



COMPREHENSIVE ANNUAL FINANCIAL REPORT
Chatham County Board of Education (Pittsboro, NC)

For the fiscal year ended June 30, 2015



CHATHAM
COUNTY SCHOOLS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Chatham County Board of Education
Pittsboro, North Carolina

FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

PREPARED BY

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

**CHATHAM COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS**

INTRODUCTORY SECTION

Letter of Transmittal	i
Board Members and Principal Officers	viii
Organizational Chart	ix
School District Map	x
Certificate of Achievement for Excellence in Financial Reporting – GFOA	xi
Certificate of Excellence in Financial Reporting – ASBO	xii

FINANCIAL SECTION

<u>Exhibit</u>		<u>Page No.</u>
	Independent Auditors' Report.....	1
	Management's Discussion and Analysis	3
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	10
2	Statement of Activities	11
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	12
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
6	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and Annually Budgeted Major Special Revenue Funds.....	15
7	Statement of Net Position - Proprietary Fund Type	19
8	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund Type	20
9	Statement of Cash Flows - Proprietary Fund Type.....	21
10	Statement of Fiduciary Net Position	22
11	Statement of Changes in Fiduciary Net Position	23
	Notes to the Financial Statements	24
	Required Supplementary Information:	
	Schedule of the Board's Proportionate Share of the Net Pension Liability	44
	Schedule of Board Contributions	45
	Individual Fund Budgetary Schedules:	
	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	46
	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Capital Outlay Fund.....	48
	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) School Food Service Fund	49

CHATHAM COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS (continued)

<u>Table</u>	<u>STATISTICAL SECTION</u>	<u>Page No.</u>
	Financial Trends:	
1	Financial Perspective for Governmental and Business-type Activities	53
2	Government-wide – Net Position by Component.....	54
3	Government-wide – Changes in Net Position	56
4	Governmental Funds – Fund Balances	58
5	Governmental Funds – Revenues by Source	60
6	Governmental Funds – Expenditures by Function per Pupil and in Total.....	62
7	Governmental Funds – Other Financing Sources (Uses) and Net Change in Fund Balances	64
8	Proprietary Funds – Revenues by Source and Net Transfers	66
9	Proprietary Funds – Expenses by Category	68
	Revenue Capacity:	
10	Assessed Value and Estimated Actual Value of Taxable Property for Chatham County	70
11	Direct and Overlapping Property Tax Rates for Chatham County	71
12	Principal Property Taxpayers for Chatham County.....	72
13	Property Tax Levies and Collections for Chatham County	73
	Debt Capacity:	
14	Ratios of Outstanding Debt by Type for Chatham County	74
15	Ratio of Net General Bonded Debt Outstanding for Chatham County	75
16	Direct and Overlapping Governmental Activities Debt for Chatham County	76
17	Legal Debt Margin for Chatham County	77
	Demographic and Economic Information:	
18	Principal Employers for Chatham County	78
19	Demographic and Economic Statistics for Chatham County.....	79
	Operating Information:	
20	Employees by Function	80
21	Operating Indicators.....	82
22	Capital Assets	84

CHATHAM COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS (continued)

COMPLIANCE SECTION

Page No.

Report on internal control over financial reporting and on compliance other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*..... 85

Report on compliance with requirements applicable to each major federal program and internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act..... 87

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 89

Schedule of findings and questioned costs 91

Summary schedule of prior audit findings 93

Schedule of expenditures of federal and State awards..... 94





INTRODUCTORY SECTION



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

Gary Leonard
Chair

Jane Allen Wilson
Vice-Chair

David Hamm

Melissa Hlavac

Del Turner

Chatham County Board of Education

LETTER OF TRANSMITTAL

As of December 21, 2015

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, 2015. 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, #54 and #68 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, 2015, 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 2015, 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, 2014. This was the third 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 is 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, and the independent auditors' report with accompanying financial statements, notes 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 funds 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, 2015. 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.

MAJOR INITIATIVES

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

- Revision of the District’s Strategic Plan
- Development of a K-3 Literacy Culture for the district
- Deployment of Guided math instructional practices in K-5
- Middle School World Language Program
- Revision of the district Science Plan
- Revise AIG Program Plan
- Multi Tiered Systems of Support (MTSS)
- Refresh Technology and explore expansion of the 1-1 program
- Expand the Advancement Via Individual Determination (AVID) English Learner College Readiness Program
- Provide professional development in the areas of rigor, poverty, grading practices, etc
- Finalize the district’s curriculum pacing, units of study, and assessments
- Professional development in Professional Learning Communities (PLC’s)
- Establishing a data-driven culture in all schools
- Increased use of digital teaching and learning tools (SAMR)
- Exploration of flexible learning spaces and blended learning opportunities



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 2014-2015 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

Anderson Smith & Wike PLLC has audited the financial records and transactions of the Chatham County Board of Education for the year ended June 30, 2015. 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 Year Ended June 30, 2015**

Board Members

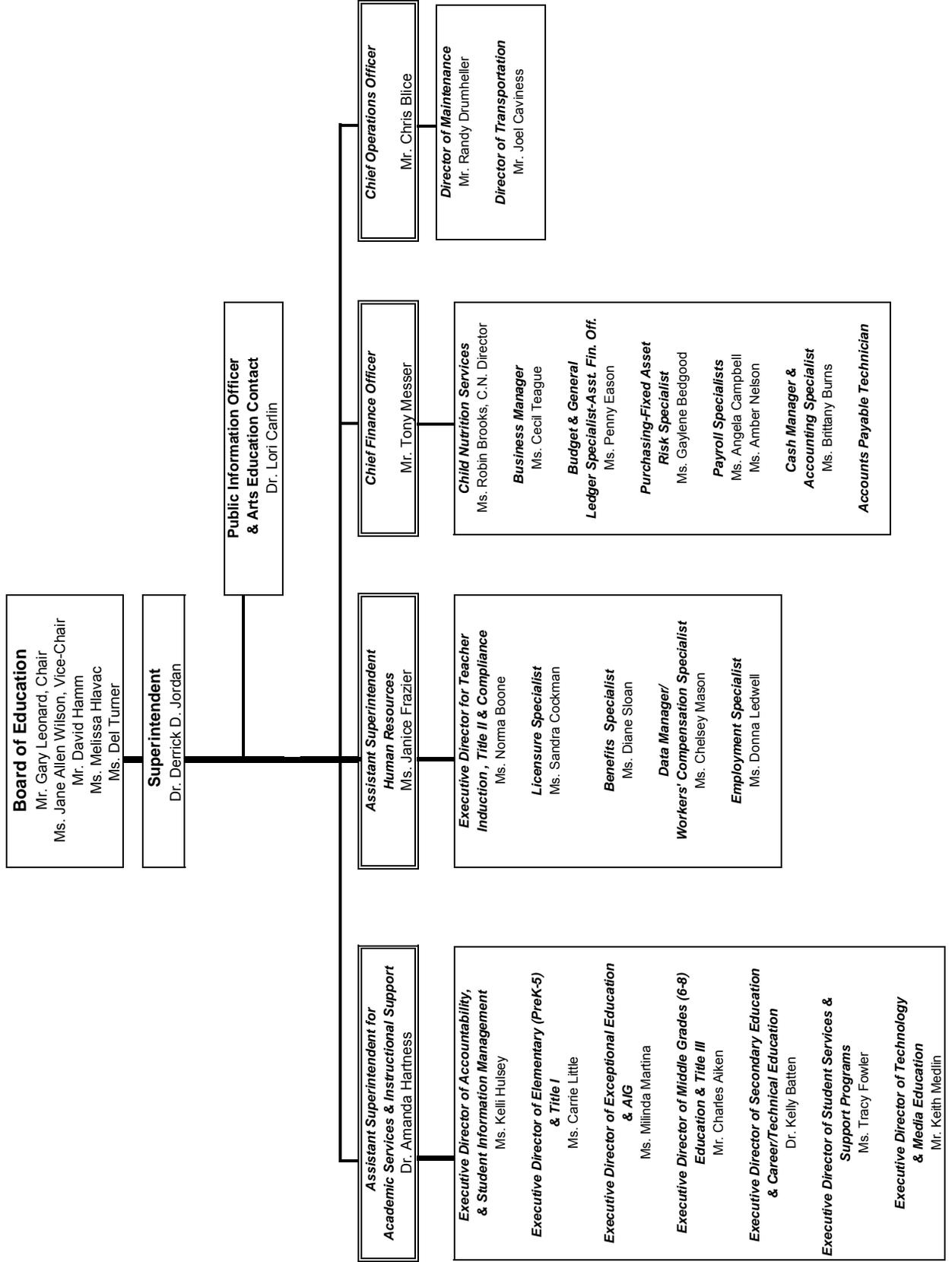
Gary Leonard, Chair
Jane Allen Wilson, Vice-Chair
David Hamm, Melissa Hlavac, Del Turner

Principal Officers

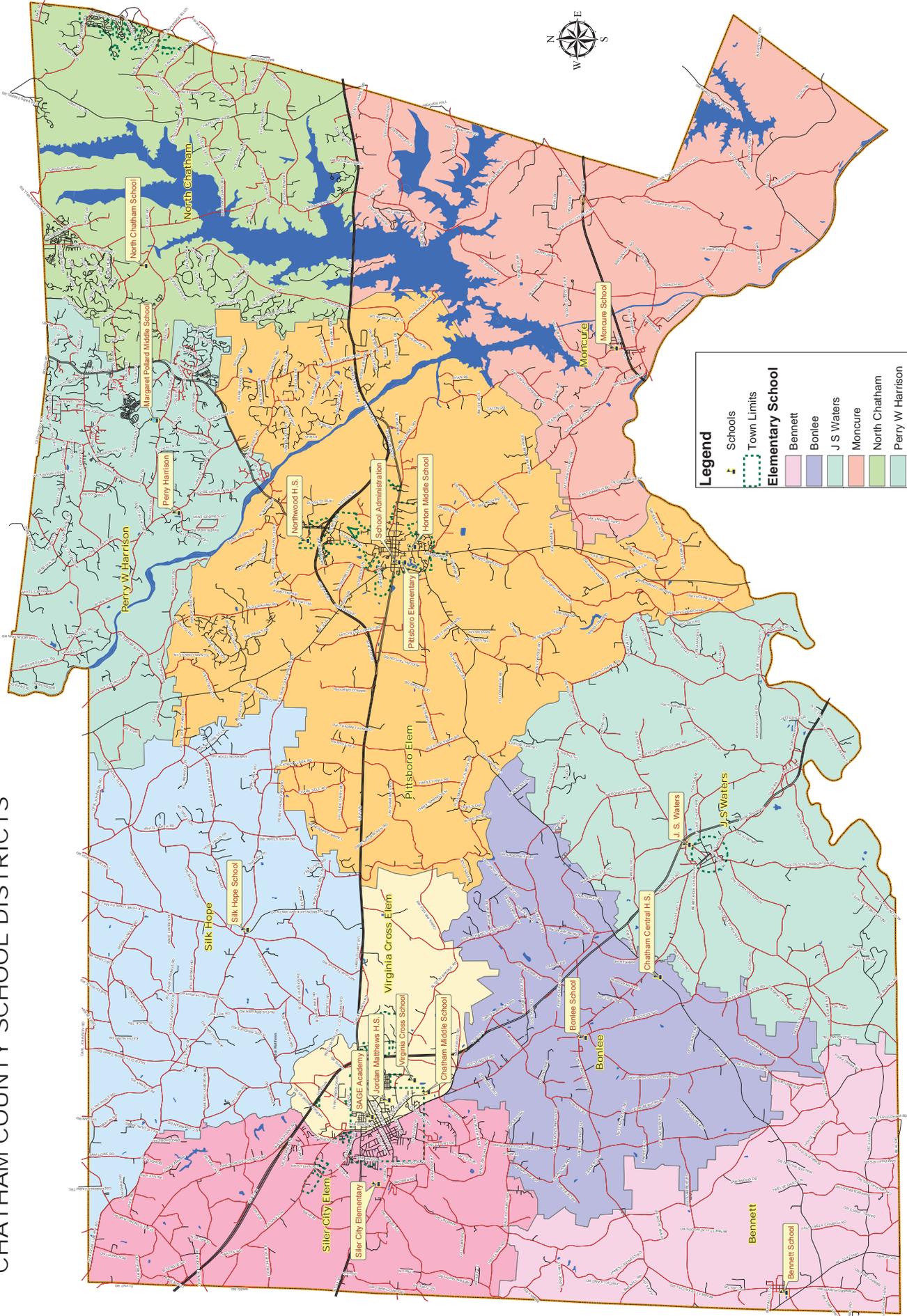
Dr. Derrick D. Jordan	Superintendent
Dr. Amanda J. Hartness	Assistant Superintendent of Academic Services & Instructional Support
Janice A. Frazier	Assistant Superintendent of Human Resources
Chris D. Blice	Chief Operations Officer
Tony M. Messer	Chief Finance Officer
Dr. Lori M. Carlin	Public Information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

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

**CHATHAM COUNTY BOARD OF EDUCATION
ORGANIZATIONAL CHART
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



CHATHAM COUNTY SCHOOL DISTRICTS

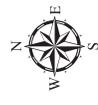


Legend

- Schools
- Town Limits

Elementary School

- Bennett
- Bonlee
- J S Waters
- Moncure
- North Chatham
- Perry W Harrison
- Pittsboro Elem
- Siler City Elem
- Silk Hope
- Virginia Cross Elem





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, 2014

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, 2014*

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



A handwritten signature in black ink, appearing to read 'M. Pepera', written over a horizontal line.

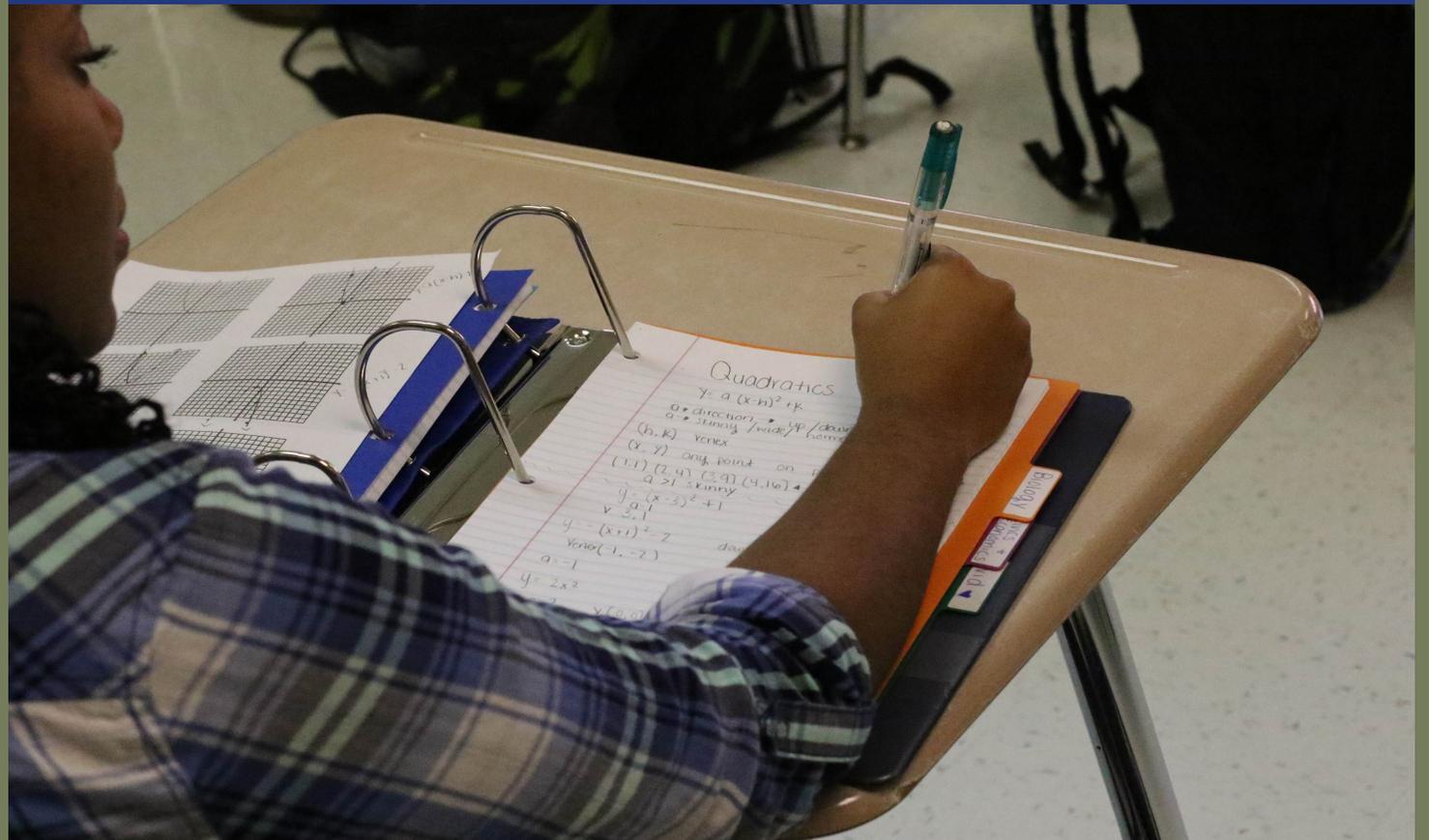
Mark C. Pepera, MBA, RSBO, SFO
President

A handwritten signature in black ink, appearing to read 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director



FINANCIAL SECTION





ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

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, as of and for the year ended June 30, 2015 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Chatham County Board of Education as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School, Federal Grants and Other Restricted funds for the year then ended in conformity 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 3 through 9 and the Schedule of the Board's Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 44 and 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chatham County Board of Education's basic financial statements. The introductory section, individual fund budgetary schedules, the accompanying schedule of expenditures of federal and State awards as required by the 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, and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund budgetary 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund budgetary 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. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2015 on our consideration of the Chatham County Board of Education's internal control over financial reporting and on 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 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 Chatham County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

November 9, 2015
Rockingham, North Carolina

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, 2015. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- As discussed in Note 4 to the financial statements, the Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. As a result, net position as previously reported at June 30, 2014 for the governmental and business-type activities decreased by \$16.7 million and \$468 thousand, respectively. For the fiscal year ended June 30, 2015, the Board's total government-wide net position (not including the decrease in net position due to the GASB 68 restatement) decreased by \$750 thousand, or 0.9%.
- The General Fund reported a decrease in fund balance of \$1.1 million for the year ended June 30, 2015 while the Child Nutrition program reported a decrease in net position of \$5 thousand. The Child Nutrition program was able to pay \$200 thousand in indirect cost to the Other Restricted Fund during the year.
- Financial reporting awards from the Association of School Business Officials International and the Government Finance Officers Association were received for the fiscal year ended June 30, 2014.

