
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beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

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

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2014, 2013, and 2012, the Board paid all annual required contributions to the Plan for postretirement healthcare benefits of \$2,428,493, \$2,393,922, and \$2,252,054, respectively. The contributions represented 5.40%, 5.30%, and 5.00% of covered payroll, respectively.

2. Long-term Disability Benefits

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

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

Funding Policy. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or

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after salary continuation payments cease or after monthly payments for Worker's Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

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

The Board's contributions are established in the Appropriations Bill by General Assembly, Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other post-employment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other post-employment benefit. For the fiscal years ended June 30, 2014, 2013, and 2012, the Board paid all annual required contributions to the DIPNC for disability benefits of \$197,877, \$198,741, and \$234,214, respectively. These contributions represented .44%, .44%, and .52% of covered payroll for each year, respectively.

3. Other Employment Benefits

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

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Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (Disability Income Plan), a multiple-employer State-administered cost-sharing plan, which also is funded on a one-year term cost basis. Long-term disability benefits are payable from the Disability Income Plan after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as a qualified employee is disabled.

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

2. Payables

Payables at the government-wide level at June 30, 2014 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General	\$ 239,307	\$ 995,719	\$ 1,235,026
Other governmental	<u>119,040</u>	<u>483,876</u>	<u>602,916</u>
Total governmental activities	<u>\$ 358,347</u>	<u>\$ 1,479,595</u>	<u>\$ 1,837,942</u>
Business-type activities:			
School Food Service Fund	<u>\$ 14,197</u>	<u>\$ 10,733</u>	<u>\$ 24,930</u>

3. Unearned Revenues

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

	<u>Unearned revenue</u>
Prepayments of meals (School Food Service Fund)	<u>\$ 25,334</u>

4. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim, and workers' compensation coverage up to the statutory limits for employees to the extent they are paid from Federal and local funds. The State of North Carolina provides workers' compensation for employees to the extent they are paid from State funds. The Trust has an annual aggregate limit of \$3,150,000 for general liability coverage and errors and omissions coverage. The Trust is reinsured through commercial companies for losses in excess of \$100,000 per claim for errors and omissions and general liability coverage, and for losses in excess of \$275,000 per claim for workers' compensation coverage.

The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction, insuring the tangible property assets of the Board. The Fund provides coverage up to \$201,168,866 annually. Excess reinsurance is purchased through commercial insurers, who participate in property losses in excess of the Fund's self-insured

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retention of \$10 million. A total limit of \$5 million per occurrence, subject to \$25 thousand in deductibles; except for flood zones A & V where the fund is excess over any National Flood Insurance Plan. The Board does not carry supplemental flood insurance in case of natural disasters since there are no Board owned property in flood zones.

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

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits up to a \$5 million lifetime limit. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In Accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

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

6. Long-Term Obligations

a. Installment Purchases

The Board is authorized by State law [G.S. 115C-528] to enter into installment purchase contracts to finance the purchase or improvement of personal property and to secure its obligations under such contracts by security interest in all or a portion of the property purchased or improved.

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. In February 2012, the Board entered into an installment purchase contract to finance the purchase of the school buses. The financing contract requires only principal payments at the beginning of each contract year.

The future minimum payments of the installment purchases as of June 30, 2014 are as follows:

Year Ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ <u>120,197</u>	\$ <u>-</u>

b. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2014:

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ 842,424	\$ -	\$ 722,227	\$ 120,197	\$ 120,197
Compensated absences	4,223,119	2,757,410	2,514,745	4,465,784	2,004,759
Total	<u>\$ 5,065,543</u>	<u>\$ 2,757,410</u>	<u>\$ 3,236,972</u>	<u>\$ 4,585,981</u>	<u>\$ 2,124,956</u>
Business-type activities:					
Compensated absences	\$ 114,655	\$ 86,993	\$ 98,197	\$ 103,451	\$ 64,233

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Compensated absences are typically liquidated by the general and other governmental funds.

c. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2014 consist of the following:

	<u>Amount</u>
From the State Public School Fund to the School Food Service Fund for administrative costs	<u>\$ 47,255</u>
From the Individual School Fund to the Fiduciary Fund for scholarship receipts	<u>\$ 43,993</u>

Balances due to/from other funds at June 30, 2014 consist of the following:

From the General Fund to the Individual School Fund for holding STIF investments	<u>\$ 131,184</u>
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NOTE 3 - FUND BALANCE

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

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	\$ 4,710,476
Less:	
Inventories	283,193
Stabilization by State Statute	22,438
Appropriated fund balance in 2015 budget	<u>4,261,490</u>
Remaining Fund Balance	<u>\$ 143,355</u>

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<i>Encumbrances</i>	<i>General Fund</i>	<i>Capital Outlay Fund</i>
	\$0	\$0

CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Board has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Contingent Liabilities

At June 30, 2014, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorneys, the ultimate effect of these legal matters will not have a material adverse effect on the Board's financial position.

CHATHAM COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL OUTLAY FUND
For the Fiscal Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 274,125	\$ 120,197	\$ (153,928)
Chatham County:			
Special projects - school construction and technology	3,475,349	2,287,769	(1,187,580)
Appropriations	1,145,295	1,145,295	-
Total Chatham County	4,620,644	3,433,064	(1,187,580)
Other:			
Interest earned on investments	-	212	212
Miscellaneous	52,799	15,834	(36,965)
Total other	52,799	16,046	(36,753)
Total revenues	4,947,568	3,569,307	(1,378,261)
Capital outlay:			
Real property and bulidings		2,176,483	
Furniture and equipment		970,927	
Total capital outlay	4,393,476	3,147,410	1,246,066
Debt service:			
Principal retirement		722,227	
Interest and fees		32,066	
Total debt service	908,221	754,293	153,928
Total expenditures and debt service	5,301,697	3,901,703	1,399,994
Revenues under expenditures	(354,129)	(332,396)	21,733
Fund balance appropriated	354,129	-	(354,129)
Net change in fund balance	\$ -	(332,396)	\$ (332,396)
Fund balance:			
Beginning of year		751,707	
End of year		\$ 419,311	

CHATHAM COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
SCHOOL FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	\$ 1,331,000	\$ 1,178,192	\$ (152,808)
Operating expenditures:			
Business support services:			
Purchase of food		1,334,685	
Donated commodities		237,290	
Salaries and benefits		2,055,369	
Indirect costs		200,000	
Materials and supplies		127,943	
Repairs and maintenance		11,383	
Non-capitalized equipment		4,277	
Capital outlay		39,452	
Contracted services		23,729	
Other		23,352	
Total operating expenditures	4,279,260	4,057,480	221,780
Operating loss	(2,948,260)	(2,879,288)	68,972
Nonoperating revenues:			
Federal reimbursements	2,648,260	2,537,397	(110,863)
Federal commodities	242,000	237,290	(4,710)
State reimbursements	6,000	6,203	203
Disposition of fixed assets	-	3,450	3,450
Interest earned	2,000	1,711	(289)
Total nonoperating revenues	2,898,260	2,786,051	(112,209)
Excess of revenues under expenditures before other financing sources	(50,000)	(93,237)	(43,237)
Other financing sources:			
Transfers from other funds	50,000	47,255	(2,745)
Revenues and other financing sources under expenditures	\$ -	(45,982)	\$ (45,982)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(98,218)	
Equipment purchases		39,452	
Gain on disposal of capital assets		3,450	
Proceeds from disposal of capital assets		(3,450)	
Decrease in compensated absences payable		11,204	
Increase in inventories		21,211	
Change in net position (full accrual)		\$ (72,333)	

STATISTICAL SECTION (UNAUDITED)

This section of the Board's Comprehensive Annual Financial Report presents detailed information for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Board's overall financial health.

CONTENTS

Financial Trends

These schedules contain trend information to help the reader understand how the Board's financial position has changed over time.

Revenue Capacity

As the Board's revenues are derived primarily from property taxes assessed by Chatham County, these schedules contain information to help the reader assess the underlying financial sources of revenues.

Debt Capacity

As the Board's school construction funding is derived from and is principally held by Chatham County, these schedules present information to help the reader assess the affordability of Chatham County's current levels of outstanding debt and their ability to issue additional debt.

Demographic and Economic Information

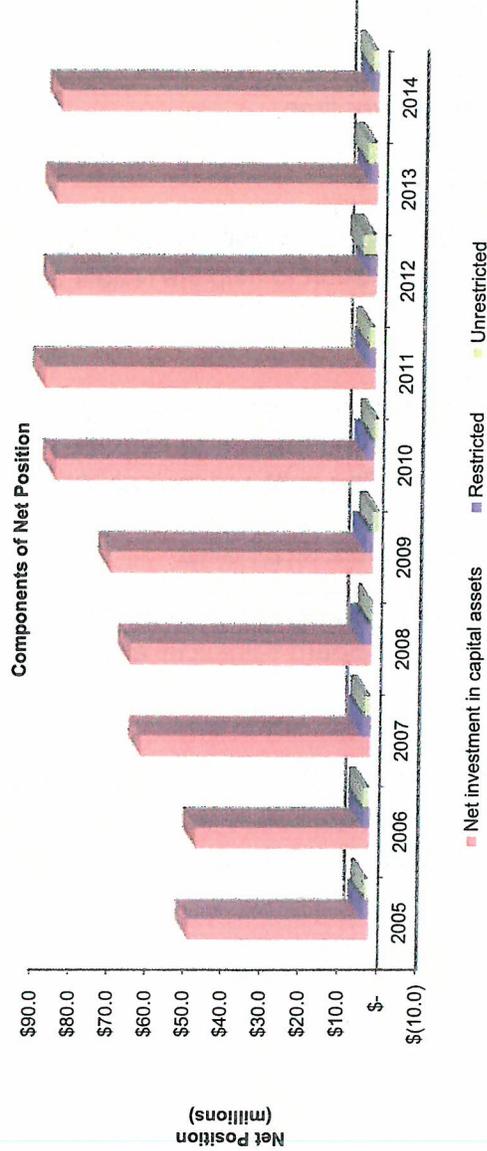
These schedules offer demographic and economic indicators to help the reader understand the environment in which the Board's financial activities are conducted.

Operating Information

These schedules contain staffing, key operating statistics, and capital asset data to help the reader understand how the information in the Board's financial report relates to the services the Board provides and the activities it performs.

CHATHAM COUNTY BOARD OF EDUCATION
GOVERNMENT-WIDE - NET POSITION BY COMPONENT
 Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net investment in capital assets	\$45,995,110	\$44,321,992	\$58,947,552	\$61,760,290	\$67,187,035	\$81,796,893	\$84,680,611	\$82,355,507	\$82,319,708	\$81,442,183
Restricted	1,483,129	1,594,441	2,127,824	2,137,966	1,714,575	1,506,895	1,782,360	1,773,820	1,725,288	1,200,058
Unrestricted	(708,175)	67,538	70,204	(1,730,120)	(2,910,691)	(2,299,703)	364,876	2,255,514	1,369,543	380,795
Total net position	46,770,064	45,983,971	61,145,580	62,168,136	65,990,919	81,004,085	86,827,847	86,384,841	85,414,539	83,023,036
Business-Type Activities										
Net investment in capital assets	153,230	123,744	97,629	337,739	314,874	337,754	459,670	372,556	272,969	214,203
Unrestricted	1,627,709	1,517,691	1,420,332	1,150,651	1,035,492	971,196	1,065,065	1,057,623	1,047,454	1,033,887
Total net position	1,780,939	1,641,435	1,517,961	1,488,390	1,350,366	1,308,950	1,524,735	1,430,179	1,320,423	1,248,090
Total Primary Government										
Net investment in capital assets	46,148,340	44,445,736	59,045,181	62,098,029	67,501,909	82,134,647	85,140,281	82,728,063	82,592,677	81,656,386
Restricted	1,483,129	1,594,441	2,127,824	2,137,966	1,714,575	1,506,895	1,782,360	1,773,820	1,725,288	1,200,058
Unrestricted	919,534	1,585,229	1,490,536	(579,469)	(1,875,199)	(1,328,507)	1,429,941	3,313,137	2,416,997	1,414,682
Total net position	\$48,551,003	\$47,625,406	\$62,663,541	\$63,656,526	\$67,341,285	\$82,313,035	\$88,352,582	\$87,815,020	\$86,734,962	\$84,271,126



Note:
 Certain reclassifications were made to the governmental activities net assets in periods prior to June 30, 2011 based on the guidance issued under GASB No. 54.

CHATHAM COUNTY BOARD OF EDUCATION
GOVERNMENT-WIDE - EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE) REVENUE
Last Ten Fiscal Years

	2005	2006	2007	2008
Expenses				
Governmental activities:				
Instructional programs	\$ 40,839,151	\$ 42,593,049	\$ 46,522,653	\$ 56,244,432
System-wide support services	15,810,551	17,261,728	18,140,878	17,999,178
Ancillary Services	154,989	173,192	215,740	106,853
Non-programmed charges	912,793	972,859	1,146,207	1,323,842
Interest on long-term debt	-	-	-	-
Unallocated depreciation expense	1,483,919	2,408,706	1,469,523	3,190,497
Total governmental activities expenses	<u>59,201,403</u>	<u>63,409,534</u>	<u>67,495,001</u>	<u>78,864,802</u>
Business-type activities:				
School food service	3,294,595	3,728,012	3,653,422	4,027,340
Child care	817,977	875,048	928,234	769,242
Total business-type activities expense	<u>4,112,572</u>	<u>4,603,060</u>	<u>4,581,656</u>	<u>4,796,582</u>
Total school district expenses	<u>63,313,975</u>	<u>68,012,594</u>	<u>72,076,657</u>	<u>83,661,384</u>
Program revenues				
Governmental activities:				
Charges for services	96,789	145,109	1,947,795	1,896,036
Operating grants and contributions	39,691,048	41,738,932	42,979,071	47,506,563
Capital grants and contributions	205,656	581,766	652,657	831,509
Total governmental activities program revenue	<u>39,993,493</u>	<u>42,465,807</u>	<u>45,579,523</u>	<u>50,234,108</u>
Business-type activities:				
Charges for services	2,494,168	2,463,508	2,475,176	2,390,420
Operating grants and contributions	1,579,785	1,877,882	1,877,338	1,939,997
Capital grants and contributions	-	-	-	-
Total business-type activities program revenue	<u>4,073,953</u>	<u>4,341,390</u>	<u>4,352,514</u>	<u>4,330,417</u>
Total school district program revenues	<u>44,067,446</u>	<u>46,807,197</u>	<u>49,932,037</u>	<u>54,564,525</u>
Net (expense) revenue				
Governmental activities	(19,207,910)	(20,943,727)	(21,915,478)	(28,630,694)
Business-type activities	(38,619)	(261,670)	(229,142)	(466,165)
Total school district net (expense) revenue	<u>\$ (19,246,529)</u>	<u>\$ (21,205,397)</u>	<u>\$ (22,144,620)</u>	<u>\$ (29,096,859)</u>

2009	2010	2011	2012	2013	2014
\$ 59,185,916	\$ 55,865,276	\$ 56,087,923	\$ 56,929,563	\$ 60,296,274	\$ 59,251,102
17,252,569	16,544,439	19,096,387	19,498,530	19,665,840	18,658,688
118,329	101,359	63,720	83,913	63,654	99,510
1,821,399	2,402,512	2,055,379	2,031,758	2,033,031	2,481,652
-	-	-	63,746	33,368	1,371
1,766,529	1,974,827	2,376,363	2,654,537	2,737,379	2,981,285
<u>80,144,742</u>	<u>76,888,413</u>	<u>79,679,772</u>	<u>81,262,047</u>	<u>84,829,546</u>	<u>83,473,608</u>
3,703,569	3,700,072	3,918,474	3,933,017	3,969,567	4,083,831
890,525	-	-	-	-	-
<u>4,594,094</u>	<u>3,700,072</u>	<u>3,918,474</u>	<u>3,933,017</u>	<u>3,969,567</u>	<u>4,083,831</u>
<u>84,738,836</u>	<u>80,588,485</u>	<u>83,598,246</u>	<u>85,195,064</u>	<u>88,799,113</u>	<u>87,557,439</u>
1,669,363	1,979,738	1,963,700	2,049,284	2,154,641	2,175,915
49,004,163	47,649,389	49,046,202	48,506,968	49,267,301	49,151,555
541,988	259,235	441,022	154,954	395,346	120,197
<u>51,215,514</u>	<u>49,888,362</u>	<u>51,450,924</u>	<u>50,711,206</u>	<u>51,817,288</u>	<u>51,447,667</u>
2,315,538	1,433,643	1,342,579	1,236,382	1,202,763	1,178,192
2,091,041	2,267,351	2,395,486	2,527,021	2,608,537	2,780,890
-	73,829	299,137	-	-	-
<u>4,406,579</u>	<u>3,774,823</u>	<u>4,037,202</u>	<u>3,763,403</u>	<u>3,811,300</u>	<u>3,959,082</u>
<u>55,622,093</u>	<u>53,663,185</u>	<u>55,488,126</u>	<u>54,474,609</u>	<u>55,628,588</u>	<u>55,406,749</u>
(28,929,228)	(27,000,051)	(28,228,848)	(30,550,841)	(33,012,258)	(32,025,941)
(187,515)	74,751	118,728	(169,614)	(158,267)	(124,749)
<u>\$ (29,116,743)</u>	<u>\$ (26,925,300)</u>	<u>\$ (28,110,120)</u>	<u>\$ (30,720,455)</u>	<u>\$ (33,170,525)</u>	<u>\$ (32,150,690)</u>