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*
- *Required supplemental section that presents budgetary statements for nonmajor governmental funds and budgetary statements for enterprise funds.*

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

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

CHATHAM COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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

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

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

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

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

Fund Financial Statements

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

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

Chatham County Board of Education has three types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Other Restricted Fund and the Federal Grants Fund. The governmental fund statements are shown as Exhibits 3, 4, 5 and 6 of this report.

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

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 Chatham County Board of Education has one proprietary fund - an enterprise fund – the School Food Service Fund. The proprietary fund statements are shown as Exhibits 7, 8, and 9 of this report.

Fiduciary funds: The Board is the trustee, or fiduciary, for assets that belong to others, such as the Private Purpose Trust Fund. The Board is responsible for ensuring that the assets reported in this fund are used only for their intended purpose and by those to whom the assets belong. The Board excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The fiduciary fund statements are shown as Exhibits 10 and 11.

Financial Analysis of the Board as a Whole

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$66.4 million as of June 30, 2015 as compared to \$84.3 million as of June 30, 2014, a decrease of \$17.9 million. As previously discussed, this decrease is primarily due to the implementation of GASB 68 during the year which had the effect of reducing beginning of year net position by \$17.2 million. The largest component of net position is net investment in capital assets of \$80.5 million. Following is a summary of the Statement of Net Position at June 30, 2015 and 2014:

**Table 1
Condensed Statement of Net Position
As of June 30, 2015 and 2014**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Current assets	\$ 7,706,130	\$ 7,884,579	\$ 1,115,033	\$ 1,187,602	\$ 8,821,163	\$ 9,072,181
Capital assets	80,768,817	81,562,380	189,361	214,203	80,958,178	81,776,583
Total assets	<u>88,474,947</u>	<u>89,446,959</u>	<u>1,304,394</u>	<u>1,401,805</u>	<u>89,779,341</u>	<u>90,848,764</u>
Deferred outflows of resources	4,228,579	-	118,622	-	4,347,201	-
Current liabilities	4,825,111	3,962,898	107,677	114,497	4,932,788	4,077,395
Long-term liabilities	7,893,156	2,461,025	136,596	39,218	8,029,752	2,500,243
Total liabilities	<u>12,718,267</u>	<u>6,423,923</u>	<u>244,273</u>	<u>153,715</u>	<u>12,962,540</u>	<u>6,577,638</u>
Deferred inflows of resources	14,407,760	-	404,173	-	14,811,933	-
Net investment in capital assets	80,293,503	81,442,183	189,361	214,203	80,482,864	81,656,386
Restricted net position	1,450,711	1,200,058	-	-	1,450,711	1,200,058
Unrestricted net position (deficit)	(16,166,715)	380,795	585,209	1,033,887	(15,581,506)	1,414,682
Total net position	<u>\$ 65,577,499</u>	<u>\$ 83,023,036</u>	<u>\$ 774,570</u>	<u>\$ 1,248,090</u>	<u>\$ 66,352,069</u>	<u>\$ 84,271,126</u>

The net position of the Board's governmental activities decreased \$17.4 million during the year, from \$83.0 million at June 30, 2014 to \$65.6 million at June 30, 2015, indicating a decline in the financial condition of the Board. The GASB 68 restatement accounted for most of this decrease, reducing beginning of year governmental activities net position by \$16.7 million. Restricted net position increased by \$251 thousand, primarily due to increased fund balance in the Capital Outlay Fund. Unrestricted net position decreased \$16.5 million compared to the prior year, due primarily to implementation of GASB 68. Net investment in capital assets decreased \$1.1 million due largely to an excess of depreciation expense over capital additions for the year.

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

Net of a reduction of \$468 thousand in beginning of year net position for implementation of GASB 68, the net position of the Board's business-type activities decreased \$5 thousand during the year. This decrease of \$5 thousand is the net loss generated by our school food service operations during the 2015 fiscal year. The following table shows the revenues and expenses of the Board for the current and prior fiscal years:

**Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2015 and 2014**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Revenues:						
Program revenues:						
Charges for services	\$ 2,056,213	\$ 2,175,915	\$ 1,065,590	\$ 1,178,192	\$ 3,121,803	\$ 3,354,107
Operating grants and contributions	51,728,696	49,151,555	2,830,810	2,780,890	54,559,506	51,932,445
Capital grants and contributions	197,161	120,197	-	-	197,161	120,197
General revenues:						
County appropriations	30,575,702	28,984,194	-	-	30,575,702	28,984,194
Other revenues	818,621	697,499	2,046	5,161	820,667	702,660
Total revenues	<u>85,376,393</u>	<u>81,129,360</u>	<u>3,898,446</u>	<u>3,964,243</u>	<u>89,274,839</u>	<u>85,093,603</u>
Expenses:						
Governmental activities:						
Instructional services	62,642,065	59,251,102	-	-	62,642,065	59,251,102
System-wide support services	17,981,641	18,658,688	-	-	17,981,641	18,658,688
Ancillary services	96,936	99,510	-	-	96,936	99,510
Payments to other governments	2,616,282	2,481,652	-	-	2,616,282	2,481,652
Interest on long-term debt	-	1,371	-	-	-	1,371
Unallocated depreciation	2,738,549	2,981,285	-	-	2,738,549	2,981,285
Business-type activities:						
School food service	-	-	3,949,168	4,083,831	3,949,168	4,083,831
Total expenses	<u>86,075,473</u>	<u>83,473,608</u>	<u>3,949,168</u>	<u>4,083,831</u>	<u>90,024,641</u>	<u>87,557,439</u>
Deficiency before transfers	(699,080)	(2,344,248)	(50,722)	(119,588)	(749,802)	(2,463,836)
Transfers in (out)	(45,699)	(47,255)	45,699	47,255	-	-
Decrease in net position	<u>(744,779)</u>	<u>(2,391,503)</u>	<u>(5,023)</u>	<u>(72,333)</u>	<u>(749,802)</u>	<u>(2,463,836)</u>
Beginning net position,						
as previously reported	83,023,036	85,414,539	1,248,090	1,320,423	84,271,126	86,734,962
Restatement	(16,700,758)	-	(468,497)	-	(17,169,255)	-
Beginning net position, as restated	<u>66,322,278</u>	<u>85,414,539</u>	<u>779,593</u>	<u>1,320,423</u>	<u>67,101,871</u>	<u>86,734,962</u>
Ending net position	<u>\$ 65,577,499</u>	<u>\$ 83,023,036</u>	<u>\$ 774,570</u>	<u>\$ 1,248,090</u>	<u>\$ 66,352,069</u>	<u>\$ 84,271,126</u>

Total governmental activities generated revenues of \$85.4 million while expenses in this category totaled \$86.1 million for the year ended June 30, 2015, resulting in a decrease in net position of \$745 thousand (including transfers out to business-type activities of \$46 thousand). Comparatively, revenues were \$81.1 million, expenses totaled \$83.5 million and transfers out were \$47 thousand for the year ended June 30, 2014, resulting in a decrease in net position of \$2.4 million. In comparing the two years, revenues increased \$4.2 million, or 5.2%, and expenses increased by \$2.6 million, or 3.1%.

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

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 54.0%, 35.7% and 5.0% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 69.4% of our total expenses during the most recent fiscal year. Of the remaining 30.6% of our total expenses, 24.3% was attributable to system-wide support services.

Our business-type activities generated revenues of \$3.9 million while expenses in this category also totaled \$3.9 million for the year ended June 30, 2015. For the year, net position decreased by \$5 thousand (including transfers in of \$46 thousand). Comparatively, revenues were \$4.0 million, expenses were \$4.1 million and transfers in were \$47 thousand for the year ended June 30, 2014, resulting in a decrease in net position of \$72 thousand. In comparing the two years, revenues, expenses and overall operating results were comparable with no significant changes.

Financial Analysis of the Board's Funds

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

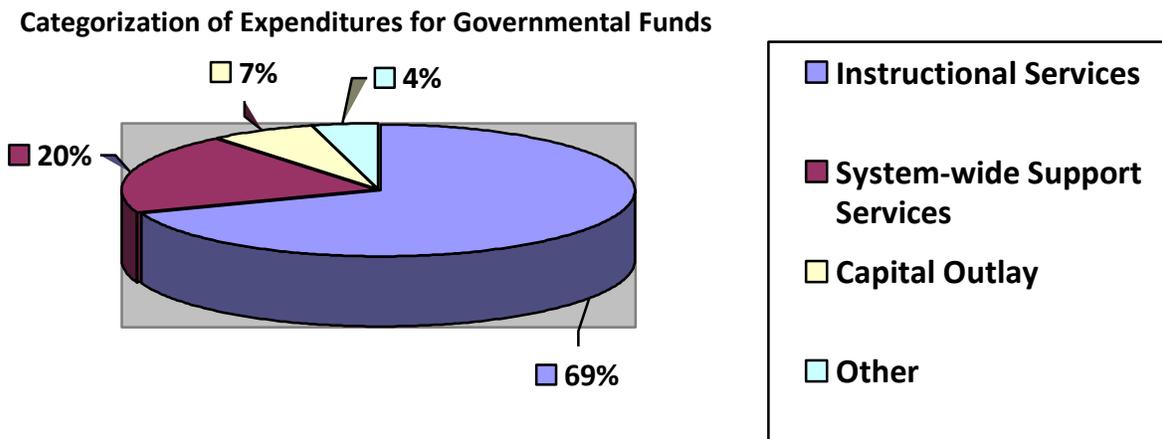
The Board's governmental funds reported a combined fund balance of \$6.0 million at June 30, 2015, a decrease of \$27 thousand from the amount reported at June 30, 2014. The Board's General Fund reported a decrease in fund balance for the year ended June 30, 2015 of \$1.1 million (including the decrease in reserve for inventories), a slight improvement over the decrease of \$1.0 million reported in 2014. Overall, revenues and expenditures for the General Fund were comparable to the prior year.

The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues are expended in the year received. Revenues (and expenditures) in the State Public School Fund increased \$2.4 million for the fiscal year ended June 30, 2015. Funding from the State increased largely due to the district's increase in average daily membership. Revenues (and expenditures) in the Federal Grants Fund reported a slight increase of \$16 thousand for the fiscal year ended June 30, 2015.

The Other Restricted Fund reported fund balance of \$964 thousand at June 30, 2015, an increase for the year of \$750 thousand. Increased Medicaid reimbursement revenues during the year contributed to the increase in fund balance, along with an overall decrease in the level of expenditures. An increase in State Public School Fund and General Fund revenues allowed for the shifting of some expenditures to these two funds that were paid from the Other Restricted Fund in the previous year.

The Capital Outlay Fund reported fund balance of \$687 thousand at June 30, 2015, an increase \$268 thousand for the year. Construction was started during the year on a new joint school bus and County garage. The project is expected to be completed during the 2015-2016 year with a total cost of approximately \$6.5 million.

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



Expenditures presented on modified accrual basis of accounting.

Proprietary Fund: The Board's business-type fund, the School Food Service Fund, reported a decrease in net position of \$5 thousand for the fiscal year ended June 30, 2015 compared to a decrease of \$72 thousand for the same 2014 period. As discussed above for business-type activities, revenues, expenses and overall operating results were comparable for the two periods with no significant changes.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and program allocations. Since several revenue sources are either unknown or uncertain at the beginning of the fiscal year when the original budget is adopted, budget revisions are often necessary throughout the year to recognize these adjustments. None of the budget adjustments made during the current year were significant in nature.

The Board used \$1.1 million of fund balance during year compared to a budgeted use of \$3.7 million. The district's instructional and system-wide support services expenditures were \$2.7 million less than budgeted which helped the district to avoid having to use the full budgeted amount of fund balance. Variances between actual expenditures and final budget amounts relate to conservative budgeting practices and cost containment strategies.

Capital Assets

Total primary government capital assets were \$81.0 million at June 30, 2015 compared to \$81.8 million at June 30, 2014, a decline of 1.0%. The decrease is primarily attributable to an excess of depreciation expense over capital additions for the year. The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2015 and 2014. More detailed information about the Board's capital assets is contained in Note 2 to the financial statements.

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

**Table 3
Summary of Capital Assets
As of June 30, 2015 and 2014**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/15</u>	<u>6/30/14</u>	<u>6/30/15</u>	<u>6/30/14</u>	<u>6/30/15</u>	<u>6/30/14</u>
Land	\$ 2,260,024	\$ 2,260,024	\$ -	\$ -	\$ 2,260,024	\$ 2,260,024
Construction in progress	2,291,768	503,857	-	-	2,291,768	503,857
Buildings and improvements	74,000,977	76,610,551	-	-	74,000,977	76,610,551
Equipment and furniture	775,762	1,063,850	189,361	214,203	965,123	1,278,053
Vehicles	1,440,286	1,124,098	-	-	1,440,286	1,124,098
Total	<u>\$ 80,768,817</u>	<u>\$ 81,562,380</u>	<u>\$ 189,361</u>	<u>\$ 214,203</u>	<u>\$ 80,958,178</u>	<u>\$ 81,776,583</u>

Debt Outstanding

During the year, the Board's long-term debt increased from \$120 thousand at June 30, 2014 to \$2.7 million at June 30, 2015, primarily due to the installment purchase of \$2.9 million of computer hardware. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. More detailed information about the Board's outstanding debt is contained in Note 2 to the financial statements.

Economic Factors

County funding is a major source of income for the Board; therefore the County's economic outlook directly affects the school district. The following factors have affected the economic outlook of Chatham County:

- The unemployment rate in Chatham County at June 30, 2015 was 5.2% compared to 4.5% at June 30, 2014. The County's unemployment rate continues to be lower than the N.C. statewide and national unemployment rates which were 6.1% and 5.5%, respectively, at June 30, 2015.
- County commissioners and members of the Board of Education, along with concerned citizens of the county are working diligently to explore ways to increase economic development and improve the education, health and human service standards of the children and citizens in Chatham County.

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, 2015

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,373,515	\$ 892,388	\$ 7,265,903
Due from other governments	1,110,746	111,673	1,222,419
Receivables	1,917	1,153	3,070
Inventories	219,952	109,819	329,771
Capital assets:			
Land and construction in progress	4,551,792	-	4,551,792
Other capital assets, net of depreciation	76,217,025	189,361	76,406,386
Total capital assets	<u>80,768,817</u>	<u>189,361</u>	<u>80,958,178</u>
Total assets	<u>88,474,947</u>	<u>1,304,394</u>	<u>89,779,341</u>
Deferred Outflows of Resources	<u>4,228,579</u>	<u>118,622</u>	<u>4,347,201</u>
Liabilities			
Accounts payable and accrued expenses	944,114	7,178	951,292
Accrued salaries and wages payable	742,196	11,179	753,375
Unearned revenue	-	28,378	28,378
Long-term liabilities:			
Net pension liability	3,959,228	111,066	4,070,294
Due within one year	3,138,801	60,942	3,199,743
Due in more than one year	<u>3,933,928</u>	<u>25,530</u>	<u>3,959,458</u>
Total liabilities	<u>12,718,267</u>	<u>244,273</u>	<u>12,962,540</u>
Deferred Inflows of Resources	<u>14,407,760</u>	<u>404,173</u>	<u>14,811,933</u>
Net position			
Net investment in capital assets	80,293,503	189,361	80,482,864
Restricted for:			
Stabilization by State statute	53,371	-	53,371
School capital outlay	686,827	-	686,827
Individual schools activities	710,513	-	710,513
Unrestricted (deficit)	<u>(16,166,715)</u>	<u>585,209</u>	<u>(15,581,506)</u>
Total net position	<u>\$ 65,577,499</u>	<u>\$ 774,570</u>	<u>\$ 66,352,069</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, 2015

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		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	\$ 38,539,111	\$ -	\$ 28,575,504	\$ -	\$ (9,963,607)	\$ -	\$ (9,963,607)
Special populations	9,956,206	-	9,079,024	-	(877,182)	-	(877,182)
Alternative programs	4,529,571	-	3,303,376	-	(1,226,195)	-	(1,226,195)
School leadership	4,352,417	-	2,929,637	-	(1,422,780)	-	(1,422,780)
Co-curricular	2,007,182	1,624,943	-	-	(382,239)	-	(382,239)
School-based support	3,257,578	-	2,981,890	-	(275,688)	-	(275,688)
System-wide support services:							
Support and development	1,414,362	-	479,320	-	(935,042)	-	(935,042)
Special population support and development	186,949	-	190,063	-	3,114	-	3,114
Alternative programs and services							
support and development	151,232	-	157,758	-	6,526	-	6,526
Technology support	1,154,003	-	99,147	-	(1,054,856)	-	(1,054,856)
Operational support	12,305,080	431,270	2,894,399	197,161	(8,782,250)	-	(8,782,250)
Financial and human resource services	983,789	-	674,545	-	(309,244)	-	(309,244)
Accountability	111,328	-	-	-	(111,328)	-	(111,328)
System-wide pupil support	467,765	-	-	-	(467,765)	-	(467,765)
Policy, leadership and public relations	1,207,133	-	258,521	-	(948,612)	-	(948,612)
Ancillary services	96,936	-	982	-	(95,954)	-	(95,954)
Payments to other governments	2,616,282	-	104,530	-	(2,511,752)	-	(2,511,752)
Unallocated depreciation expense**	2,738,549	-	-	-	(2,738,549)	-	(2,738,549)
Total governmental activities	86,075,473	2,056,213	51,728,696	197,161	(32,093,403)	-	(32,093,403)
Business-type activities:							
School food service	3,949,168	1,065,974	2,830,810	-	-	(52,384)	(52,384)
Total primary government	\$ 90,024,641	\$ 3,122,187	\$ 54,559,506	\$ 197,161	(32,093,403)	(52,384)	(32,145,787)
General revenues:							
					26,818,413	-	26,818,413
					3,757,289	-	3,757,289
					18,576	1,662	20,238
					800,045	-	800,045
					(45,699)	45,699	-
					31,348,624	47,361	31,395,985
					(744,779)	(5,023)	(749,802)
					83,023,036	1,248,090	84,271,126
					(16,700,758)	(468,497)	(17,169,255)
					66,322,278	779,593	67,101,871
					\$ 65,577,499	\$ 774,570	\$ 66,352,069

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

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

**CHATHAM COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

Exhibit 3

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Other Restricted	Capital Outlay	Individual Schools	
Assets							
Cash and cash equivalents	\$ 4,151,271	\$ -	\$ -	\$ 951,497	\$ 686,827	\$ 583,920	\$ 6,373,515
Due from other governments	20,028	601,924	32,595	31,426	424,773	-	1,110,746
Accounts receivable	-	-	-	1,917	-	-	1,917
Due from other funds	-	-	-	-	-	126,593	126,593
Inventories	219,952	-	-	-	-	-	219,952
Total assets	\$ 4,391,251	\$ 601,924	\$ 32,595	\$ 984,840	\$ 1,111,600	\$ 710,513	\$ 7,832,723
Liabilities and Fund balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 518,188	\$ -	\$ -	\$ 1,153	\$ 424,773	\$ -	\$ 944,114
Accrued salaries and wages payable	88,194	601,924	32,595	19,483	-	-	742,196
Due to other funds	126,593	-	-	-	-	-	126,593
Total liabilities	732,975	601,924	32,595	20,636	424,773	-	1,812,903
Fund balances:							
Nonspendable:							
Inventories	219,952	-	-	-	-	-	219,952
Restricted:							
Stabilization by State statute	20,028	-	-	33,343	-	-	53,371
School capital outlay	-	-	-	-	686,827	-	686,827
Individual schools	-	-	-	-	-	710,513	710,513
Assigned:							
Subsequent year's expenditures	1,925,000	-	-	-	-	-	1,925,000
Special revenues	-	-	-	930,861	-	-	930,861
Unassigned	1,493,296	-	-	-	-	-	1,493,296
Total fund balances	3,658,276	-	-	964,204	686,827	710,513	6,019,820
Total liabilities and fund balances	\$ 4,391,251	\$ 601,924	\$ 32,595	\$ 984,840	\$ 1,111,600	\$ 710,513	

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.	80,768,817
Deferred outflows of resources related to pensions	4,228,579
Some liabilities, including those for compensated absences and installment purchases, are not due and payable in the current period and therefore are not reported in the funds.	(7,072,729)
Net pension liability	(3,959,228)
Deferred inflows of resources related to pensions	(14,407,760)
Net position of governmental activities	\$ 65,577,499

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, 2015

Exhibit 4

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Other Restricted	Capital Outlay	Individual Schools	
Revenues:							
State of North Carolina	\$ -	\$ 46,029,745	\$ -	\$ 40,659	\$ 197,161	\$ -	\$ 46,267,565
Chatham County:							
Local current expense	26,818,413	-	-	-	-	-	26,818,413
Other	-	-	-	-	3,757,289	-	3,757,289
U.S. Government	-	-	4,203,686	54,206	-	-	4,257,892
Other	276,475	-	-	2,614,643	63,703	1,624,943	4,579,764
Total revenues	27,094,888	46,029,745	4,203,686	2,709,508	4,018,153	1,624,943	85,680,923
Expenditures:							
Current:							
Instructional services:							
Regular instructional	9,305,000	27,340,812	300,862	27,797	-	-	36,974,471
Special populations	1,657,377	6,829,785	1,782,669	60,000	-	-	10,329,831
Alternative programs	243,666	1,586,718	1,716,658	1,135,289	-	-	4,682,331
School leadership	1,604,925	2,929,637	-	-	-	-	4,534,562
Co-curricular	399,699	-	-	-	-	1,616,960	2,016,659
School-based support	394,389	2,859,103	27,922	104,805	-	-	3,386,219
System-wide support services:							
Support and development	995,825	478,802	518	-	-	-	1,475,145
Special population support and development	5,023	78,837	111,226	-	-	-	195,086
Alternative programs and services support and development	26	-	157,758	-	-	-	157,784
Technology support	1,100,702	99,147	-	-	-	-	1,199,849
Operational support	7,572,784	2,847,157	1,543	417,446	556,314	-	11,395,244
Financial and human resource services	487,839	674,545	-	-	-	-	1,162,384
Accountability	116,027	-	-	-	-	-	116,027
System-wide pupil support	270,579	-	-	206,591	-	-	477,170
Policy, leadership and public relations	968,271	258,521	-	1,657	-	-	1,228,449
Ancillary services	94,181	982	-	6,039	-	-	101,202
Payments to other governments	2,616,282	-	104,530	-	-	-	2,720,812
Debt service:							
Principal retirement	-	-	-	-	957,470	-	957,470
Capital outlay	-	-	-	-	5,989,042	-	5,989,042
Total expenditures	27,832,595	45,984,046	4,203,686	1,959,624	7,502,826	1,616,960	89,099,737
Revenues over (under) expenditures	(737,707)	45,699	-	749,884	(3,484,673)	7,983	(3,418,814)
Other financing sources (uses):							
Transfers from other funds	-	-	-	-	251,252	-	251,252
Transfers to other funds	(251,252)	(45,699)	-	-	-	-	(296,951)
Installment purchase obligations issued	-	-	-	-	3,500,937	-	3,500,937
Total other financing sources (uses)	(251,252)	(45,699)	-	-	3,752,189	-	3,455,238
Net change in fund balance	(988,959)	-	-	749,884	267,516	7,983	36,424
Fund balances:							
Beginning of year	4,710,476	-	-	214,320	419,311	702,530	6,046,637
Change in reserve for inventories	(63,241)	-	-	-	-	-	(63,241)
End of year	\$ 3,658,276	\$ -	\$ -	\$ 964,204	\$ 686,827	\$ 710,513	\$ 6,019,820

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, 2015

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 36,424
Change in fund balance due to change in reserve for inventory	(63,241)
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.	(793,563)
Contributions to the pension plan in the current fiscal year are not included on the	4,228,579
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 position. Also, governmental funds report the effect of 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.	(2,543,467)
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.	
Pension expense	(1,666,230)
Compensated absences	<u>56,719</u>
Total change in net position of governmental activities	<u>\$ (744,779)</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, 2015

Exhibit 6

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Chatham County	26,126,130	26,823,453	26,818,413	(5,040)
U.S. Government	-	-	-	-
Other	<u>333,702</u>	<u>333,702</u>	<u>276,475</u>	<u>(57,227)</u>
Total revenues	<u>26,459,832</u>	<u>27,157,155</u>	<u>27,094,888</u>	<u>(62,267)</u>
Expenditures:				
Current:				
Instructional services	15,244,035	15,298,637	13,605,056	1,693,581
System-wide support services	12,903,445	12,548,353	11,517,076	1,031,277
Ancillary services	73,842	115,842	94,181	21,661
Non-programmed charges	<u>2,751,000</u>	<u>2,617,000</u>	<u>2,616,282</u>	<u>718</u>
Total expenditures	<u>30,972,322</u>	<u>30,579,832</u>	<u>27,832,595</u>	<u>2,747,237</u>
Revenues over (under) expenditures	<u>(4,512,490)</u>	<u>(3,422,677)</u>	<u>(737,707)</u>	<u>2,684,970</u>
Other financing sources (uses):				
Transfers from other funds	251,000	-	-	-
Transfers to other funds	<u>-</u>	<u>(251,000)</u>	<u>(251,252)</u>	<u>(252)</u>
Total other financing sources (uses)	<u>251,000</u>	<u>(251,000)</u>	<u>(251,252)</u>	<u>(252)</u>
Fund balance appropriated	<u>4,261,490</u>	<u>3,673,677</u>	<u>-</u>	<u>(3,673,677)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(988,959)</u>	<u>\$ (988,959)</u>
Fund balances:				
Beginning of year			4,710,476	
Change in reserve for inventories			<u>(63,241)</u>	
End of year			<u>\$ 3,658,276</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, 2015

Exhibit 6 (continued)

	State Public School Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 43,809,297	\$ 46,045,842	\$ 46,029,745	\$ (16,097)
Chatham County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>43,809,297</u>	<u>46,045,842</u>	<u>46,029,745</u>	<u>(16,097)</u>
Expenditures:				
Current:				
Instructional services	40,251,049	41,554,609	41,546,055	8,554
System-wide support services	3,512,555	4,444,317	4,437,009	7,308
Ancillary services	(239)	984	982	2
Non-programmed charges	-	-	-	-
Total expenditures	<u>43,763,365</u>	<u>45,999,910</u>	<u>45,984,046</u>	<u>15,864</u>
Revenues over (under) expenditures	<u>45,932</u>	<u>45,932</u>	<u>45,699</u>	<u>(233)</u>
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	<u>(45,932)</u>	<u>(45,932)</u>	<u>(45,699)</u>	<u>233</u>
Total other financing sources (uses)	<u>(45,932)</u>	<u>(45,932)</u>	<u>(45,699)</u>	<u>233</u>
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
Change in reserve for inventories			-	
End of year			<u>\$ -</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, 2015

Exhibit 6 (continued)

	Federal Grants Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Chatham County	-	-	-	-
U.S. Government	4,549,360	4,977,017	4,203,686	(773,331)
Other	-	-	-	-
Total revenues	<u>4,549,360</u>	<u>4,977,017</u>	<u>4,203,686</u>	<u>(773,331)</u>
Expenditures:				
Current:				
Instructional services	4,048,400	4,275,002	3,828,111	446,891
System-wide support services	325,000	296,666	271,045	25,621
Ancillary services	-	135,441	-	135,441
Non-programmed charges	<u>175,960</u>	<u>269,908</u>	<u>104,530</u>	<u>165,378</u>
Total expenditures	<u>4,549,360</u>	<u>4,977,017</u>	<u>4,203,686</u>	<u>773,331</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
Change in reserve for inventories			<u>-</u>	
End of year			<u>\$ -</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, 2015

Exhibit 6 (continued)

	Other Restricted Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 42,860	\$ 42,860	\$ 40,659	\$ (2,201)
Chatham County	-	-	-	-
U.S. Government	57,140	57,140	54,206	(2,934)
Other	2,104,000	2,151,630	2,614,643	463,013
Total revenues	<u>2,204,000</u>	<u>2,251,630</u>	<u>2,709,508</u>	<u>457,878</u>
Expenditures:				
Current:				
Instructional services	1,485,835	1,541,403	1,327,891	213,512
System-wide support services	708,165	717,165	625,694	91,471
Ancillary services	10,000	10,000	6,039	3,961
Non-programmed charges	-	-	-	-
Total expenditures	<u>2,204,000</u>	<u>2,268,568</u>	<u>1,959,624</u>	<u>308,944</u>
Revenues over (under) expenditures	<u>-</u>	<u>(16,938)</u>	<u>749,884</u>	<u>766,822</u>
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	<u>-</u>	<u>16,938</u>	<u>-</u>	<u>(16,938)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>749,884</u>	<u>\$ 749,884</u>
Fund balances:				
Beginning of year			214,320	
Change in reserve for inventories			-	
End of year			<u>\$ 964,204</u>	

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

CHATHAM COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
June 30, 2015

Exhibit 7

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 892,388
Due from other governments	111,673
Receivables	1,153
Inventories	109,819
Total current assets	<u>1,115,033</u>
Noncurrent assets:	
Capital assets:	
Furniture and office equipment, net	<u>189,361</u>
Total assets	<u>1,304,394</u>
Deferred Outflows of Resources	<u>118,622</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	7,178
Accrued salaries and wages payable	11,179
Compensated absences	60,942
Unearned revenue	28,378
Total current liabilities	<u>107,677</u>
Noncurrent liabilities:	
Net pension liability	111,066
Compensated absences	25,530
Total noncurrent liabilities	<u>136,596</u>
Total liabilities	<u>244,273</u>
Deferred Inflows of Resources	<u>404,173</u>
Net position	
Investment in capital assets	189,361
Unrestricted	585,209
Total net position	<u>\$ 774,570</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, 2015

Exhibit 8

	<u>Enterprise Fund</u> <u>Major Fund</u> <u>School Food</u> <u>Service</u>
Operating revenues:	
Food sales	\$ 1,065,974
Operating expenses:	
Food cost:	
Purchase of food	1,331,186
Donated commodities	225,091
Salaries and benefits	1,917,120
Indirect costs	200,000
Materials and supplies	117,694
Repairs and maintenance	36,606
Depreciation	70,874
Non-capitalized equipment	11,471
Contracted services	16,234
Other	22,892
Total operating expenses	<u>3,949,168</u>
Operating loss	<u>(2,883,194)</u>
Nonoperating revenues:	
Federal reimbursements	2,597,668
Federal commodities	225,091
State reimbursements	8,051
Interest earned	1,662
Total nonoperating revenues	<u>2,832,472</u>
Loss before transfers	(50,722)
Transfers from other funds	<u>45,699</u>
Change in net position	(5,023)
Net position, beginning of year, as previously reported	1,248,090
Restatement	<u>(468,497)</u>
Net position, beginning of year, as restated	<u>779,593</u>
Net position, end of year	<u>\$ 774,570</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, 2015

Exhibit 9

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,171,814
Cash paid for goods and services	(1,776,848)
Cash paid to employees for services	(1,959,834)
Net cash used by operating activities	<u>(2,564,868)</u>
Cash flows from noncapital financing activities:	
Federal and State reimbursements	<u>2,603,901</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(46,032)</u>
Cash flows from investing activities:	
Interest earned on investments	<u>1,662</u>
Net decrease in cash and cash equivalents	(5,337)
Cash and cash equivalents, beginning of year	<u>897,725</u>
Cash and cash equivalents, end of year	<u>\$ 892,388</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (2,883,194)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	70,874
Pension expense	46,742
Donated commodities	225,091
Salaries paid by special revenue fund	45,699
Changes in assets and liabilities:	
Decrease in accounts receivable	102,796
Increase in inventories	(33,746)
Decrease in accounts payable and accrued liabilities	(7,019)
Increase in accrued salaries and wages payable	446
Increase in unearned revenue	3,044
Increase in deferred outflows of resources for pension plan contributions in current fiscal year	(118,622)
Decrease in compensated absences payable	<u>(16,979)</u>
Total adjustments	<u>318,326</u>
Net cash used by operating activities	<u>\$ (2,564,868)</u>

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$225,091 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund paid salaries and benefits of \$45,699 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as an operating transfer in and an operating expense on Exhibit 8.

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

**CHATHAM COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2015**

Exhibit 10

	<u>Private Purpose Trust Fund</u>
Assets	
Cash and cash equivalents	\$ <u>176,376</u>
Net position	
Assets held in trust for private purpose	\$ <u>176,376</u>

The notes to the 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, 2015

Exhibit 11

	<u>Private Purpose Trust Fund</u>
Additions:	
Contributions and other revenue	\$ 4,697
Deductions:	
Scholarships	<u>4,550</u>
Change in net position	147
Beginning net position	<u>176,229</u>
Ending net position	<u>\$ 176,376</u>

The notes to the 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, 2015

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 activities. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The Board reports the following major governmental funds:

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

CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

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

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

The Board reports the following nonmajor governmental fund:

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

The Board reports the following major enterprise fund:

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

The Board reports the following fiduciary fund:

Private Purpose Trust Fund. The Private Purpose Trust Fund is used to account for scholarship money under the control of the Board for the benefit of students in the district.

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 is

CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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.

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the private purpose trust fund and the individual schools special revenue fund, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the purpose level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys 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 transfer amounts from any contingency appropriation within a fund. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with State laws and regulations. It is not registered with the SEC. The STIF consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

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

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, 2015**

3. Inventories

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

4. Capital Assets

The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 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 assets that serve multiple purposes cannot be allocated ratably and is therefore reported as “unallocated depreciation” on the Statement of Activities.

5. Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has one item that meets this criterion - contributions made to the pension plan in the current fiscal year. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has one item that meet this criterion – pension related deferrals.

CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

6. 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.

7. 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, 2015 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

8. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

Assigned fund balance – portion of fund balance that the Board of Education intends to use for specific purposes. The assignment of fund balance is governed by NC General Statutes. The Board of Education is authorized to approve appropriations of fund balance in accordance with restrictions established by NC General Statutes.