CHATHAM COUNTY BOARD OF EDUCATION
GOVERNMENT-WIDE - GENERAL REVENUES AND TOTAL CHANGE IN NET POSITION
Last Ten Fiscal Years

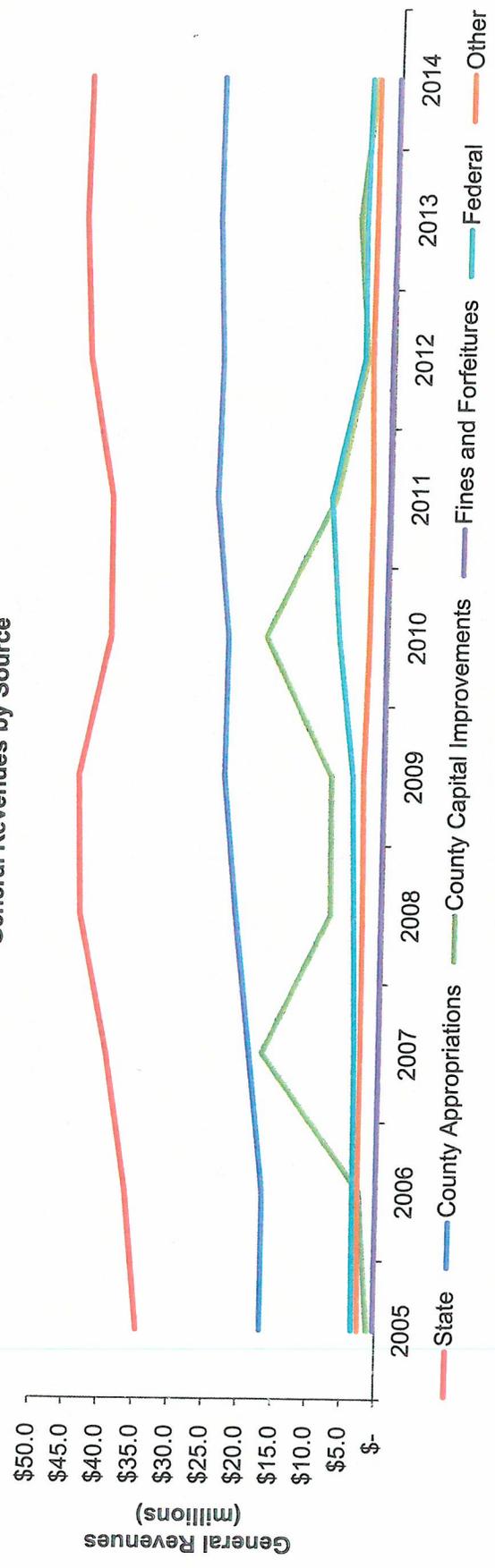
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net (expense) revenue				
Governmental activities	\$ (19,207,910)	\$ (20,943,727)	\$ (21,915,478)	\$ (28,630,694)
Business-type activities	<u>(38,619)</u>	<u>(261,670)</u>	<u>(229,142)</u>	<u>(466,165)</u>
Total school district net (expense) revenue	<u>(19,246,529)</u>	<u>(21,205,397)</u>	<u>(22,144,620)</u>	<u>(29,096,859)</u>
General revenues and other changes in net assets				
Governmental activities:				
Unrestricted county appropriations - operating	16,759,789	16,817,968	19,118,789	21,427,322
Unrestricted county appropriations - capital	1,181,799	2,731,002	17,208,839	7,696,603
Investment earnings, unrestricted	67,000	119,599	247,828	157,789
Miscellaneous, unrestricted	453,126	567,784	559,714	776,377
Transfers	<u>(60,115)</u>	<u>(78,719)</u>	<u>(58,083)</u>	<u>(404,841)</u>
Total governmental activities	<u>18,401,599</u>	<u>20,157,634</u>	<u>37,077,087</u>	<u>29,653,250</u>
Business-type activities:				
Investment earnings, unrestricted	20,179	37,309	47,585	31,753
Miscellaneous, unrestricted	-	6,138	-	-
Transfers	<u>60,115</u>	<u>78,719</u>	<u>58,083</u>	<u>404,841</u>
Total business-type activities	<u>80,294</u>	<u>122,166</u>	<u>105,668</u>	<u>436,594</u>
Change in net position				
Governmental activities	(806,311)	(786,093)	15,161,609	1,022,556
Business-type activities	<u>41,675</u>	<u>(139,504)</u>	<u>(123,474)</u>	<u>(29,571)</u>
Total school district change in net position	<u>\$ (764,636)</u>	<u>\$ (925,597)</u>	<u>\$ 15,038,135</u>	<u>\$ 992,985</u>

2009	2010	2011	2012	2013	2014
\$ (28,929,228)	\$ (27,000,051)	\$ (28,228,848)	\$ (30,550,841)	\$ (33,012,258)	\$ (32,025,941)
(187,515)	74,751	118,728	(169,614)	(158,267)	(124,749)
(29,116,743)	(26,925,300)	(28,110,120)	(30,720,455)	(33,170,525)	(32,150,690)
23,457,441	23,327,284	25,319,697	24,919,793	25,701,130	25,551,130
8,002,897	17,837,228	8,100,462	4,069,773	5,538,720	3,433,064
23,161	10,588	8,380	4,790	15,586	21,100
1,311,049	719,047	671,514	1,187,459	834,023	676,399
(42,537)	119,070	(47,443)	(73,980)	(47,503)	(47,255)
32,752,011	42,013,217	34,052,610	30,107,835	32,041,956	29,634,438
6,954	1,225	1,154	1,078	1,008	1,711
-	1,678	48,460	-	-	3,450
42,537	(119,070)	47,443	73,980	47,503	47,255
49,491	(116,167)	97,057	75,058	48,511	52,416
3,822,783	15,013,166	5,823,762	(443,006)	(970,302)	(2,391,503)
(138,024)	(41,416)	215,785	(94,556)	(109,756)	(72,333)
\$ 3,684,759	\$ 14,971,750	\$ 6,039,547	\$ (537,562)	\$ (1,080,058)	\$ (2,463,836)

**CHATHAM COUNTY BOARD OF EDUCATION
GOVERNMENTAL FUNDS - REVENUES BY SOURCE
Last Ten Fiscal Years**

Fiscal Year	State	County Appropriations	County Capital Improvements	Fines and Forfeitures	Federal	Other	Total
2005	\$34,500,411	\$16,759,789	\$1,181,799	\$294,416	\$3,444,904	\$2,572,858	\$58,754,177
2006	36,525,610	16,817,968	2,731,002	280,701	3,691,150	2,950,530	62,996,961
2007	39,641,085	19,118,789	17,208,839	277,108	3,866,605	2,944,327	83,056,753
2008	43,783,736	21,427,322	7,696,603	358,306	4,398,458	3,028,161	80,692,586
2009	44,354,780	23,457,441	8,002,897	361,773	4,939,576	3,317,884	84,434,351
2010	40,210,345	23,327,284	17,837,228	398,878	7,373,775	2,969,499	92,117,009
2011	40,402,819	25,341,360	8,100,462	292,674	8,853,544	2,864,415	85,855,274
2012	43,941,458	24,939,720	4,069,773	442,173	4,483,794	3,350,347	81,227,265
2013	44,949,264	25,701,130	5,538,720	241,583	4,659,865	3,158,433	84,248,995
2014	44,609,561	25,551,130	3,433,064	305,220	4,244,834	3,107,934	81,251,743