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

Special revenues – portion of fund balance that represents the residual amount of revenues from certain grants, reimbursements, indirect costs and other financial resources in excess of related expenditures that will be used for instructional services, system-wide support services, ancillary services or non-programmed charges, as determined by the Board of Education.

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.

The Board of Education has a management policy for revenue spending that provides guidance for programs with multiple revenue sources. The Finance Officer will pay expenditures from restricted revenue sources first and then from general unrestricted revenues. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

9. 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 \$59,557,679 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)	\$142,044,650
Less accumulated depreciation	<u>(61,275,833)</u>
Net capital assets	80,768,817
Pension related deferred outflows of resources:	
Contributions made to the pension plan in the current fiscal year	4,228,579
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	(2,663,664)
Compensated absences	(4,409,065)
Net pension liability	<u>(3,959,228)</u>

CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

Deferred inflows of resources related to pensions:	
Differences between expected and actual experience	(922,875)
Difference between projected and actual earnings on plan investments	(13,376,784)
Changes in proportion and differences between Board contributions and proportionate share of contributions	<u>(108,101)</u>
Total adjustment	<u>\$ 59,557,679</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 \$(781,203) as follows:

<u>Description</u>	<u>Amount</u>
Change in fund balance due to change in reserve for inventory	\$ (63,241)
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	2,568,661
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(3,362,224)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities – it only affects the government-wide statement of net position	(3,500,937)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	957,470
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	4,228,579
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:	
Pension expense	(1,666,230)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	<u>56,719</u>
Total adjustment	<u>\$ (781,203)</u>

10. Defined Benefit Pension Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' and State Employees' Retirement System (TSERS) and additions to/deductions from TSERS' fiduciary net position have been determined on the same basis as they are reported by TSERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Board's employer contributions are recognized when due and the Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TSERS. Investments are reported at fair value.

CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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, 2015, the Board had deposits with banks and savings and loans with a carrying amount of \$3,415,870 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$4,486,626 and \$103,901, respectively. Of these balances, \$1,457,507 was covered by federal depository insurance and \$3,133,020 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30, 2015, the Board had \$45,537 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. Additionally at June 30 2015, the Board had \$3,980,872 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2015. 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 Board has no policy for managing interest rate risk or credit risk. The Board places no limit on the amount the Board may invest in any one issuer.

CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2015 are as follows:

	Due from (to) other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ (126,593)	\$ 20,028	\$ -	\$ (106,565)
Other governmental activities	<u>126,593</u>	<u>1,090,718</u>	<u>1,917</u>	<u>1,219,228</u>
Total governmental activities	<u>\$ -</u>	<u>\$ 1,110,746</u>	<u>\$ 1,917</u>	<u>\$ 1,112,663</u>
Business-type activities:				
School Food Service Fund	<u>\$ -</u>	<u>\$ 111,673</u>	<u>\$ 1,153</u>	<u>\$ 112,826</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 20,028	Amounts due from County and ABC revenues
Capital Outlay Fund	424,773	Amounts due from County
Restricted Revenue Fund	31,426	Reimbursements due from State and amounts due from County
State Public School Fund	601,924	Operating funds from DPI
Federal Grants Fund	<u>32,595</u>	Federal grant funds
Total	<u>\$ 1,110,746</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 111,673</u>	Federal grant funds

CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

4. Capital Assets

Capital asset activity for the year ended June 30, 2015 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	503,857	1,787,911	-	2,291,768
Total capital assets not being depreciated	<u>2,763,881</u>	<u>1,787,911</u>	<u>-</u>	<u>4,551,792</u>
Capital assets being depreciated:				
Buildings and improvements	124,705,042	128,975	-	124,834,017
Equipment and furniture	4,247,429	-	-	4,247,429
Vehicles	7,759,637	651,775	-	8,411,412
Total capital assets being depreciated	<u>136,712,108</u>	<u>780,750</u>	<u>-</u>	<u>137,492,858</u>
Less accumulated depreciation for:				
Buildings and improvements	48,094,491	2,738,549	-	50,833,040
Equipment and furniture	3,183,579	288,088	-	3,471,667
Vehicles	6,635,539	335,587	-	6,971,126
Total accumulated depreciation	<u>57,913,609</u>	<u>3,362,224</u>	<u>-</u>	<u>61,275,833</u>
Total capital assets being depreciated, net	<u>78,798,499</u>			<u>76,217,025</u>
Governmental activity capital assets, net	<u>\$ 81,562,380</u>			<u>\$ 80,768,817</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 1,400,102	\$ 46,032	\$ 18,978	\$ 1,427,156
Less accumulated depreciation for:				
Furniture and office equipment	<u>1,185,899</u>	<u>70,874</u>	<u>18,978</u>	<u>1,237,795</u>
School Food Service capital assets, net	<u>\$ 214,203</u>			<u>\$ 189,361</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 2,738,549
Operational support	<u>623,675</u>
Total	<u>\$ 3,362,224</u>

CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

5. Construction and Other Significant Commitments

As of June 30, 2015, the Board had several construction and repair projects in progress throughout the district, including the construction of a new joint school bus and County garage. At year-end, the Board's commitments with contractors for the remaining portion of the contracts to complete these projects totaled approximately \$4.8 million.

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. The Board is a participating employer in 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 membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60 (10 years for members joining on or after August 1, 2011). Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

**CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2015, was 9.15% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$4,347,201 for the year ended June 30, 2015.

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

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

At June 30, 2015, the Board reported a liability of \$4,070,294 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2014 and at June 30, 2013, the Board's proportion was 0.35%.

For the year ended June 30, 2015, the Board recognized pension expense of \$1,712,972. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 948,764
Net difference between projected and actual earnings on pension plan investments	-	13,752,036
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	111,133
Board contributions subsequent to the measurement date	4,347,201	-
Total	<u>\$ 4,347,201</u>	<u>\$ 14,811,933</u>

\$4,347,201 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

Year ended June 30:	
2016	\$ 3,717,666
2017	3,717,666
2018	3,717,666
2019	3,658,935
2020	-
Thereafter	-
Total	<u>\$ 14,811,933</u>

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 9.10 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100%</u>	

**CHATHAM COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2015**

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Board's proportionate share of the net pension liability (asset)	\$ 29,219,390	\$ 4,070,294	\$ (17,164,455)

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

b. Other Postemployment Benefits

Healthcare Benefits

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

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

CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2015, 2014 and 2013, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$2,594,253, \$2,428,493 and \$2,393,922, respectively. These contributions represented 5.49%, 5.40% and 5.30% of covered payroll, respectively.

Long-term Disability Benefits

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

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

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

CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

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

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2015, 2014, and 2013, the Board paid all annual required contributions to the DIPNC for disability benefits of \$193,742, \$197,877 and \$198,741, respectively. These contributions represented 0.41%, 0.44% and 0.44% of covered payroll, respectively.

CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

2. Accounts Payable

Accounts payable as of June 30, 2015 are as follows:

	Vendors and Other	Accrued Salaries	Total
Governmental activities:			
General Fund	\$ 518,188	\$ 88,194	\$ 606,382
Other governmental activities	<u>425,926</u>	<u>654,002</u>	<u>1,079,928</u>
Total governmental activities	<u>\$ 944,114</u>	<u>\$ 742,196</u>	<u>\$ 1,686,310</u>
Business-type activities:			
School Food Service Fund	<u>\$ 7,178</u>	<u>\$ 11,179</u>	<u>\$ 18,357</u>

3. Unearned Revenues

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

Business-type activities:	
Prepayments of meals (School Food Service Fund)	<u>\$ 28,378</u>

4. Deferred Outflows and Inflows of Resources

The balances in deferred outflows and inflows of resources at year-end are composed of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 948,764
Net difference between projected and actual earnings on pension plan investments	-	13,752,036
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	111,133
Board contributions subsequent to the measurement date	<u>4,347,201</u>	<u>-</u>
Total	<u>\$ 4,347,201</u>	<u>\$ 14,811,933</u>

5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit for both general liability and errors and omissions of \$3,150,000 each. 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.

CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on flood, earthquake, business interruption and extra expense. \$10 million per occurrence is provided on increased cost of construction.

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

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

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

7. Long-Term Obligations

a. Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through special third party financing arrangements. During the fiscal years ended June 30, 2013 and June 30, 2015, the Board entered into such contracts for the purchase of school buses. The contracts each require four equal principal-only payments with the first payment due within 10 days of receipt of the buses and the following 3 payments due on the next 3 immediately following November 15th dates.

The Board also entered into an installment purchase contract for the purchase of computer hardware equipment during the fiscal year ended June 30, 2015. The contract requires payments of principal and interest at 2.1% due annually on July 1st through 2017.

**CHATHAM COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

The future minimum payments of the installment purchases as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u> <u>Principal</u>
2016	\$ 997,967
2017	898,379
2018	<u>859,896</u>
	2,756,242
Less portion representing interest	<u>(92,578)</u>
Total principal obligation	<u>\$ 2,663,664</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, 2015:

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ 120,197	\$ 3,500,937	\$ 957,470	\$ 2,663,664	\$ 951,996
Net pension liability	20,503,407	-	16,544,179	3,959,228	-
Compensated absences	<u>4,465,784</u>	<u>2,869,930</u>	<u>2,926,649</u>	<u>4,409,065</u>	<u>2,186,805</u>
Total	<u>\$ 25,089,388</u>	<u>\$ 6,370,867</u>	<u>\$ 20,428,298</u>	<u>\$ 11,031,957</u>	<u>\$ 3,138,801</u>
Business-type activities:					
Net pension liability	\$ 575,171	\$ -	\$ 464,105	\$ 111,066	\$ -
Compensated absences	<u>103,451</u>	<u>86,362</u>	<u>103,341</u>	<u>86,472</u>	<u>60,942</u>
Total	<u>\$ 678,622</u>	<u>\$ 86,362</u>	<u>\$ 567,446</u>	<u>\$ 197,538</u>	<u>\$ 60,942</u>

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

C. Interfund Balances and Activity

Interfund Balances

The composition of interfund balances as of June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Individual Schools Fund	General Fund	<u>\$ 126,593</u>

The amount above is for funds invested in the Board's STIF account and recorded in the General Fund.

Transfers to/from other Funds

Transfers to/from other funds at June 30, 2015 consist of the following:

From the State Public School Fund to the School Food Service Fund for administrative costs	<u>\$ 45,699</u>
From the General Fund to the Capital Outlay Fund for capital improvement needs	<u>\$ 251,252</u>

**CHATHAM COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2015**

D. Net Position / Fund Balance

1. Net Investment in Capital Assets

Net investment in capital assets presented in Exhibit 1 is calculated as follows:

Total capital assets	\$ 80,768,817
Less:	
Installment purchase obligations for school buses	<u>(475,314)</u>
Net investment in capital assets	<u>\$ 80,293,503</u>

The district also has \$2,188,350 of installment purchase obligations outstanding at June 30, 2015 for computers. This amount has been excluded from the calculation of net investment in capital assets due to these computers being noncapitalized items.

2. Fund Balance

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

Total fund balance - General Fund	\$ 3,658,276
Less:	
Inventories	(219,952)
Stabilization by State statute	(20,028)
Appropriated Fund Balance in the 2015-2016 budget	<u>(1,925,000)</u>
Remaining fund balance	<u>\$ 1,493,296</u>

NOTE 3 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLES / RESTATEMENT

The Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Board to record beginning net pension liability and the effects on net position of contributions made by the Board during the measurement period (fiscal year 2014). As a result, net position for the governmental and business-type activities decreased by \$16,700,758 and \$468,497, respectively.

**CHATHAM COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS***

	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.347%	0.347%
Board's proportionate share of the net pension liability (asset)	\$ 4,070,294	\$ 21,078,578
Board's covered-employee payroll	\$ 44,986,444	\$ 45,313,387
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.05%	46.52%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	90.60%

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

**CHATHAM COUNTY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,347,201	\$ 3,909,322
Contributions in relation to the contractually required contribution	<u>4,347,201</u>	<u>3,909,322</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 47,510,394	\$ 44,986,444
Contributions as a percentage of covered-employee payroll	9.15%	8.69%

CHATHAM COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Chatham County:			
County appropriation	\$ 26,823,453	\$ 26,818,413	\$ (5,040)
Other:			
Fines and forfeitures	305,000	269,547	(35,453)
Interest earned on investment	19,000	-	(19,000)
ABC revenues	9,702	6,928	(2,774)
Total other	<u>333,702</u>	<u>276,475</u>	<u>(57,227)</u>
Total revenues	<u>27,157,155</u>	<u>27,094,888</u>	<u>(62,267)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	-	9,305,000	-
Special populations	-	1,657,377	-
Alternative programs	-	243,666	-
School leadership	-	1,604,925	-
Co-curricular	-	399,699	-
School-based support	-	394,389	-
Total instructional services	<u>15,298,637</u>	<u>13,605,056</u>	<u>1,693,581</u>
System-wide support services:			
Support and development	-	995,825	-
Special population support and development	-	5,023	-
Alternative programs and services support and development	-	26	-
Technology support	-	1,100,702	-
Operational support	-	7,572,784	-
Financial and human resource services	-	487,839	-
Accountability	-	116,027	-
System-wide pupil support	-	270,579	-
Policy, leadership and public relations	-	968,271	-
Total system-wide support services	<u>12,548,353</u>	<u>11,517,076</u>	<u>1,031,277</u>

CHATHAM COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)
GENERAL FUND
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Expenditures: (Continued)			
Current:			
Ancillary services:			
Community	-	48,637	-
Nutrition	-	45,544	-
Total ancillary services	<u>115,842</u>	<u>94,181</u>	<u>21,661</u>
Non-programmed charges			
Payments to other governments	<u>2,617,000</u>	<u>2,616,282</u>	<u>718</u>
Total expenditures	<u>30,579,832</u>	<u>27,832,595</u>	<u>2,747,237</u>
Revenues under expenditures	(3,422,677)	(737,707)	2,684,970
Other financing sources uses:			
Transfers to other funds	<u>(251,000)</u>	<u>(251,252)</u>	<u>(252)</u>
Fund balance appropriated	<u>3,673,677</u>	-	<u>(3,673,677)</u>
Net change in fund balance	<u>\$ -</u>	(988,959)	<u>\$ (988,959)</u>
Fund balance:			
Beginning of year		4,710,476	
Change in reserve for inventories		<u>(63,241)</u>	
End of year		<u>\$ 3,658,276</u>	

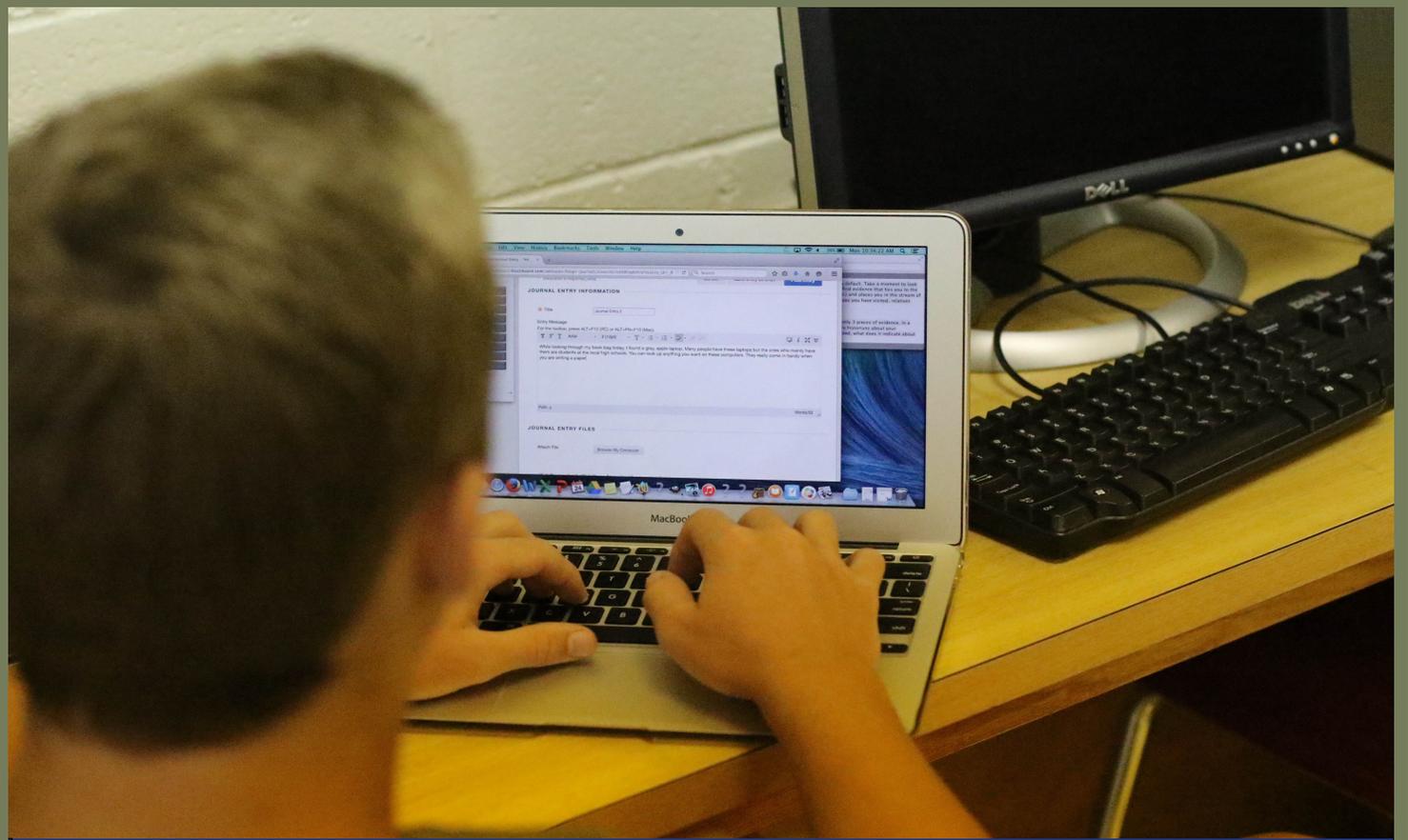
CHATHAM COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL OUTLAY FUND
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 197,161	\$ 197,161	\$ -
Chatham County:			
County appropriations	4,113,456	3,757,289	(356,167)
Other:			
Insurance proceeds	-	40,210	40,210
Miscellaneous	23,495	23,493	(2)
Total other	23,495	63,703	40,208
Total revenues	4,334,112	4,018,153	(315,959)
Expenditures:			
Current:			
System-wide support services:			
Operational support	575,773	556,314	19,459
Debt service:			
Principal retirement	957,470	957,470	-
Capital outlay:			
Real property, buildings and improvements	3,443,354	2,934,818	508,536
Furnishings and equipment	3,016,673	2,948,659	68,014
Vehicles	126,056	105,565	20,491
Total capital outlay	6,586,083	5,989,042	597,041
Total expenditures	8,119,326	7,502,826	616,500
Revenues under expenditures	(3,785,214)	(3,484,673)	300,541
Other financing sources:			
Installment purchase obligations issued	3,500,937	3,500,937	-
Transfers from other funds	251,252	251,252	-
Total other financing sources	3,752,189	3,752,189	-
Fund balance appropriated	33,025	-	(33,025)
Net change in fund balance	\$ -	267,516	\$ 267,516
Fund balance:			
Beginning of year		419,311	
End of year		\$ 686,827	

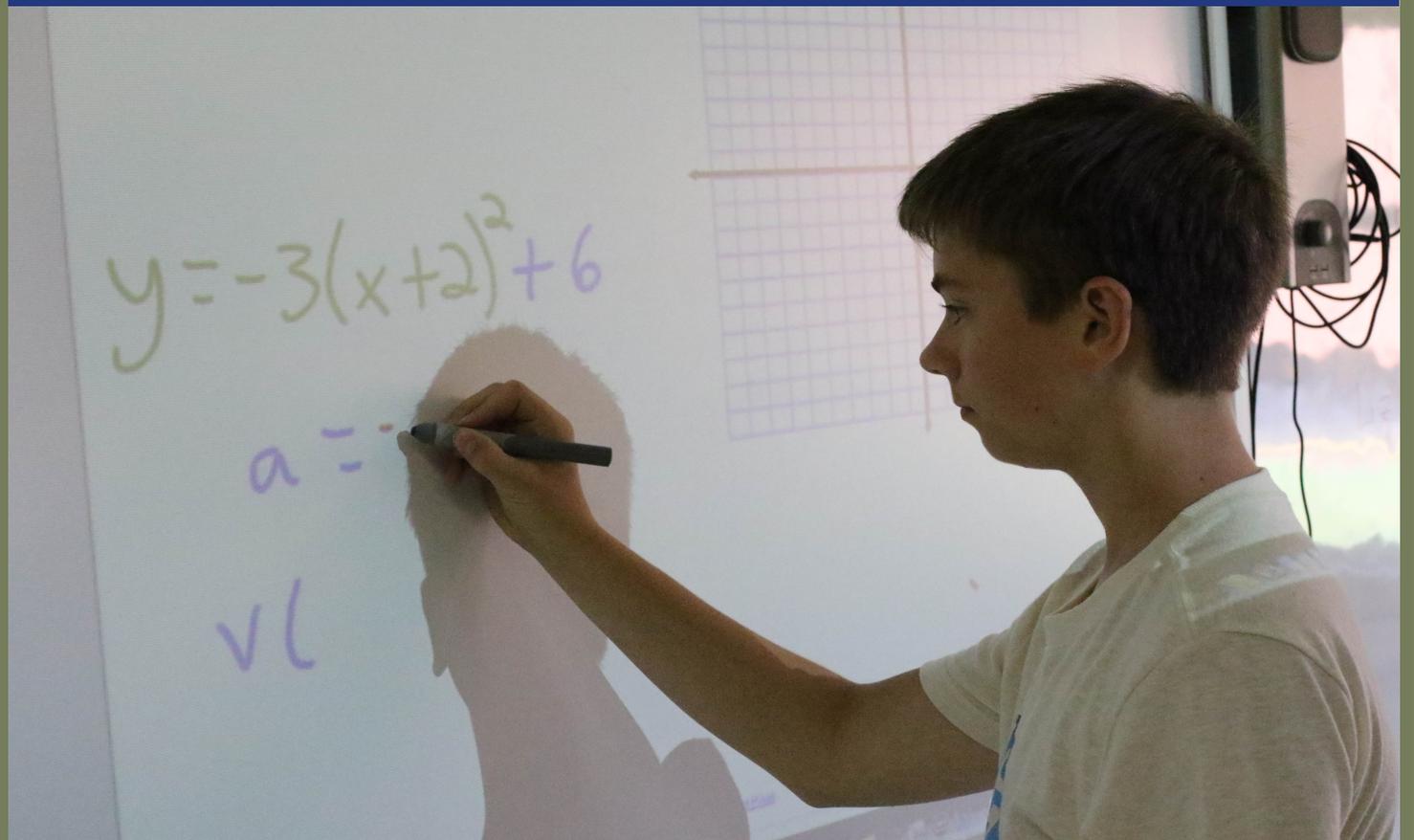
CHATHAM COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
SCHOOL FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	\$ 1,188,735	\$ 1,065,974	\$ (122,761)
Operating expenditures:			
Business support services:			
Purchase of food	-	1,364,932	-
Donated commodities	-	225,091	-
Salaries and benefits	-	2,005,979	-
Indirect costs	-	200,000	-
Materials and supplies	-	117,694	-
Repairs and maintenance	-	36,606	-
Non-capitalized equipment	-	11,471	-
Contracted services	-	16,234	-
Other	-	22,892	-
Capital outlay	-	46,032	-
Total operating expenditures	<u>4,491,519</u>	<u>4,046,931</u>	<u>444,588</u>
Operating loss	<u>(3,302,784)</u>	<u>(2,980,957)</u>	<u>321,827</u>
Nonoperating revenues:			
Federal reimbursements and grants	2,875,955	2,597,668	(278,287)
Federal commodities	230,000	225,091	(4,909)
State reimbursements	8,829	8,051	(778)
Interest earned	2,000	1,662	(338)
Total nonoperating revenues	<u>3,252,784</u>	<u>2,832,472</u>	<u>(420,312)</u>
Deficiency of revenues over expenditures before other financing sources	(50,000)	(148,485)	(98,485)
Other financing sources:			
Transfers from other funds	<u>50,000</u>	<u>45,699</u>	<u>(4,301)</u>
Deficiency of revenues and other sources over expenditures	<u>\$ -</u>	(102,786)	<u>\$ (102,786)</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(70,874)	
Equipment purchases		46,032	
Contributions to the pension plan in current fiscal year		118,622	
Decrease in compensated absences payable		16,979	
Increase in inventories		33,746	
Pension expense		<u>(46,742)</u>	
Change in net position (full accrual)		<u>\$ (5,023)</u>	





STATISTICAL SECTION



STATISTICAL SECTION **(Unaudited)**

The Statistical Section of the District's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the District's overall financial outlook.

Sections

Financial Trends

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

Revenue Capacity

Since the District's local revenues are primarily provided by Chatham County, these schedules on the county's revenue sources are relevant to an understanding of Chatham County's most significant local revenue source, the property tax.

Debt Capacity

Since the District has no tax-levying or debt-issuing authority, the County of Chatham provides significant funding to the school system. Selected fiscal data from the County of Chatham has been included to help the reader better understand the school system and its financial operations.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. County information is included.

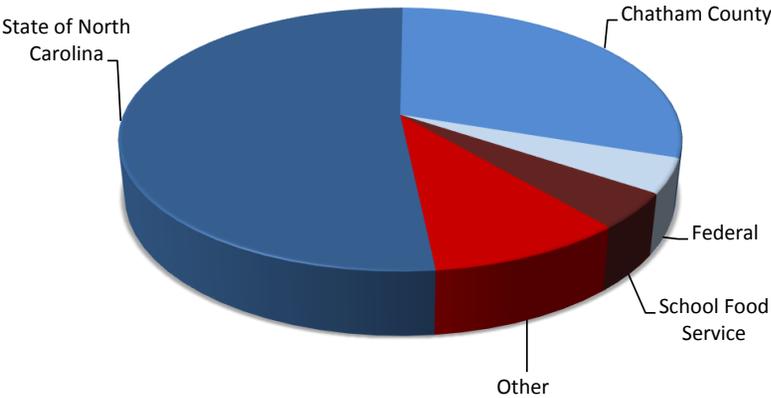
Operating Information

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



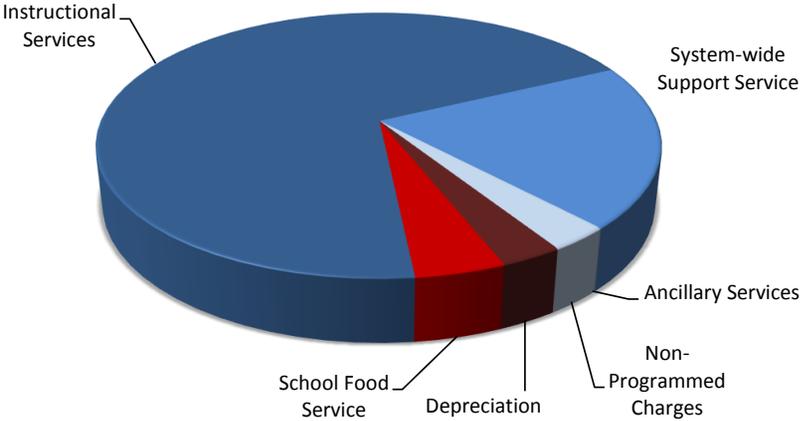
CHATHAM COUNTY BOARD OF EDUCATION
Financial Perspective
Governmental and Business-type Activities
for Fiscal Year 2014-2015

Revenue Sources



State of North Carolina	\$ 46,267,565
Chatham County	26,818,413
Federal	3,757,289
School Food Service	3,898,446
Other	8,533,126
	<hr/>
Total revenue sources	<u>\$ 89,274,839</u>

Expenses



Instructional Services	\$ 62,642,065
System-wide Support Service	17,981,641
Ancillary Services	96,936
Non-Programmed Charges	2,616,282
Depreciation	2,738,549
School Food Service	3,949,168
	<hr/>
Total expenses	<u>\$ 90,024,641</u>

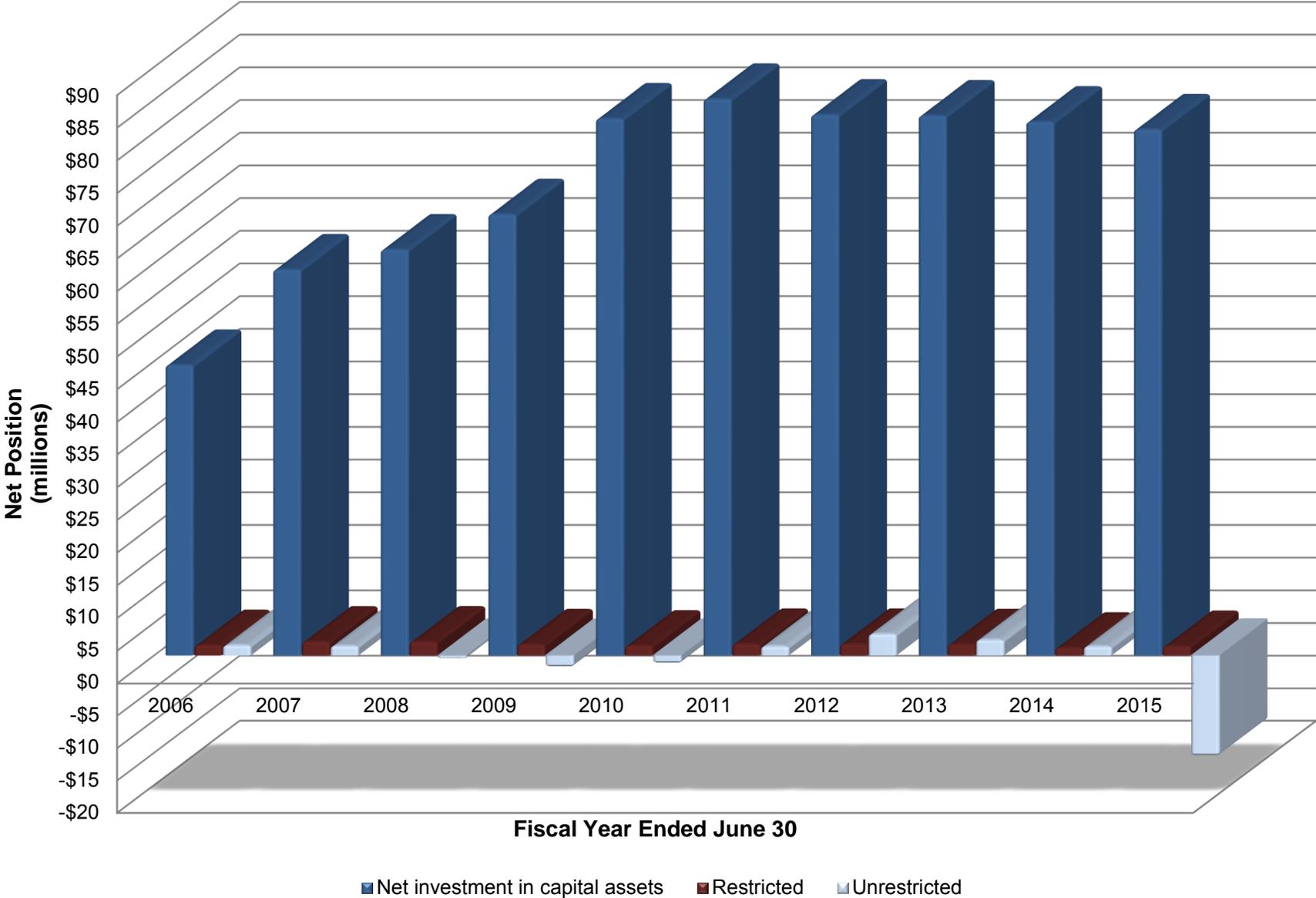
CHATHAM COUNTY BOARD OF EDUCATION
Government-wide - Net Position by Component
Last Ten Fiscal Years

Year Ended June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net investment in capital assets	\$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	\$80,293,503
Restricted	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	1,450,711
Unrestricted	67,538	70,204	(1,730,120)	(2,910,691)	(2,299,703)	364,876	2,255,514	1,369,543	380,795	(16,166,715)
	<u>\$45,983,971</u>	<u>\$61,145,580</u>	<u>\$62,168,136</u>	<u>\$65,990,919</u>	<u>\$81,004,085</u>	<u>\$86,827,847</u>	<u>\$86,384,841</u>	<u>\$85,414,539</u>	<u>\$83,023,036</u>	<u>\$65,577,499</u>
Business-type activities:										
Net investment in capital assets	\$ 123,744	\$ 97,629	\$ 337,739	\$ 314,874	\$ 337,754	\$ 459,670	\$ 372,556	\$ 272,969	\$ 214,203	\$ 189,361
Unrestricted	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	585,209
	<u>\$ 1,641,435</u>	<u>\$ 1,517,961</u>	<u>\$ 1,488,390</u>	<u>\$ 1,350,366</u>	<u>\$ 1,308,950</u>	<u>\$ 1,524,735</u>	<u>\$ 1,430,179</u>	<u>\$ 1,320,423</u>	<u>\$ 1,248,090</u>	<u>\$ 774,570</u>
District-wide:										
Net investment in capital assets	\$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	\$80,482,864
Restricted	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	1,450,711
Unrestricted	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	(15,581,506)
	<u>\$47,625,406</u>	<u>\$62,663,541</u>	<u>\$63,656,526</u>	<u>\$67,341,285</u>	<u>\$82,313,035</u>	<u>\$88,352,582</u>	<u>\$87,815,020</u>	<u>\$86,734,962</u>	<u>\$84,271,126</u>	<u>\$66,352,069</u>

Source: Chatham County Board of Education, North Carolina, Annual Financial Reports

Note: Net position for 2014 and before is not comparable to 2015 (and after) net position due to the implementation of GASB 68 during the year ended June 30, 2015. The standard requires the Board to record its proportionate share of the net pension liability associated with the Board's participation in the Statewide Teachers' and State Employees' Retirement System (TSERS).