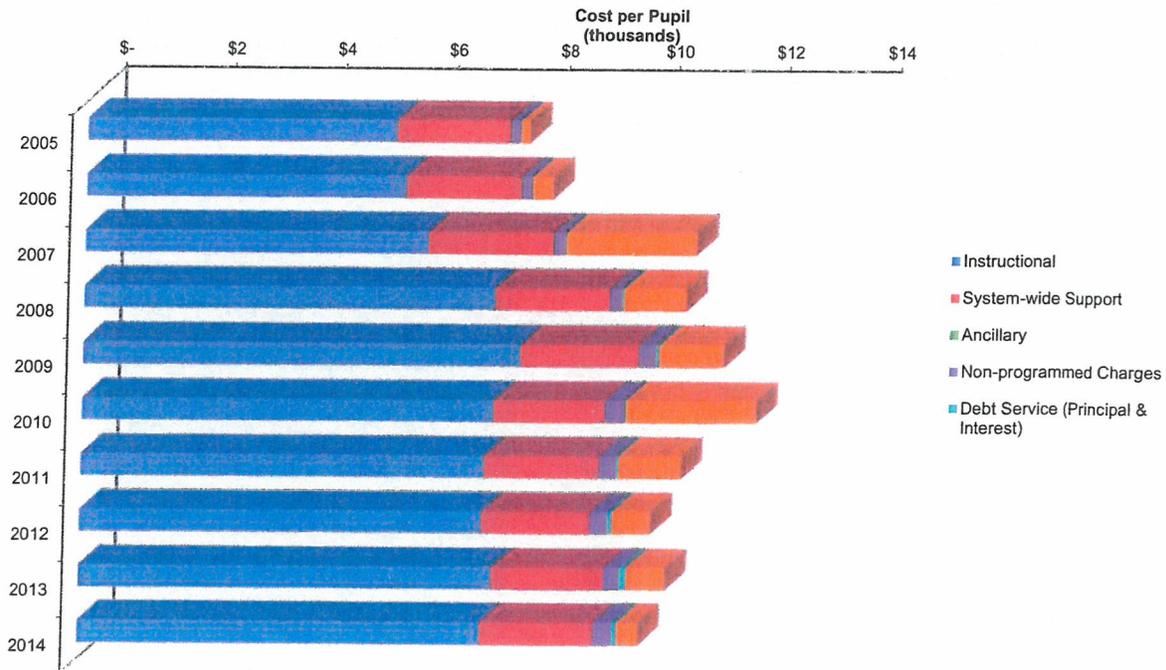
General Revenues by Source



CHATHAM COUNTY BOARD OF EDUCATION
GOVERNMENTAL FUNDS - EXPENDITURES BY FUNCTION PER PUPIL AND IN TOTAL
Last Ten Fiscal Years

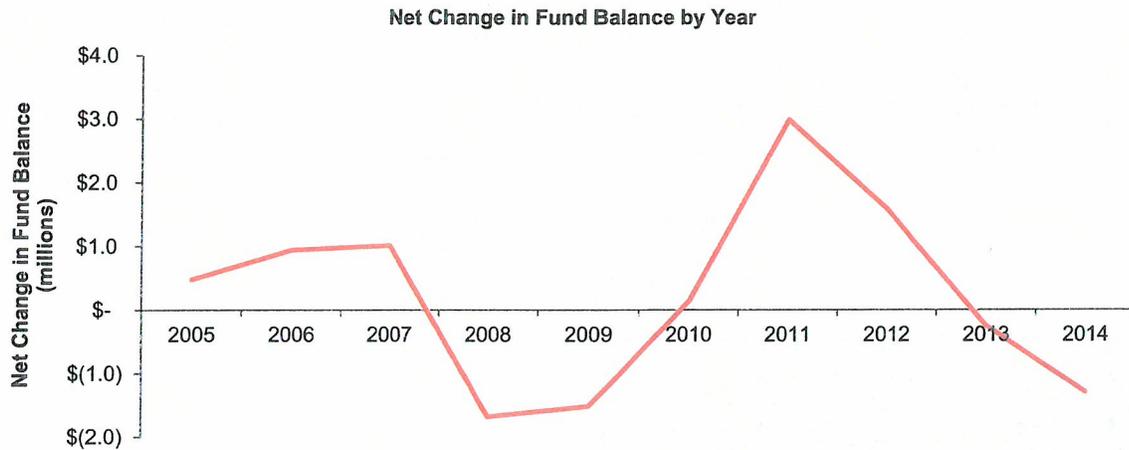
Fiscal Year	Average Daily Membership	Instructional Services	System-wide Support Services	Ancillary Services	Non-programmed Charges	Debt Service		Capital Outlay	Total
						Principal	Interest		
2005	7,344	\$ 5,559 40,828,369	\$ 2,019 14,831,167	\$ 21 153,872	\$ 139 1,021,763	\$ 28 205,656	\$ - -	\$ 159 1,165,452	\$ 7,926 58,206,279
2006	7,410	5,740 42,535,369	2,053 15,215,539	23 170,732	151 1,116,212	28 205,656	- -	367 2,722,739	8,363 61,966,247
2007	7,516	6,154 46,252,840	2,235 16,795,409	29 215,740	171 1,288,256	34 254,819	- -	2,344 17,621,074	10,967 82,428,138
2008	7,615	7,366 56,095,637	2,066 15,731,815	14 106,853	200 1,524,228	49 370,032	- -	1,102 8,392,041	10,797 82,220,606
2009	7,524	7,843 59,011,425	2,145 16,142,005	16 118,329	272 2,045,687	72 541,988	- -	1,182 8,891,697	11,530 86,751,131
2010	7,591	7,383 56,044,913	2,000 15,183,299	13 101,359	334 2,537,013	34 259,235	- -	2,366 17,956,678	12,130 92,082,497
2011	7,750	7,227 56,007,103	2,084 16,153,444	8 63,720	279 2,159,676	57 441,018	- -	1,111 8,607,740	10,766 83,432,701
2012	7,938	7,204 57,183,839	1,969 15,631,379	11 83,913	273 2,166,002	99 785,141	1 3,909	694 5,507,127	10,250 81,361,310
2013	8,065	7,401 59,689,300	2,026 16,339,528	8 63,654	270 2,174,479	120 966,932	8 62,510	698 5,627,063	10,530 84,923,466
2014	8,193	7,209 59,062,258	2,055 16,832,805	12 99,510	311 2,550,542	88 722,227	4 32,066	384 3,147,410	10,063 82,446,818

Cost per Pupil by Function



CHATHAM COUNTY BOARD OF EDUCATION
GOVERNMENTAL FUNDS - OTHER FINANCING SOURCES (USES) AND NET CHANGE IN FUND BALANCES
Last Ten Fiscal Years

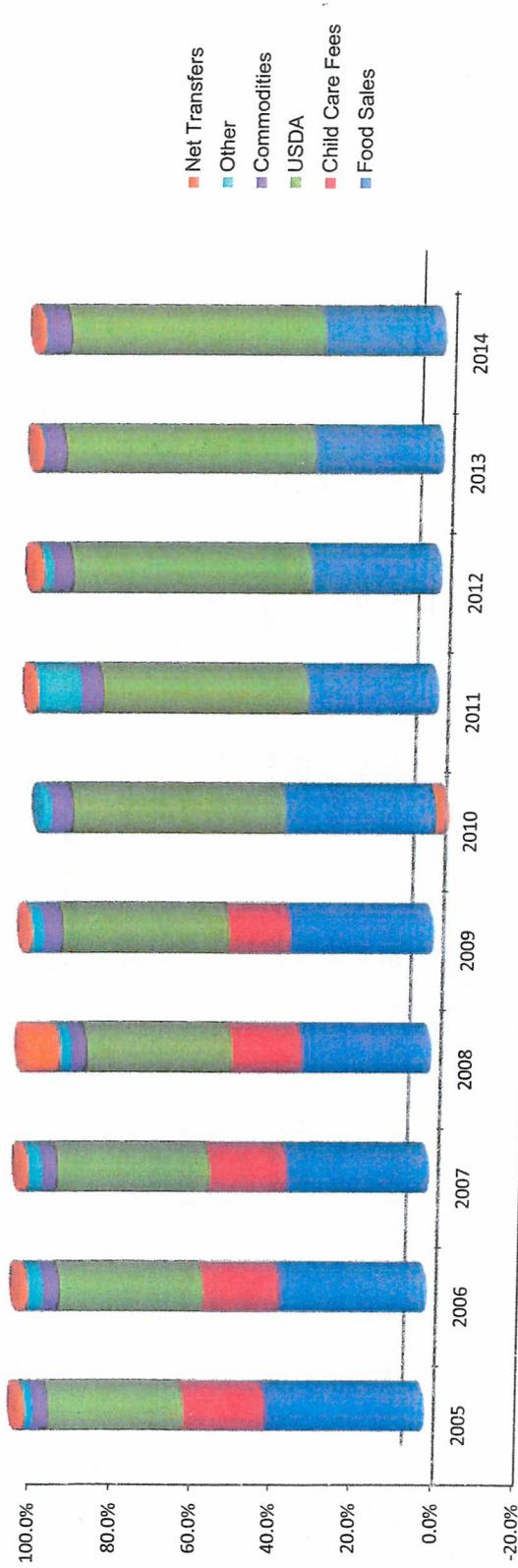
Fiscal Year	Excess of Revenues over (under) Expenditures	Transfers In	Transfers Out	Installment Purchase and Capitalized Leases	Total Other Financing Sources (Uses)	Net Change in Fund Balance	Debt Service As a Percentage of Noncapital Expenditures
2005	\$ 547,898	\$ 14,866	\$ (74,981)	\$ -	\$ (60,115)	\$ 487,783	0.36%
2006	1,030,714	-	(78,719)	-	(78,719)	951,995	0.34%
2007	628,615	-	(58,083)	448,879	390,796	1,019,411	0.39%
2008	(1,528,020)	413,312	(818,153)	262,776	(142,065)	(1,670,085)	0.49%
2009	(2,316,780)	300,000	(342,537)	845,530	802,993	(1,513,787)	0.69%
2010	34,512	187,926	(68,856)	-	119,070	153,582	0.34%
2011	2,422,573	-	(47,443)	619,814	572,371	2,994,944	0.57%
2012	(134,045)	-	(73,980)	1,803,804	1,729,824	1,595,779	0.99%
2013	(674,471)	-	(47,503)	480,786	433,283	(241,188)	1.25%
2014	(1,195,075)	-	(91,248)	-	(91,248)	(1,286,323)	0.93%



**CHATHAM COUNTY BOARD OF EDUCATION
 PROPRIETARY FUND - REVENUES BY SOURCE AND NET TRANSFERS
 Last Ten Fiscal Years**

Fiscal Year	Food Sales	Child Care Fees	USDA Reimbursements	Donated Commodities	Other	Net Transfers	Total
2005	\$ 1,623,442	\$ 853,077	\$ 1,370,484	\$ 161,976	\$ 85,153	\$ 60,115	\$ 4,154,247
2006	1,601,252	862,256	1,574,453	181,447	165,429	78,719	4,463,556
2007	1,580,076	887,785	1,698,256	168,944	158,628	58,083	4,551,772
2008	1,532,230	854,824	1,741,503	190,138	134,457	404,841	4,857,993
2009	1,598,589	702,198	1,877,389	207,900	136,963	42,537	4,565,576
2010	1,433,643	-	2,055,231	206,077	82,775	(119,070)	3,658,656
2011	1,342,579	-	2,163,691	226,768	451,154	47,443	4,231,635
2012	1,236,382	-	2,327,754	190,926	93,446	73,980	3,922,488
2013	1,202,763	-	2,396,449	204,867	8,229	47,503	3,859,811
2014	1,178,192	-	2,537,397	237,290	11,364	47,255	4,011,498

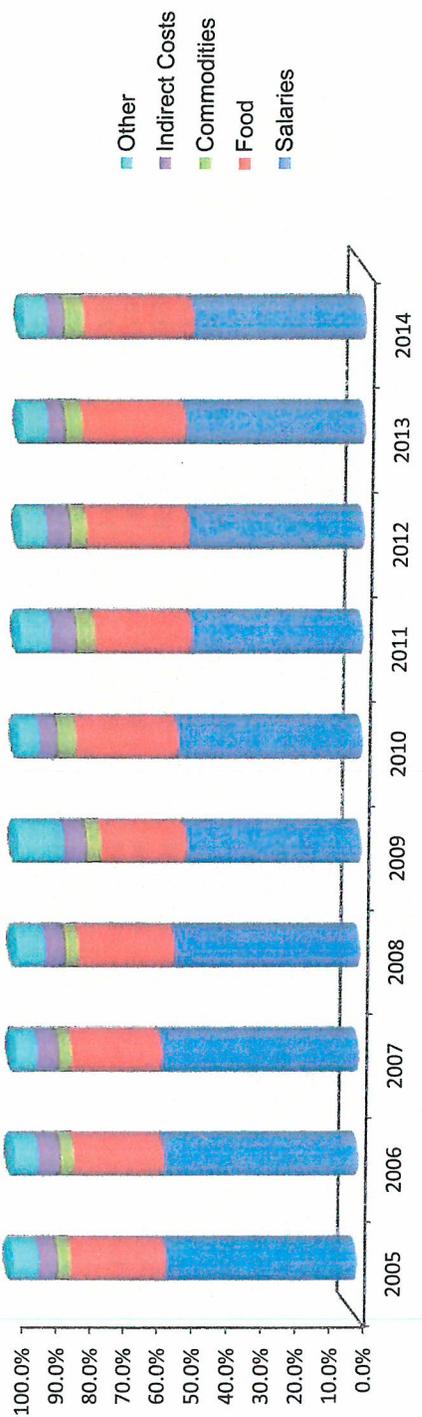
Proprietary Fund Revenues as a Percentage of Total



**CHATHAM COUNTY BOARD OF EDUCATION
 PROPRIETARY FUND - EXPENSES BY CATEGORY
 Last Ten Fiscal Years**

Fiscal Year	Salaries and Benefits	Food	Donated Commodities	Indirect Costs	Other	Total
2005	\$ 2,258,724	\$ 1,151,707	\$ 161,976	\$ 229,457	\$ 310,708	\$ 4,112,572
2006	2,573,433	1,219,429	181,447	300,263	328,488	4,603,060
2007	2,654,136	1,254,023	168,944	293,600	304,543	4,675,246
2008	2,608,505	1,384,659	190,138	290,982	413,280	4,887,564
2009	2,369,845	1,172,558	207,900	309,506	643,791	4,703,600
2010	1,964,642	1,106,714	206,077	200,000	222,639	3,700,072
2011	1,988,328	1,134,768	226,768	297,376	368,610	4,015,850
2012	2,033,425	1,205,647	190,926	284,027	303,019	4,017,044
2013	2,059,897	1,205,187	204,867	200,000	299,616	3,969,567
2014	2,044,165	1,313,474	237,290	200,000	288,902	4,083,831

Proprietary Expenses as a Percentage of Total



CHATHAM COUNTY BOARD OF EDUCATION
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY FOR CHATHAM COUNTY
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Utilities</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate (1)</u>	<u>Estimated Actual Taxable Value (2)</u>
2005	\$ 4,009,698,146	\$ 820,310,444	\$ 218,919,352	\$ 5,048,927,942	0.6464	\$ 5,624,919,721
2006	5,061,240,873	917,075,780	210,662,816	6,188,979,469	0.5970	6,188,979,469
2007	5,429,237,639	1,010,100,813	226,267,625	6,665,606,077	0.5970	6,834,416,156
2008	5,859,984,203	1,019,232,386	229,712,960	7,108,929,549	0.6170	8,020,906,633
2009	5,943,156,265	1,460,284,713	235,160,945	7,638,601,923	0.6530	8,618,528,628
2010	7,307,293,917	941,237,468	245,125,578	8,493,656,963	0.6022	8,484,324,206
2011	7,447,218,800	996,196,743	250,159,010	8,693,574,553	0.6219	8,531,476,500
2012	7,595,281,840	997,189,774	252,455,361	8,844,926,975	0.6219	8,451,105,461
2013	7,762,384,556	1,101,205,185	247,205,251	9,110,794,992	0.6219	8,705,135,670
2014	7,911,664,627	1,255,924,366	208,776,076	9,376,365,069	0.6219	*

* Information not yet available

- Notes: (1) Per \$100 of value.
(2) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the State Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year.