Net Position by Component Government-wide



CHATHAM COUNTY BOARD OF EDUCATION
Government-wide - Changes in Net Position
Last Ten Fiscal Years

Year Ended June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental activities:										
Instructional services	\$ 42,593,049	\$ 46,522,653	\$ 56,244,432	\$ 59,185,916	\$ 55,865,276	\$ 56,087,923	\$ 56,929,563	\$ 60,296,274	\$ 59,251,102	\$ 62,642,065
System-wide support services	17,261,728	18,140,878	17,999,178	17,252,569	16,544,439	19,096,387	19,498,530	19,665,840	18,658,688	17,981,641
Ancillary services	173,192	215,740	106,853	118,329	101,359	63,720	83,913	63,654	99,510	96,936
Payments to other governments	972,859	1,146,207	1,323,842	1,821,399	2,402,512	2,055,379	2,031,758	2,033,031	2,481,652	2,616,282
Interest on long-term debt	-	-	-	-	-	-	63,746	33,368	1,371	-
Unallocated depreciation expense	2,408,706	1,469,523	3,190,497	1,766,529	1,974,827	2,376,363	2,654,537	2,737,379	2,981,285	2,738,549
Total governmental activities expenses	63,409,534	67,495,001	78,864,802	80,144,742	76,888,413	79,679,772	81,262,047	84,829,546	83,473,608	86,075,473
Business-type activities:										
School food service	3,728,012	3,653,422	4,027,340	3,703,569	3,700,072	3,918,474	3,933,017	3,969,567	4,083,831	3,949,168
Child care	875,048	928,234	769,242	890,525	-	-	-	-	-	-
Total business-type activities expenses	4,603,060	4,581,656	4,796,582	4,594,094	3,700,072	3,918,474	3,933,017	3,969,567	4,083,831	3,949,168
Total district-wide expenses	\$ 68,012,594	\$ 72,076,657	\$ 83,661,384	\$ 84,738,836	\$ 80,588,485	\$ 83,598,246	\$ 85,195,064	\$ 88,799,113	\$ 87,557,439	\$ 90,024,641
Program Revenues:										
Governmental activities:										
Charges for services	\$ 145,109	\$ 1,947,795	\$ 1,896,036	\$ 1,669,363	\$ 1,979,738	\$ 1,963,700	\$ 2,049,284	\$ 2,154,641	\$ 2,175,915	\$ 2,056,213
Operating grants and contributions	41,738,932	42,979,071	47,506,563	49,004,163	47,649,389	49,046,202	48,506,968	49,267,301	49,151,555	51,728,696
Capital grants and contributions	581,766	652,657	831,509	541,988	259,235	441,022	154,954	395,346	120,197	197,161
Total governmental activities program revenues	42,465,807	45,579,523	50,234,108	51,215,514	49,888,362	51,450,924	50,711,206	51,817,288	51,447,667	53,982,070
Business-type activities:										
Charges for services	2,463,508	2,475,176	2,390,420	2,315,538	1,433,643	1,342,579	1,236,382	1,202,763	1,178,192	1,065,974
Operating grants and contributions	1,877,882	1,877,338	1,939,997	2,091,041	2,267,351	2,395,486	2,527,021	2,608,537	2,780,890	2,830,810
Capital grants and contributions	-	-	-	-	73,829	299,137	-	-	-	-
Total business-type activities program revenues	4,341,390	4,352,514	4,330,417	4,406,579	3,774,823	4,037,202	3,763,403	3,811,300	3,959,082	3,896,784
Total district-wide program revenues	\$ 46,807,197	\$ 49,932,037	\$ 54,564,525	\$ 55,622,093	\$ 53,663,185	\$ 55,488,126	\$ 54,474,609	\$ 55,628,588	\$ 55,406,749	\$ 57,878,854
Net (Expense)/Revenue										
Governmental activities	\$ (20,943,727)	\$ (21,915,478)	\$ (28,630,694)	\$ (28,929,228)	\$ (27,000,051)	\$ (28,228,848)	\$ (30,550,841)	\$ (33,012,258)	\$ (32,025,941)	\$ (32,093,403)
Business-type activities	(261,670)	(229,142)	(466,165)	(187,515)	74,751	118,728	(169,614)	(158,267)	(124,749)	(52,384)
Total district-wide net (expense) revenue	\$ (21,205,397)	\$ (22,144,620)	\$ (29,096,859)	\$ (29,116,743)	\$ (26,925,300)	\$ (28,110,120)	\$ (30,720,455)	\$ (33,170,525)	\$ (32,150,690)	\$ (32,145,787)

CHATHAM COUNTY BOARD OF EDUCATION
Government-wide - Changes in Net Position (continued)
Last Ten Fiscal Years

Year Ended June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Governmental activities:										
Unrestricted county appropriations - operating	\$ 16,817,968	\$ 19,118,789	\$ 21,427,322	\$ 23,457,441	\$ 23,327,284	\$ 25,319,697	\$ 24,919,793	\$ 25,701,130	\$ 25,551,130	\$ 26,818,413
Unrestricted county appropriations - capital	2,731,002	17,208,839	7,696,603	8,002,897	17,837,228	8,100,462	4,069,773	5,538,720	3,433,064	3,757,289
Investment earnings, unrestricted	119,599	247,828	157,789	23,161	10,588	8,380	4,790	15,586	21,100	18,576
Miscellaneous, unrestricted	567,784	559,714	776,377	1,311,049	719,047	671,514	1,187,459	834,023	676,399	800,045
Transfers	(78,719)	(58,083)	(404,841)	(42,537)	119,070	(47,443)	(73,980)	(47,503)	(47,255)	(45,699)
Total governmental activities	20,157,634	37,077,087	29,653,250	32,752,011	42,013,217	34,052,610	30,107,835	32,041,956	29,634,438	31,348,624
Business-type activities:										
Investment earnings, unrestricted	37,309	47,585	31,753	6,954	1,225	1,154	1,078	1,008	1,711	1,662
Miscellaneous, unrestricted	6,138	-	-	-	1,678	48,460	-	-	3,450	-
Transfers	78,719	58,083	404,841	42,537	(119,070)	47,443	73,980	47,503	47,255	45,699
Total business-type activities	122,166	105,668	436,594	49,491	(116,167)	97,057	75,058	48,511	52,416	47,361
Total district-wide	\$ 20,279,800	\$ 37,182,755	\$ 30,089,844	\$ 32,801,502	\$ 41,897,050	\$ 34,149,667	\$ 30,182,893	\$ 32,090,467	\$ 29,686,854	\$ 31,395,985
Change in Net Position										
Governmental activities	\$ (786,093)	\$ 15,161,609	\$ 1,022,556	\$ 3,822,783	\$ 15,013,166	\$ 5,823,762	\$ (443,006)	\$ (970,302)	\$ (2,391,503)	\$ (744,779)
Business-type activities	(139,504)	(123,474)	(29,571)	(138,024)	(41,416)	215,785	(94,556)	(109,756)	(72,333)	(5,023)
Total district-wide change in net position	\$ (925,597)	\$ 15,038,135	\$ 992,985	\$ 3,684,759	\$ 14,971,750	\$ 6,039,547	\$ (537,562)	\$ (1,080,058)	\$ (2,463,836)	\$ (749,802)

Source: Chatham County Board of Education, North Carolina, Annual Financial Reports

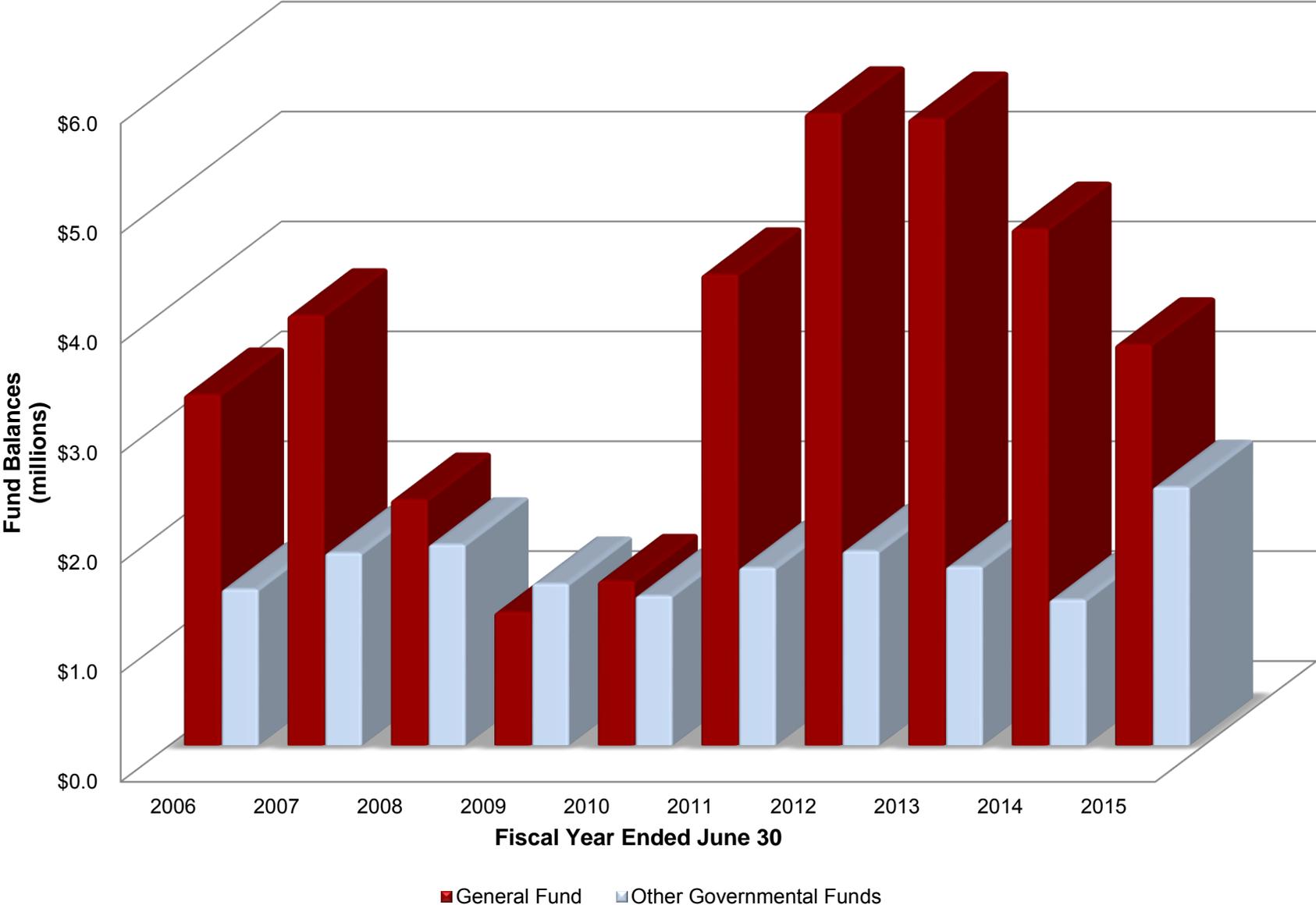
Note: Expenses for 2007 and before are not comparable to 2008 (and after) expenses due to a change in the Uniform Chart of Accounts required to be used by all Local Education Agencies in North Carolina.

CHATHAM COUNTY BOARD OF EDUCATION
Governmental Funds - Fund Balances
Last Ten Fiscal Years

Year Ended June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Nonspendable:										
Inventories	\$ 183,793	\$ 216,380	\$ 286,484	\$ 154,918	\$ 176,837	\$ 225,833	\$ 248,205	\$ 298,878	\$ 283,193	\$ 219,952
Restricted:										
Stabilization by State statute	163,658	366,489	299,894	235,070	103,726	155,366	58,261	89,032	22,438	20,028
Assigned:										
Subsequent year's expenditures	631,686	-	138,525	94,409	163,899	179,735	-	3,389,168	4,261,490	1,925,000
Unassigned	2,221,852	3,339,566	1,520,814	736,193	1,061,221	3,733,081	5,453,452	1,935,311	143,355	1,493,296
Total General Fund	\$ 3,200,989	\$ 3,922,435	\$ 2,245,717	\$ 1,220,590	\$ 1,505,683	\$ 4,294,015	\$ 5,759,918	\$ 5,712,389	\$ 4,710,476	\$ 3,658,276
All other governmental funds:										
Restricted:										
Stabilization by State statute	\$ 126,117	\$ 37,732	\$ 786,418	\$ 450,094	\$ 509,418	\$ 458,529	\$ 318,163	\$ 556,783	\$ 126,188	\$ 33,343
School capital outlay	727,141	1,098,425	460,372	421,250	298,536	454,292	684,142	373,779	348,902	686,827
Individual schools	577,525	625,178	591,282	608,161	595,215	714,173	713,254	705,694	702,530	710,513
Assigned, reported in:										
Other restricted fund	-	-	-	1,473	(31,783)	-	63,683	-	158,541	930,861
Total all other governmental funds	\$ 1,430,783	\$ 1,761,335	\$ 1,838,072	\$ 1,480,978	\$ 1,371,386	\$ 1,626,994	\$ 1,779,242	\$ 1,636,256	\$ 1,336,161	\$ 2,361,544

Source: Chatham County Board of Education, North Carolina, Annual Financial Reports

Governmental Funds Fund Balances

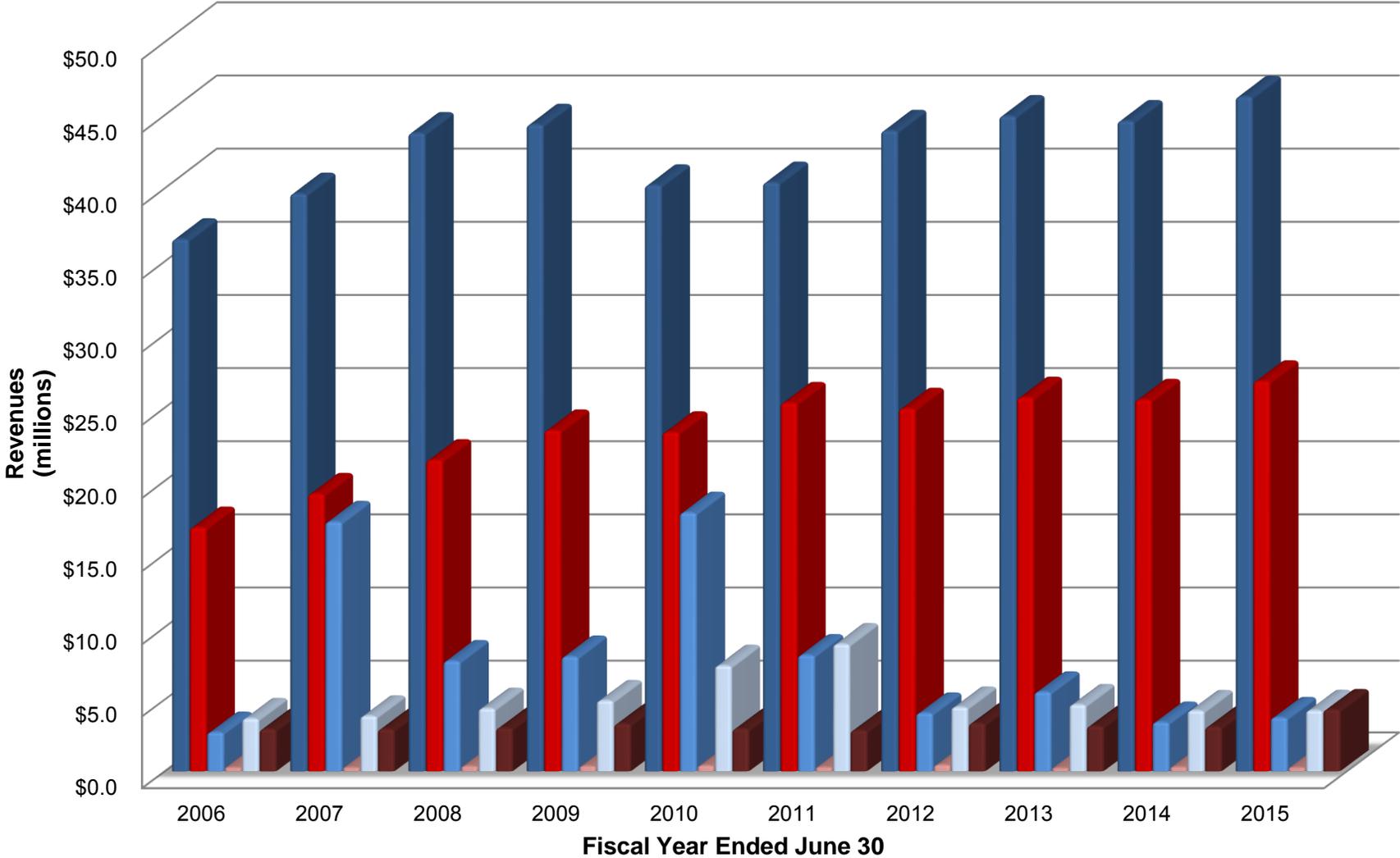


CHATHAM COUNTY BOARD OF EDUCATION
Governmental Funds - Revenues by Source
Last Ten Fiscal Years

Year Ended June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
State of North Carolina	\$ 36,525,610	\$ 39,641,085	\$ 43,783,736	\$ 44,354,780	\$ 40,210,345	\$ 40,402,819	\$ 43,941,458	\$ 44,949,264	\$ 44,609,561	\$ 46,267,565
Chatham County appropriations	16,817,968	19,118,789	21,427,322	23,457,441	23,327,284	25,341,360	24,939,720	25,701,130	25,551,130	26,818,413
Chatham County capital improvements	2,731,002	17,208,839	7,696,603	8,002,897	17,837,228	8,100,462	4,069,773	5,538,720	3,433,064	3,757,289
Fines and forfeitures	280,701	277,108	358,306	361,773	398,878	292,674	442,173	241,583	305,220	269,547
Federal	3,691,150	3,866,605	4,398,458	4,939,576	7,373,775	8,853,544	4,483,794	4,659,865	4,244,834	4,257,892
Other	2,950,530	2,944,327	3,028,161	3,317,884	2,969,499	2,864,415	3,350,347	3,158,433	3,107,934	4,310,217
Total revenues	\$ 62,996,961	\$ 83,056,753	\$ 80,692,586	\$ 84,434,351	\$ 92,117,009	\$ 85,855,274	\$ 81,227,265	\$ 84,248,995	\$ 81,251,743	\$ 85,680,923

Source: Chatham County Board of Education, North Carolina, Annual Financial Reports.