Source: Chatham County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2014.

**CHATHAM COUNTY BOARD OF EDUCATION
DIRECT AND OVERLAPPING PROPERTY TAX RATES FOR CHATHAM COUNTY
Last Ten Fiscal Years**

	Year Taxes are Payable									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Chatham County	\$ 0.6464	\$ 0.5970	\$ 0.5970	\$ 0.6170	\$ 0.6530	\$ 0.6022	\$ 0.6219	\$ 0.6219	\$ 0.6219	\$ 0.6219
<u>Municipality Rates</u>										
Town of Pittsboro	0.4300	0.3730	0.3730	0.3730	0.3630	0.3020	0.3020	0.3020	0.3673	0.4033
Town of Siler City	0.4300	0.4300	0.4500	0.4500	0.4500	0.4500	0.4500	0.4500	0.4500	0.4500
Town of Goldston	0.1200	0.1200	0.1200	0.1200	0.1200	0.1400	0.1400	0.1400	0.1900	0.1900
Town of Cary	0.4200	0.4200	0.4200	0.4200	0.3300	0.3300	0.3300	0.3300	0.3300	0.3500
<u>Fire Districts</u>										
Bells Annex	0.0600	0.0600	0.0600	0.0700	0.0700	0.0620	0.0660	0.0660	0.0880	0.0880
Bennett	0.0700	0.0700	0.0700	0.0700	0.0700	0.0655	0.0700	0.0700	0.0800	0.0800
Bonlee	0.0600	0.0600	0.0600	0.0700	0.0700	0.0570	0.0650	0.0700	0.0700	0.0700
Central Chatham	0.0600	0.0600	0.0600	0.0600	0.0600	0.0552	0.0800	0.0800	0.0800	0.0800
Circle City	0.0750	0.0750	0.0750	0.0800	0.1000	0.0900	0.1000	0.1082	0.1158	0.1158
Goldston	0.0700	0.0700	0.0700	0.0700	0.0800	0.0659	0.0800	0.0800	0.0800	0.0800
Hope	0.0700	0.0700	0.0700	0.0700	0.0700	0.0614	0.0600	0.0667	0.0685	0.0685
Moncure	0.0700	0.0800	0.0850	0.0850	0.8500	0.0839	0.0842	0.0875	0.1104	0.1104
North Chatham	0.0600	0.0600	0.0600	0.0700	0.0700	0.0620	0.0660	0.0660	0.0880	0.0880
Parkwood	0.1000	0.1000	0.1000	0.1000	0.1000	0.0960	0.0960	0.1000	0.1000	0.1000
Staley	0.1000	0.1000	0.1000	0.0938	0.1000	0.0905	0.1000	0.1000	0.1000	0.1000
Northview	0.0950	0.0950	0.0950	0.0860	0.1090	0.1090	0.0835	0.0835	0.0830	0.0830
<u>Sanitary District</u>										
Gulf-Goldston	0.1800	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500

Note: Tax rates per \$100 of property value.

Source: Chatham County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2014.

**CHATHAM COUNTY BOARD OF EDUCATION
PRINCIPAL PROPERTY TAX PAYERS FOR CHATHAM COUNTY
Current Year and Nine Years Ago**

Taxpayer	Type of Business	Fiscal Year 2014			Fiscal Year 2005		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Arauco Panels USA	Engineered Wood	\$ 113,648,270	1	1.21%			
Progress Energy	Public Utility - Electric	108,364,422	2	1.16%	\$ 128,927,683	1	2.55%
Chatham Park Investors, LLC	Real Estate	92,563,164	3	0.99%			
Galloway Ridge, Inc.	Retirement Community	89,842,272	4	0.96%			
Carolina Meadows, Inc.	Assisted Living	68,401,045	5	0.73%	61,903,215	2	1.23%
Minnesota Mining and Manufacturing Co.	Mining	43,715,925	6	0.47%	43,384,623	3	0.86%
NNP Briar Chapel, LLC	Real Estate	39,670,587	7	0.42%			
General Shale Brick, Inc.	Brick	37,753,168	8	0.40%	16,492,842	10	0.33%
Public Service Company of North Carolina, Inc.	Public Utility - Natural Gas	24,442,412	9	0.26%			
Triangle Brick Company	Brick	21,816,397	10	0.23%	33,677,282	4	0.67%
Honeywill International, Inc.	Polyester Fibers				23,231,641	5	0.46%
Sierrapine	Fiberboard				23,087,095	6	0.46%
Townsend, Inc.	Poultry				21,099,904	7	0.42%
Summit Properties Partnership	Real Estate				19,116,347	8	0.38%
Fitch Creation	Real Estate				17,556,488	9	0.35%
Total		\$ 640,217,662		6.83%	\$ 388,477,120		7.71%

Source: Chatham County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2014.

CHATHAM COUNTY BOARD OF EDUCATION
PROPERTY TAX LEVIES AND COLLECTIONS FOR CHATHAM COUNTY
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year (net)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2005	\$ 32,755,524	\$ 31,935,773	97.50%	\$ 776,508	\$ 32,712,281	99.87%
2006	37,204,376	36,281,367	97.52%	825,049	37,106,416	99.74%
2007	40,181,438	39,221,169	97.61%	910,221	40,131,390	99.88%
2008	43,952,341	42,958,322	97.74%	826,987	43,785,309	99.62%
2009	50,423,363	49,113,549	97.40%	1,234,576	50,348,125	99.85%
2010	51,324,966	50,081,361	97.58%	1,166,311	51,247,672	99.85%
2011	54,118,464	52,891,913	97.73%	1,112,437	54,004,350	99.79%
2012	55,092,804	53,900,198	97.84%	981,556	54,881,754	99.62%
2013	56,753,860	55,446,864	97.70%	967,060	56,413,924	99.40%
2014	58,419,050	57,553,931	98.52%	-	57,553,931	98.52%

Source: Chatham County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2014.

**CHATHAM COUNTY BOARD OF EDUCATION
RATIO OF OUTSTANDING DEBT BY TYPE FOR CHATHAM COUNTY
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Per Capita	Percentage of Personal Income
	General Obligation Bonds	Installment Loans	Capital Leases	General Obligation Bonds	Revenue Bonds	Installment Loans			
2005	\$ 18,945,000	\$ 401,774	\$ 60,817	\$ -	\$ -	\$ 1,494,982	\$ 20,902,573	\$ 383	1.01%
2006	17,065,000	371,081	50,107	-	-	1,354,950	18,841,138	335	0.84%
2007	15,200,000	35,735,389	48,464	-	-	7,444,153	58,428,006	1,012	2.46%
2008	13,375,000	35,704,696	37,034	-	-	21,804,122	70,920,852	1,154	2.77%
2009	11,585,000	67,974,003	25,159	-	-	21,180,678	100,764,840	1,597	3.62%
2010	9,835,000	83,168,310	12,823	3,200,000	1,886,000	20,537,563	118,639,696	1,832	4.27%
2011	8,120,000	88,093,680	-	3,200,000	1,886,000	18,316,661	119,616,341	1,884	4.09%
2012	6,385,000	97,911,077	-	3,162,000	1,861,000	16,367,966	125,687,043	1,968	4.06%
2013	4,635,000	115,591,780	-	3,123,000	1,835,000	15,293,158	140,477,938	2,176	4.38%
2014	2,925,000	111,991,873	-	3,082,000	1,808,000	14,224,778	134,031,651	2,012	*

* Information not yet available

Note: Per capita and percentage of personal income ratios are calculated using personal income and population from the prior calendar year.

Source: Chatham County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2014.

CHATHAM COUNTY BOARD OF EDUCATION
RATIO OF NET GENERAL BONDED DEBT OUTSTANDING FOR CHATHAM COUNTY
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Personal Income</u>	<u>Percentage of Actual Taxable Property Value</u>	<u>Per Capita</u>
2005	\$ 18,945,000	0.92%	0.38%	\$ 347
2006	17,065,000	0.76%	0.28%	303
2007	15,200,000	0.64%	0.23%	263
2008	13,375,000	0.52%	0.19%	218
2009	11,585,000	0.42%	0.15%	184
2010	13,035,000	0.47%	0.15%	201
2011	11,320,000	0.39%	0.13%	178
2012	9,547,000	0.31%	0.11%	149
2013	7,758,000	0.24%	0.09%	120
2014	6,007,000	*	0.06%	90

* Information not yet available

Note: Per capita and percentage of personal income ratios are calculated using personal income and population from the prior calendar year.

Source: Chatham County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2014.

CHATHAM COUNTY BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT FOR CHATHAM COUNTY
As of June 30, 2014

<u>Type/Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<u>Direct Debt</u>			
Chatham County	\$ 2,925,000	100.00%	\$ 2,925,000
<u>Overlapping Debt</u>			
Town of Cary	204,090,000	2.15%	4,387,935
Total Direct and Overlapping Debt	<u>\$ 207,015,000</u>		<u>\$ 7,312,935</u>

Source: Overlapping debt derived from Chatham County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2014. Direct debt based on general obligation bonds and installment loans from the Ratio of Outstanding Debt by Type for Chatham County schedule.

Note: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages are estimated by determining the portion of another governmental unit's taxable assessed value within the County's boundaries and dividing it by each unit's total taxable assessed value.

**CHATHAM COUNTY BOARD OF EDUCATION
LEGAL DEBT MARGIN FOR CHATHAM COUNTY
Last Ten Fiscal Years**

	Year Taxes are Payable (dollars in thousands)									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed Value of Property	\$ 5,048,928	\$ 6,188,979	\$ 6,665,606	\$ 7,108,930	\$ 7,638,602	\$ 8,493,657	\$ 8,693,575	\$ 8,844,927	\$ 9,110,795	\$ 9,376,365
Statutory Limitation	\$ 403,914	\$ 495,118	\$ 533,248	\$ 568,714	\$ 611,088	\$ 679,493	\$ 695,486	\$ 707,594	\$ 728,864	\$ 750,109
Amount of Debt Applicable to Limit										
Gross Debt	20,903	19,212	58,428	70,921	100,765	118,640	119,616	125,687	140,478	134,032
Less: Debt outstanding for water purposes	(1,495)	(1,354)	(7,444)	(21,804)	(21,181)	(25,624)	(23,403)	(21,391)	(20,251)	(19,115)
Total net debt applicable to limit	19,408	17,858	50,984	49,117	79,584	93,016	96,213	104,296	120,227	114,917
Legal Debt Margin	\$ 384,506	\$ 477,260	\$ 482,264	\$ 519,597	\$ 531,504	\$ 586,477	\$ 599,273	\$ 603,298	\$ 608,637	\$ 635,192
Total net debt applicable to the limit as a percentage of debt	4.80%	3.61%	9.56%	8.64%	13.02%	13.69%	13.83%	14.74%	16.50%	15.32%

Note: NC Statute G.S. 159-55 limits the County's outstanding debt to 8% of the appraised property value subject to taxation. The following deductions are made from gross debt to arrive at net debt applicable to the limit: money held for payment of principal; debt incurred for water, sewer, gas, or electric power purposes; uncollected special assessments, funding and refunding bonds not yet issued; and revenue bonds. The legal debt margin is the difference between the debt limit and the County's net debt outstanding applicable to the limit, and represents the County's legal borrowing authority.

Source: Chatham County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2014.

CHATHAM COUNTY BOARD OF EDUCATION
PRINCIPAL EMPLOYERS FOR CHATHAM COUNTY
Current Year and Nine Years Ago*

Employer	Fiscal Year 2013			Fiscal Year 2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Chatham County Schools	1,177	1	3.60%	1,699	1	5.07%
Chatham County	455	2	1.39%	495	5	1.48%
Carolina Meadows	336	3	1.03%	402	6	1.20%
Wal-Mart	330	4	1.01%	358	7	1.07%
Arauco Panels USA	273	5	0.84%			
Chatham Hospital	214	6	0.66%			
Fitch Creations	213	7	0.65%	250	8	0.75%
Galloway Ridge	200	8	0.61%			
Performance Fibers	196	9	0.60%	500	4	1.49%
Performance Bicycle	185	10	0.57%			
Townsend, Inc.				1,276	2	3.81%
Pilgrim's Pride				830	3	2.48%
Moncure Plywood				217	9	0.65%
General Shale				180	10	0.54%
	<u>3,579</u>			<u>6,207</u>		

* Data is not available for nine years ago. Fiscal year 2007 is the most recent available

Source: Chatham County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2014.

CHATHAM COUNTY BOARD OF EDUCATION
DEMOGRAPHIC AND ECONOMIC STATISTICS FOR CHATHAM COUNTY
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Public School Enrollment</u>	<u>Unemployment Rate</u>
2005	54,645	\$ 2,067,563	\$ 36,376	7,344	4.10%
2006	56,274	2,232,147	38,426	7,410	4.00%
2007	57,708	2,375,153	39,704	7,516	4.20%
2008	61,455	2,557,154	41,901	7,615	5.50%
2009	63,077	2,781,686	43,894	7,524	8.90%
2010	64,772	2,776,755	42,870	7,591	7.10%
2011	63,505	2,922,436	45,804	7,750	7.60%
2012	63,870	3,093,642	48,191	7,938	7.00%
2013	64,553	3,204,182	49,084	8,065	6.30%
2014	66,618	*	*	8,193	4.50%

* Information not yet available

Note: Personal income is expressed in thousands of dollars.

Source: Chatham County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2014.

**CHATHAM COUNTY BOARD OF EDUCATION
EMPLOYEES BY FUNCTION
Last Ten Fiscal Years**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>School and School Based Support</u>										
Principals	15	16	16	16	16	17	17	17	17	17
Assistant Principals	14	12	16	13	14	15	16	14	13	13
Elementary Teachers	370	371	402	402	390	385	383	383	405	399
Secondary Teachers	154	164	155	161	159	161	163	162	160	166
Teacher Assistants	187	199	203	206	195	189	200	187	189	176
Other Teachers	5	7	9	13	12	10	11	11	11	14
Guidance Counselors	23	20	24	24	24	23	19	19	20	21
Psychological	4	4	4	4	5	4	5	5	4	4
Librarian / Audiovisual	13	14	15	16	16	15	17	17	16	16
Other	26	34	35	45	46	49	46	46	44	52
Total School and School Based Support	811	841	879	900	877	868	877	861	879	878
<u>Central Services</u>										
Administration and Management	15	15	16	18	17	17	15	17	17	18
Technicians	14	11	13	13	15	14	15	14	13	14
Clerical	80	73	85	93	87	86	78	76	77	80
Service Workers	158	157	163	155	150	146	152	151	141	159
Other	30	26	31	30	28	29	27	27	28	28
Total Central Services	297	282	308	309	297	292	287	285	276	299
Total Employees	1,108	1,123	1,187	1,209	1,174	1,160	1,164	1,146	1,155	1,177

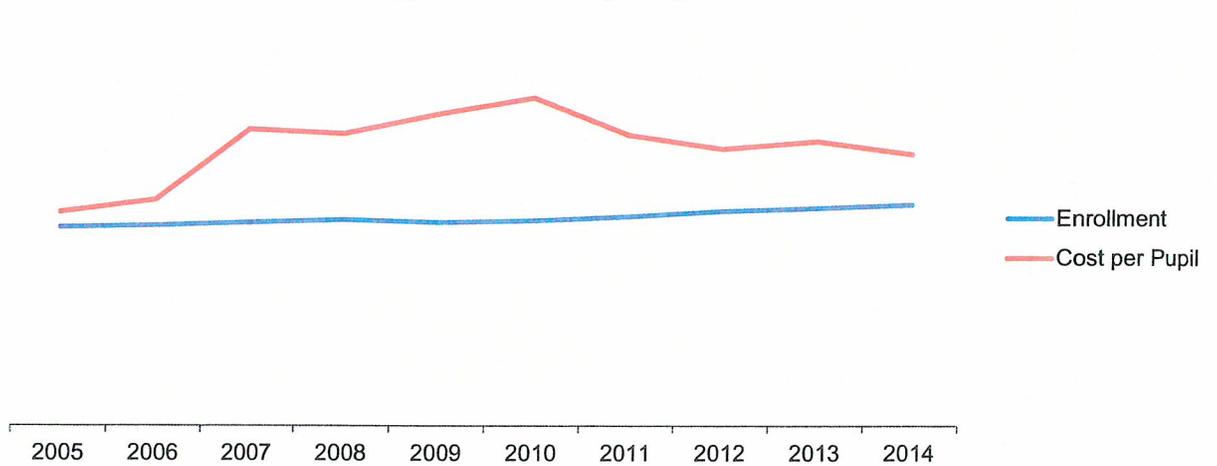
Source: North Carolina Public Schools Statistical Profile