Governmental Funds Revenues by Source



- State of North Carolina
- Chatham County appropriations
- Chatham County capital improvements
- Fines and forfeitures
- Federal
- Other

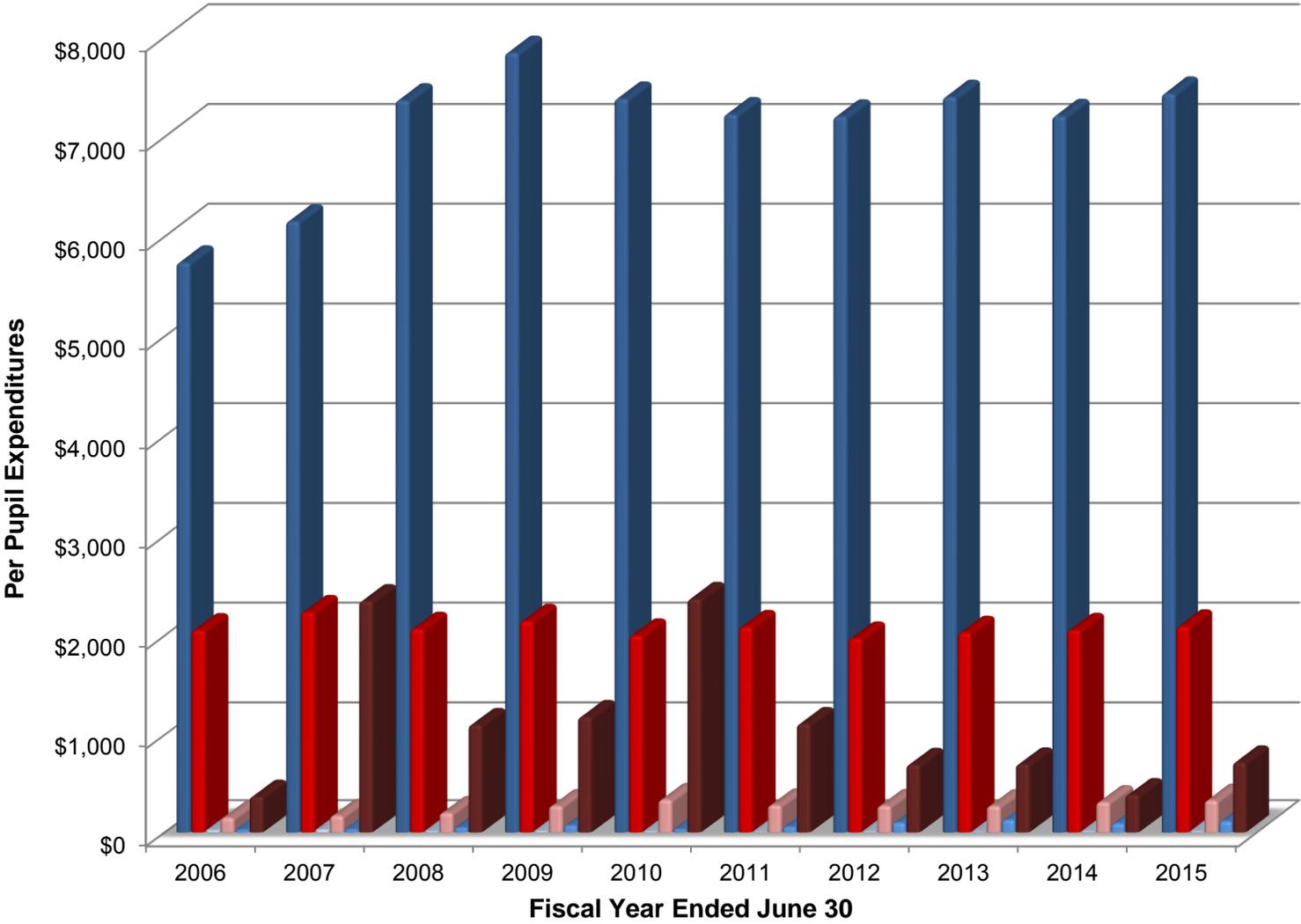
CHATHAM COUNTY BOARD OF EDUCATION
Governmental Funds - Expenditures by Function per Pupil and in Total
Last Ten Fiscal Years

Fiscal Year	Average Daily Membership	Instructional Services	System-wide Support Services	Ancillary Services	Non-programmed Charges	Debt Service		Capital Outlay	Total
						Principal	Interest		
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	\$ 8,362 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	- 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	10,531 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
2015	8,330	7,434 61,924,073	2,090 17,407,138	12 101,202	327 2,720,812	115 957,470	- -	719 5,989,042	10,697 89,099,737

Source: Chatham County Board of Education, North Carolina, Annual Financial Reports.
The above operational expenditures per pupil include all governmental funds.

Note: Expenses for 2007 and before are not comparable to 2008 (and after) expenses due to a change in the Uniform Chart of Accounts required to be used by all Local Education Agencies in North Carolina.

Governmental Funds Expenditures by Function per Pupil



- Instructional Services
- System-wide Support Services
- Ancillary Services
- Non-programmed charges
- Debt Service (Principal & Interest)
- Capital outlay

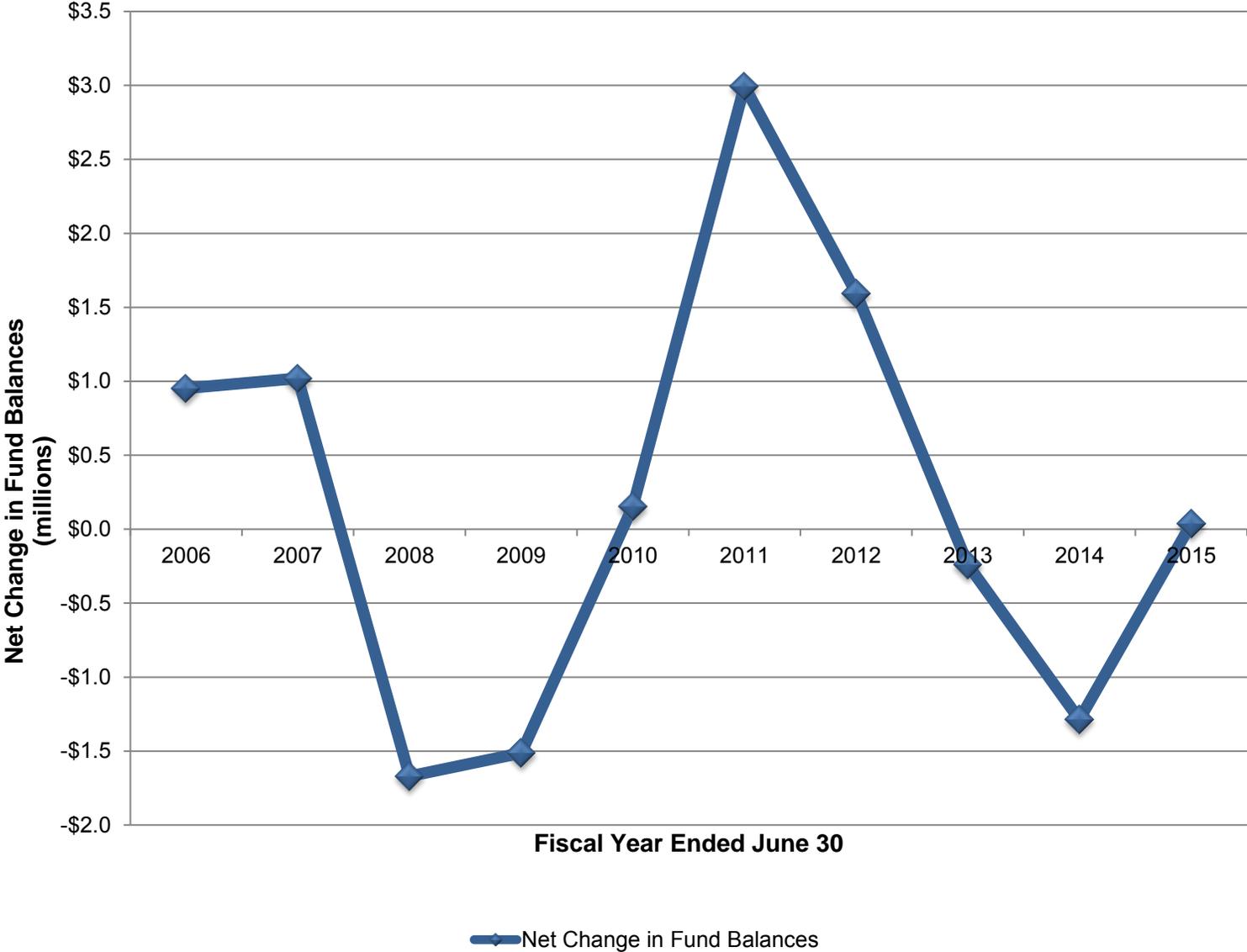
CHATHAM COUNTY BOARD OF EDUCATION
Governmental Funds - Other Financing Sources (Uses) and Net Change in Fund Balances
Last Ten Fiscal Years

Year Ended June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues over (under) expenditures	\$ 1,030,714	\$ 628,615	\$ (1,528,020)	\$ (2,316,780)	\$ 34,512	\$ 2,422,573	\$ (134,045)	\$ (674,471)	\$ (1,195,075)	\$ (3,418,814)
Other financing sources (uses)										
Transfers from (to) other funds	(78,719)	(58,083)	(404,841)	(42,537)	119,070	(47,443)	(73,980)	(47,503)	(91,248)	(45,699)
Installment purchase obligations	-	448,879	262,776	845,530	-	619,814	1,803,804	480,786	-	3,500,937
Total other financing sources (uses)	(78,719)	390,796	(142,065)	802,993	119,070	572,371	1,729,824	433,283	(91,248)	3,455,238
Net change in fund balances	\$ 951,995	\$ 1,019,411	\$ (1,670,085)	\$ (1,513,787)	\$ 153,582	\$ 2,994,944	\$ 1,595,779	\$ (241,188)	\$ (1,286,323)	\$ 36,424
Ratio of debt service expenditures to total non-capital expenditures	0.34%	0.39%	0.49%	0.69%	0.34%	0.57%	0.99%	1.25%	0.93%	1.12%

Source: Chatham County Board of Education, North Carolina, Annual Financial Reports.

Note: Expenditures for 2007 and before are not comparable to 2008 (and after) expenditures due to a change in the Uniform Chart of Accounts required to be used by all Local Education Agencies in North Carolina.

Governmental Funds Net Change in Fund Balances



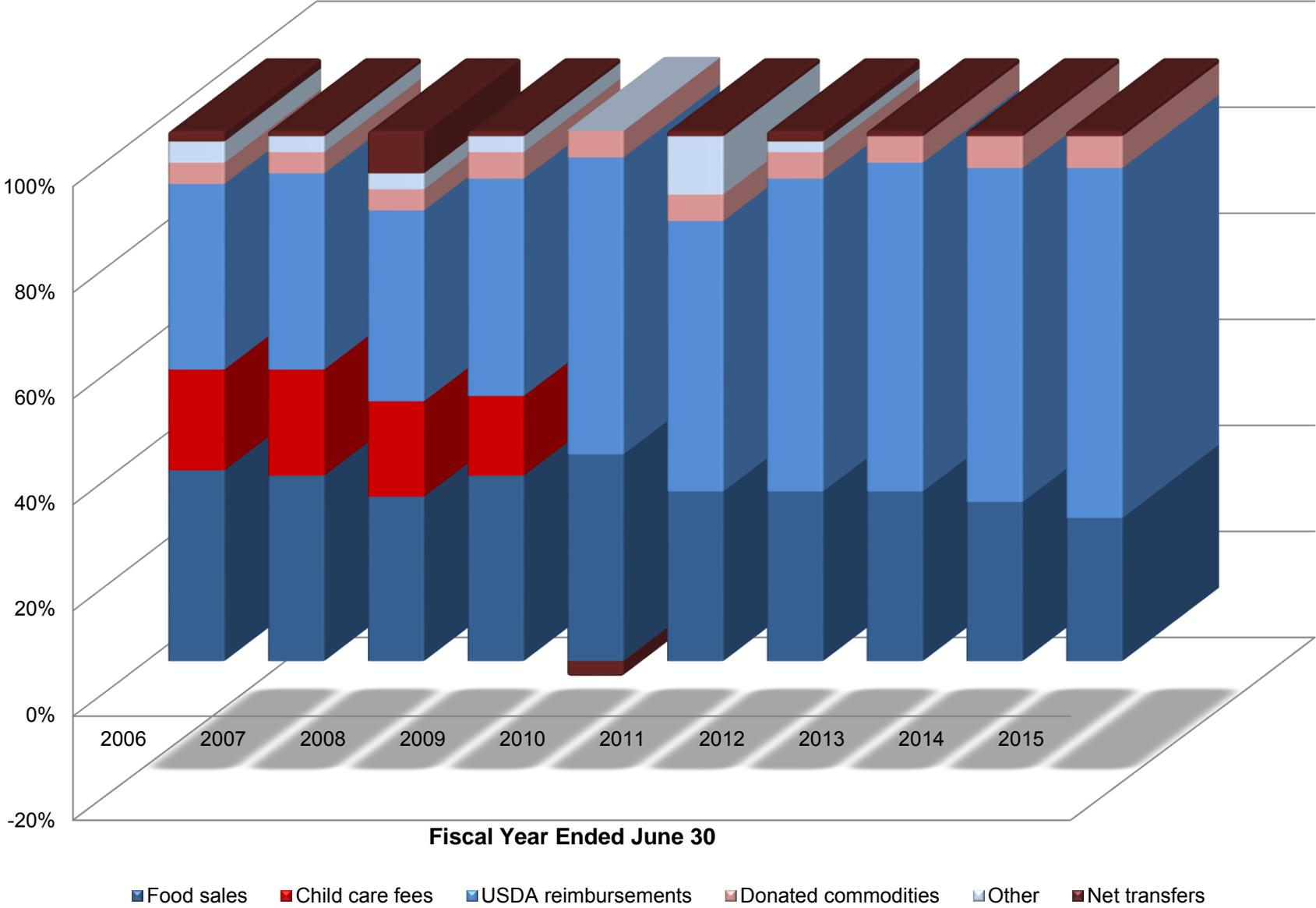
CHATHAM COUNTY BOARD OF EDUCATION
Proprietary Funds - Revenues by Source and Net Transfers
Last Ten Fiscal Years

Year Ended June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues and Net Transfers										
Food sales	\$ 1,601,252	\$ 1,580,076	\$ 1,532,230	\$ 1,598,589	\$ 1,433,643	\$ 1,342,579	\$ 1,236,382	\$ 1,202,763	\$ 1,178,192	\$ 1,065,974
Child care fees	862,256	887,785	854,824	702,198	-	-	-	-	-	-
USDA reimbursements	1,574,453	1,698,256	1,741,503	1,877,389	2,055,231	2,163,691	2,327,754	2,396,449	2,537,397	2,597,668
Donated commodities	181,447	168,944	190,138	207,900	206,077	226,768	190,926	204,867	237,290	225,091
Other	165,429	158,628	134,457	136,963	82,775	451,154	93,446	8,229	11,364	9,713
Net transfers	78,719	58,083	404,841	42,537	(119,070)	47,443	73,980	47,503	47,255	45,699
Total revenues and net transfers	<u>\$ 4,463,556</u>	<u>\$ 4,551,772</u>	<u>\$ 4,857,993</u>	<u>\$ 4,565,576</u>	<u>\$ 3,658,656</u>	<u>\$ 4,231,635</u>	<u>\$ 3,922,488</u>	<u>\$ 3,859,811</u>	<u>\$ 4,011,498</u>	<u>\$ 3,944,145</u>

Source: Chatham County Board of Education, North Carolina, Annual Financial Reports.

Note: Other revenue includes interest earned, State reimbursements, and other revenue.