**CHATHAM COUNTY BOARD OF EDUCATION
OPERATING INDICATORS
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Percentage Change</u>	<u>Operating Expenditures</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Number of Schools</u>	<u>Graduating Class</u>
2005	7,344	1.89%	\$ 58,206,279	\$ 7,926	-0.12%	15	422
2006	7,410	0.90%	61,966,247	8,363	5.51%	15	458
2007	7,516	1.43%	82,428,138	10,967	31.14%	15	480
2008	7,615	1.32%	82,220,606	10,797	-1.55%	16	505
2009	7,524	-1.20%	86,751,131	11,530	6.79%	16	470
2010	7,591	0.89%	92,082,497	12,130	5.21%	16	455
2011	7,750	2.09%	83,432,701	10,766	-11.25%	17	416
2012	7,938	2.43%	81,361,310	10,250	-4.79%	17	527
2013	8,065	1.60%	84,923,466	10,530	2.73%	17	532
2014	8,193	1.59%	82,446,818	10,063	-4.43%	17	446

Source: North Carolina Public Schools Statistical Profile

Enrollment Compared to the Cost per Pupil



CHATHAM COUNTY BOARD OF EDUCATION
CAPITAL ASSETS
For the Year Ended June 30, 2014

<u>Schools</u>	<u>Site Size (Acres)</u>	<u>Square Footage</u>	<u>Year First Built</u>	<u>Building Classrooms</u>	<u>Capacity</u>	<u>Enrollment</u>
<u>Elementary Schools</u>						
North Chatham	31.580	69,390	1990	26	575	550
Perry W. Harrison	43.265	80,780	1996	28	626	573
Pittsboro	20.840	64,208	1960	34	716	498
Siler City	20.750	70,609	1977	36	671	658
Virginia Cross	45.443	101,000	2007	34	700	531
<u>Kindergarten - Eight Grade</u>						
Bennett	13.956	45,798	1951	10	230	222
Bonlee	12.706	45,000	1951	16	371	356
J.S. Waters	13.349	58,988	1953	19	423	300
Moncure	17.970	48,429	1958	13	303	300
Silk Hope	16.376	52,869	1951	16	376	404
<u>Middle Schools</u>						
Chatham	56.370	71,042	1996	25	586	525
Horton	24.230	81,050	1956	31	550	388
Margaret B. Pollard	31.530	119,945	2011	35	600	586
<u>High Schools</u>						
Chatham Central	60.500	103,878	1959	32	635	384
Jordan-Matthews	55.008	134,473	1956	39	775	705
Northwood	94.310	122,678	1972	43	1,005	1,153
SAGE Academy	5.290	40,108	1951	7	75	60

Source: Chatham County Schools Facilities and Transportation Department



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Chatham County Board of Education
Pittsboro, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chatham County Board of Education, North Carolina ("Board"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control reporting that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

*Pinehurst, North Carolina
November 6, 2014*



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

***Independent Auditors' Report On Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; In Accordance with OMB Circular
A-133; and the State Single Audit Implementation Act***

To the Chatham County Board of Education
Pittsboro, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Chatham County Board of Education, North Carolina ("Board") compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2014. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dixen Hughes Goodman LLP

*Pinehurst, North Carolina
November 6, 2014*



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

***Independent Auditors' Report on Compliance For Each Major State Program;
Report on Internal Control Over Compliance; In Accordance with OMB Circular
A-133; and the State Single Audit Implementation Act***

To the Chatham County Board of Education
Pittsboro, North Carolina

Report on Compliance for Each Major State Program

We have audited Chatham County Board of Education, North Carolina ("Board") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014. The Board's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*; and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on the Board's compliance.

Opinion on Each Major State Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

*Pinehurst, North Carolina
November 6, 2014*

**CHATHAM COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2014**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None*

Noncompliance material to financial statements noted *No*

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None*

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

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

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
84.027, 84.173 84.377	Special Education Cluster School Improvement Grants (Section 1003(g) of the ESEA)

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

Auditee qualified as low-risk auditee? *Yes*

**CHATHAM COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2014**

State Awards

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses None

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

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

Identification of major state programs:

Program Name

North Carolina Department of Public Instruction:
State Public School Fund

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Cost

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

Section IV - State Award Findings and Questioned Costs

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

**CHATHAM COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2014**

There were no findings or questioned costs related to our audit of federal and state awards for the fiscal year ended June 30, 2013.

**CHATHAM COUNTY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Fiscal Year Ended June 30, 2014**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Federal Grants:			
<u>U. S. Department of Agriculture</u>			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities)			
Passed-through the N.C. Department of Agriculture			
National School Lunch Program			
	10.555		\$ 237,290
Cash Assistance			
Passed-through the N.C. Department of Public Instruction			
School Breakfast Program			
	10.553		624,239
National School Lunch Program			
	10.555		1,913,158
Total Cash Assistance			
Total Child Nutrition Cluster			
			<u>2,537,397</u>
			2,774,687
Total U. S. Department of Agriculture			
			<u>2,774,687</u>
<u>U.S. Department of Education</u>			
Cash Assistance			
Passed-through the N.C. Department of Public Instruction			
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)			
	84.010	PRC 050	1,665,202
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA) - School Improvements			
	84.010	PRC 105	88,293
School Improvement Grants (Section 1003(g) of ESEA)			
	84.377	PRC 117	191,629
Migrant Education - State Grant Program			
	84.011	PRC 051	48,270
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B) - Education of the Handicapped			
	84.027	PRC 060	1,580,637
Special Needs Target Assistance			
	84.027	PRC 118	18,078
Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped			
	84.173	PRC 049	47,804
Total Special Education Cluster			
			<u>1,646,519</u>
Career and Technical Education - Capacity Building Grants			
	84.048	PRC 017	88,506
Education for Homeless Children and Youth			
	84.196	PRC 026	54,532
State Personnel Development			
	84.323	PRC 082	9,648
English Language Acquisition Grant			
	84.365	PRC 104	118,455
Improving Teacher Quality State Grants			
	84.367	PRC 103	204,999
ARRA - Race to the Top			
	84.395	PRC 156	71,638
Total U. S. Department of Education			
			<u>4,187,691</u>
<u>U.S. Department of Health and Human Services</u>			
Cash Assistance			
Passed-through the N.C. Department of Health and Human Services			
School Nurse Funding Initiative			
	93.994		57,143
Total Federal Assistance			
			<u>\$ 7,019,521</u>

**CHATHAM COUNTY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Fiscal Year Ended June 30, 2014**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
State Grants:			
Cash Assistance			
<u>N.C. Department of Public Instruction</u>			
State Public School Fund (SPSF)			\$ 40,922,662
Driver Training - SPSF		PRC 012	154,403
School Technology Fund - SPSF		PRC 015	115,427
Vocational Education			
- State Months of Employment		PRC 013	2,259,559
- Program Support Funds		PRC 014	116,091
			<u>43,568,142</u>
Total N.C. Department of Public Instruction			
<u>N.C. Department of Agriculture</u>			
State Kindergarten Breakfast Funds			6,203
<u>N.C. Department of Health and Human Services</u>			
Division of Public Health:			
State School Nurse Initiative			<u>42,857</u>
Non-Cash Assistance			
<u>N.C. Department of Public Instruction</u>			
School Buses Appropriation		PRC 120	120,197
Textbooks		PRC 130	34,965
			<u>43,772,364</u>
Total State Assistance			43,772,364
Total Federal and State Assistance			\$ 50,791,885

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

1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of Chatham County Board of Education and is from amounts presented in, or used in the preparation of the basic financial statements. Therefore some amounts presented in this schedule may differ presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation act.

2 Non-cash Assistance

Included in the amounts reported on the Schedule of Expenditures of Federal and State Awards, Chatham County Board of Education received non-cash assistance in the form of food commodities, school buses, and textbooks. Non-cash items with a fair value of \$392,452 were received during the year ended June 30, 2014. These non-cash items received were included in the determination of federal and state awards expended for the year ended June 30, 2014.