Proprietary Funds Revenues as a Percentage of Total



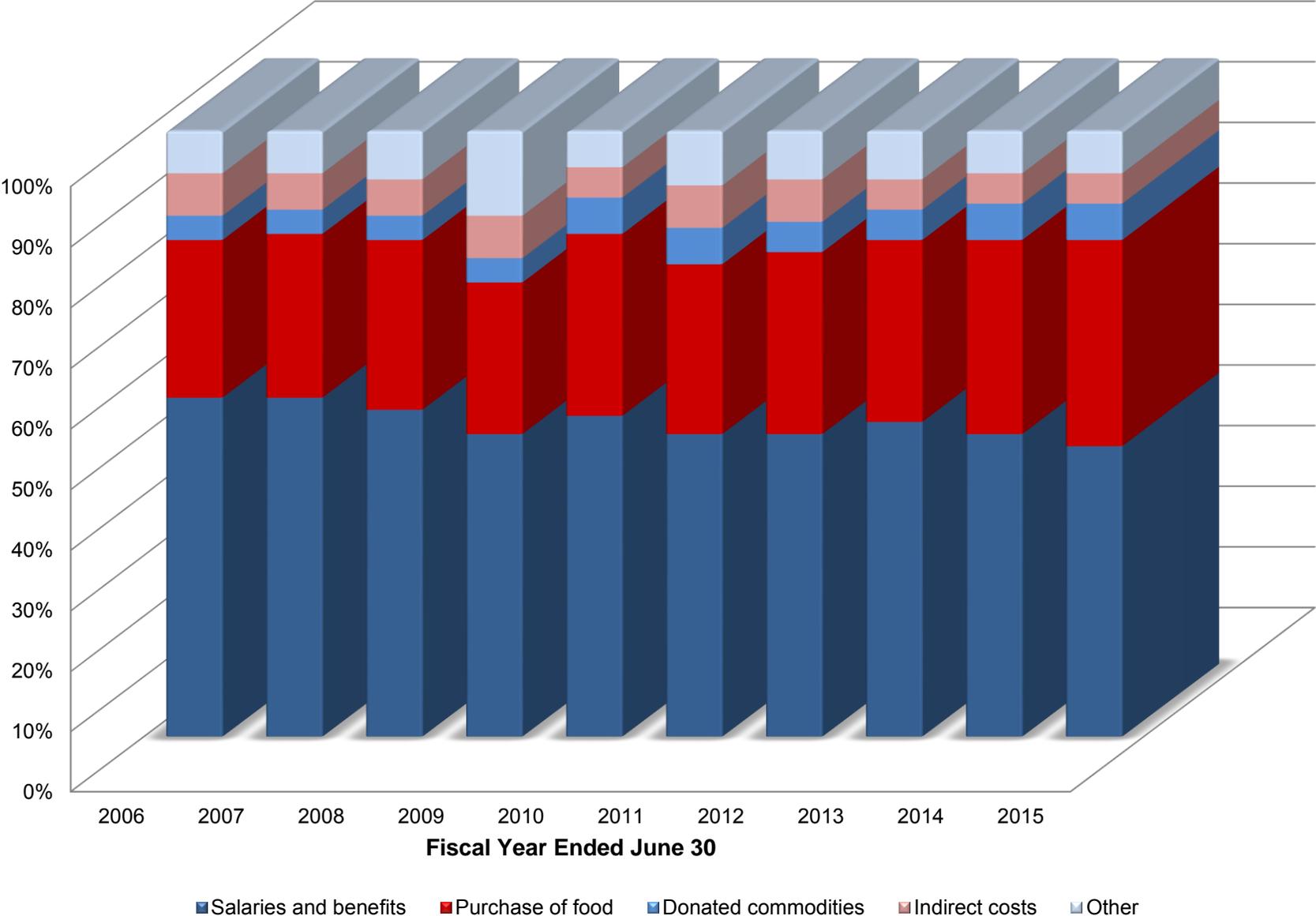
CHATHAM COUNTY BOARD OF EDUCATION
Proprietary Funds - Expenses by Category
Last Ten Fiscal Years

Year Ended June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Salaries and benefits	\$ 2,573,433	\$ 2,654,136	\$ 2,608,505	\$ 2,369,845	\$ 1,964,642	\$ 1,988,328	\$ 2,033,425	\$ 2,059,897	\$ 2,044,165	\$ 1,917,120
Purchase of food	1,219,429	1,254,023	1,384,659	1,172,558	1,106,714	1,134,768	1,205,647	1,205,187	1,313,474	1,331,186
Donated commodities	181,447	168,944	190,138	207,900	206,077	226,768	190,926	204,867	237,290	225,091
Indirect costs	300,263	293,600	290,982	309,506	200,000	297,376	284,027	200,000	200,000	200,000
Other	328,488	304,543	413,280	643,791	222,639	368,610	303,019	299,616	288,902	275,771
Total expenses	<u>\$ 4,603,060</u>	<u>\$ 4,675,246</u>	<u>\$ 4,887,564</u>	<u>\$ 4,703,600</u>	<u>\$ 3,700,072</u>	<u>\$ 4,015,850</u>	<u>\$ 4,017,044</u>	<u>\$ 3,969,567</u>	<u>\$ 4,083,831</u>	<u>\$ 3,949,168</u>

Source: Chatham County Board of Education, North Carolina, Annual Financial Reports.

Note: Other expense includes indirect costs, materials and supplies, repairs and maintenance, depreciation, and other expenses.

Proprietary Funds 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

Year Ended June 30	Real Property	Personal Property	Utilities	Total Taxable Assessed Value	Total Direct Tax Rate (a)	Estimated Actual Taxable Value (b)
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	226,267,652	6,665,606,104	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	9,006,209,844
2015	8,090,965,839	1,119,557,141	207,720,059	9,418,243,039	0.6219	N/A

N/A = Not Available

Source: Chatham County, North Carolina Comprehensive Annual Financial Reports.

Notes:

(a) Per \$100 of value

(b) 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.

CHATHAM COUNTY BOARD OF EDUCATION
Direct and Overlapping Property Tax Rates for Chatham County
(Per \$100 of Assessed Value)
Last Ten Fiscal Years

Year Ended June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Chatham County	\$0.5970	\$0.5970	\$0.6170	\$0.6530	\$0.6022	\$0.6219	\$0.6219	\$0.6219	\$0.6219	\$0.6219
Municipality Rates										
Town of Pittsboro	0.3730	0.3730	0.3730	0.0363	0.3020	0.3020	0.3020	0.3673	0.4033	0.4333
Town of Siler City	0.4300	0.4500	0.4500	0.4500	0.4500	0.4500	0.4500	0.4500	0.4500	0.4800
Town of Goldston	0.1200	0.1200	0.1200	0.1200	0.1400	0.1400	0.1400	0.1900	0.1900	0.1900
Town of Cary	0.4200	0.4200	0.4200	0.3300	0.3300	0.3300	0.3300	0.3300	0.3500	0.3500
Fire Districts										
Bells Annex	0.0600	0.0600	0.0700	0.0700	0.0620	0.0660	0.0660	0.0880	0.0880	0.0880
Bennett	0.0700	0.0700	0.0700	0.0700	0.0655	0.0700	0.0700	0.0800	0.0800	0.0800
Bonlee	0.0600	0.0600	0.0700	0.0700	0.0570	0.0650	0.0700	0.0700	0.0700	0.0700
Central Chatham	0.0600	0.0600	0.0600	0.0600	0.0552	0.0800	0.0800	0.0800	0.0800	0.0900
Circle City	0.0750	0.0750	0.0800	0.1000	0.0900	0.1000	0.1082	0.1158	0.1158	0.1158
Goldston	0.0700	0.0700	0.0700	0.0800	0.0659	0.0800	0.0800	0.0800	0.0800	0.0800
Hope	0.0700	0.0700	0.0700	0.0700	0.0614	0.0600	0.0667	0.0685	0.0685	0.0685
Moncure	0.0800	0.0850	0.0850	0.8500	0.0839	0.0842	0.0875	0.1104	0.1104	0.1104
North Chatham	0.0600	0.0600	0.0700	0.0700	0.0620	0.0660	0.0660	0.0880	0.0880	0.0880
Parkwood	0.1000	0.1000	0.1000	0.1000	0.0960	0.0960	0.1000	0.1000	0.1000	0.1000
Staley	0.1000	0.1000	0.0938	0.1000	0.0905	0.1000	0.1000	0.1000	0.1000	0.1000
Northview	0.0950	0.0950	0.0860	0.1090	0.1090	0.0835	0.0835	0.0830	0.0830	0.0830
Sanitary District										
Gulf-Goldston	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500

Source: Chatham County, North Carolina Comprehensive Annual Financial Reports.

CHATHAM COUNTY BOARD OF EDUCATION
Principal Property Taxpayers for Chatham County
December 31, 2014 and December 31, 2005

Taxpayer	Type of Business	December 31, 2014			December 31, 2005		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Duke Energy Progress	Public Utility - Electric	\$ 106,780,044	1	1.13%	\$ 136,491,360	1	2.21%
Arauco	Engineered Wood	101,336,877	2	1.08%	-	-	-
Chatham Park Investors, LLC	Real Estate	99,781,341	3	1.06%	-	-	-
Galloway Ridge, Inc.	Retirement Community	89,736,550	4	0.95%	32,337,438	5	0.52%
Carolina Meadows, Inc.	Assisted Living	72,772,784	5	0.77%	71,254,652	2	1.15%
Minnesota Mining & Manufacturing Co.	Mining	44,154,393	6	0.47%	47,697,351	3	0.77%
NNP Briar Chapel, LLC	Real Estate	35,919,829	7	0.38%	-	-	-
General Shale Brick Inc.	Brick	35,695,590	8	0.38%	21,306,650	9	0.34%
Public Service Co. of NC	Public Utility - Natural Gas	25,082,958	9	0.27%	-	-	-
Governors Club, Inc.	Real Estate	24,243,324	10	0.26%	-	-	-
Triangle Brick Co.	Brick	-	-	-	34,506,380	4	0.56%
Fitch Creations, Inc.	Real Estate	-	-	-	21,751,570	7	0.35%
Honeywell International, Inc.	Polyester Fibers	-	-	-	28,836,527	6	0.47%
Townsend Farms	Poultry	-	-	-	21,537,808	8	0.35%
Summit Properties Partnership	Real Estate	-	-	-	18,940,889	10	0.31%
		<u>\$ 635,503,690</u>		<u>6.75%</u>	<u>\$ 434,660,625</u>		<u>7.03%</u>
Total Assessed Valuation		<u>\$9,418,243,039</u>			<u>\$6,188,979,469</u>		

Source: Chatham County, North Carolina Comprehensive Annual Financial Report for the year ended June 30, 2015.

CHATHAM COUNTY BOARD OF EDUCATION
Property Tax Levies and Collections for Chatham County
Last Ten Fiscal Years

Year Ended June 30	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
2006	\$ 37,204,376	\$ 36,281,367	97.52%	\$ 827,882	\$ 37,109,249	99.74%
2007	40,181,438	39,221,169	97.61%	913,855	40,135,024	99.88%
2008	43,952,341	42,958,322	97.74%	831,134	43,789,456	99.63%
2009	50,423,363	49,113,549	97.40%	1,239,288	50,352,837	99.86%
2010	51,324,966	50,081,361	97.58%	1,179,099	51,260,460	99.87%
2011	54,118,464	52,891,913	97.73%	1,129,594	54,021,507	99.82%
2012	55,092,804	53,900,198	97.84%	1,042,010	54,942,208	99.73%
2013	56,753,860	55,446,864	97.70%	1,112,482	56,559,346	99.66%
2014	58,419,050	57,553,931	98.52%	557,401	58,111,332	99.47%
2015	58,636,579	57,830,764	98.63%	-	57,830,764	98.63%

N/A = Not Available

Source: Chatham County, North Carolina Comprehensive Annual Financial Report for the year ended June 30, 2015.

CHATHAM COUNTY BOARD OF EDUCATION
Ratios of Outstanding Debt by Type for Chatham County
Last Ten Fiscal Years

Year Ended June 30	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Installment Loans	Capital Leases	General Obligation Bonds	Revenue Bonds	Installment Loans			
2006	\$17,065,000	\$ 371,081	\$ 50,107	\$ -	\$ -	\$ 1,354,950	\$ 18,841,138	0.84%	\$ 335
2007	15,200,000	35,735,389	48,464	-	-	7,444,153	58,428,006	2.46%	1,012
2008	13,375,000	35,704,696	37,034	-	-	21,804,122	70,920,852	2.77%	1,154
2009	11,585,000	67,974,003	25,159	-	-	21,180,678	100,764,840	3.62%	1,597
2010	9,835,000	83,168,310	12,823	3,200,000	1,886,000	20,537,563	118,639,696	4.27%	1,832
2011	8,120,000	88,093,680	-	3,200,000	1,886,000	18,316,661	119,616,341	4.09%	1,884
2012	6,385,000	97,911,077	-	3,162,000	1,861,000	16,367,966	125,687,043	4.06%	1,968
2013	4,635,000	116,619,394	-	3,123,000	1,835,000	15,840,626	142,053,020	4.43%	2,201
2014	2,925,000	112,762,583	-	3,082,000	1,808,000	14,589,755	135,167,338	3.79%	2,029
2015	1,250,000	129,522,694	-	3,040,000	1,781,000	13,389,125	148,982,819	N/A	2,203

N/A = Not available

Source: Chatham County, North Carolina Comprehensive Annual Financial Reports.

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

Note: This table is a ten year schedule. However, county level annual income data is not yet available for the current fiscal year. Therefore, June 30, 2015 income based information will be shown above as "N/A", and will be reported for the year ended June 30, 2016, if applicable.

CHATHAM COUNTY BOARD OF EDUCATION
Ratio of Net General Bonded Debt Outstanding for Chatham County
Last Ten Fiscal Years

Year Ended June 30	General Obligation Bonds	Percentage of Personal Income	Percentage of Actual Taxable Property Value	Per Capita
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	0.17%	0.06%	90
2015	4,290,000	N/A	0.05%	63

N/A = Not available

Source: Chatham County, North Carolina Comprehensive Annual Financial Reports.

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

Note: This table is a ten year schedule. However, county level annual income data is not yet available for the current fiscal year. Therefore, June 30, 2015 income based information will be shown above as "N/A", and will be reported for the year ended June 30, 2016, if applicable.

CHATHAM COUNTY BOARD OF EDUCATION Direct and Overlapping Governmental Activities Debt for Chatham County As of June 30, 2015

<u>Type/Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct Debt			
Chatham County	\$ 130,772,694	100.00%	\$ 130,772,694
Overlapping Debt			
Town of Cary	190,720,000	2.24%	4,272,128
Total Direct and Overlapping Debt	\$ 321,492,694		\$ 135,044,822

Source: Chatham County, North Carolina Comprehensive Annual Financial Report for the year ended June 30, 2015.

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)									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assessed Value of Property	\$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	\$9,418,243
Statutory Limitation	\$ 495,118	\$ 533,248	\$ 568,714	\$ 611,088	\$ 679,493	\$ 695,486	\$ 707,594	\$ 728,864	\$ 750,109	\$ 753,459
Amount of Debt Applicable to Limit										
Gross Debt	19,212	58,428	70,921	100,765	118,640	119,616	125,687	140,478	134,032	148,983
Less: Debt outstanding for water purposes	(1,354)	(7,444)	(21,804)	(21,181)	(25,624)	(23,403)	(21,391)	(20,251)	(19,115)	(18,210)
Total net debt applicable to limit	17,858	50,984	49,117	79,584	93,016	96,213	104,296	120,227	114,917	130,773
Legal Debt Margin	\$ 477,260	\$ 482,264	\$ 519,597	\$ 531,504	\$ 586,477	\$ 599,273	\$ 603,298	\$ 608,637	\$ 635,192	\$ 622,686
Total net debt applicable to the limit as a percentage of debt	3.61%	9.56%	8.64%	13.02%	13.69%	13.83%	14.74%	16.50%	15.32%	17.36%

Source: Chatham County, North Carolina Comprehensive Annual Financial Reports

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.

CHATHAM COUNTY BOARD OF EDUCATION

Principal Employers for Chatham County
For Years Ended June 30, 2015 and 2007

Employer	2015			2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Chatham County Schools	1,373	1	3.60%	1,699	1	5.07%
Chatham County	518	2	1.39%	495	5	1.48%
Wal-Mart	426	3	1.01%	358	7	1.07%
Carolina Meadows	410	4	1.03%	402	6	1.20%
Galloway Ridge	354	5	0.61%	-	-	-
Arauco Panels USA	290	6	0.84%	-	-	-
Chatham Hospital	219	7	0.66%	-	-	-
Fitch Creations	168	8	0.65%	250	8	0.75%
Performance Bicycle	160	9	0.57%	-	-	-
Palletone of NC	140	10	0.57%	-	-	-
Townsend's Inc.	-	-	-	1,276	2	3.81%
Pilgrim's Pride	-	-	-	830	3	2.48%
Performance Fibers	-	-	-	500	4	1.49%
Moncure Plywood	-	-	-	217	9	0.65%
General Shale	-	-	-	180	10	0.54%
	<u>4,058</u>		<u>10.93%</u>	<u>6,207</u>		<u>18.54%</u>

Source: Chatham County, North Carolina Comprehensive Annual Financial Report for the year ended June 30, 2015.

Note: Data is not available for nine years ago. Fiscal year ended June 30, 2007 is the most recent available.

CHATHAM COUNTY BOARD OF EDUCATION
Demographic and Economic Statistics for Chatham County
Last Ten Fiscal Years

Year Ended June 30	2006	2007	2008	2009	2010
Population Estimate	56,274	57,708	61,455	63,077	64,772
Personal Income	\$2,232,147	\$2,375,153	\$2,557,154	\$2,781,686	\$2,776,755
Per Capita Income	\$38,426	\$39,704	\$41,901	\$43,894	\$42,870
School Enrollment	7,410	7,516	7,615	7,524	7,591
Unemployment Rate	4.0%	4.2%	5.5%	8.9%	7.1%
Year Ended June 30	2011	2012	2013	2014	2015
Population Estimate	63,505	63,870	64,553	66,618	67,620
Personal Income	\$2,922,436	\$3,093,642	\$3,204,182	\$3,563,765	N/A
Per Capita Income	\$45,804	\$48,191	\$49,084	\$53,336	N/A
School Enrollment	7,750	7,938	8,065	8,193	8,330
Unemployment Rate	7.6%	7.0%	6.3%	4.5%	5.2%

N/A = Not Available

Source: Chatham County, North Carolina Comprehensive Annual Financial Reports.

Note: This table is a ten year schedule. However, county level annual income data is not yet available for the current fiscal year. Therefore, June 30, 2015 income based information will be shown above as "N/A", and will be reported for the year ended June 30, 2016, if applicable.

CHATHAM COUNTY BOARD OF EDUCATION
Employees by Function
Last Ten Fiscal Years

Year Ended June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
School and School Based Support:										
Principals	16	16	16	16	17	17	17	17	17	17
Assistant Principals	12	16	13	14	15	16	14	13	13	14
Elementary Teachers	371	402	402	390	385	383	383	405	399	399
Secondary Teachers	164	155	161	159	161	163	162	160	166	170
Teacher Assistants	199	203	206	195	189	200	187	189	176	159
Other Teachers	7	9	13	12	10	11	11	11	14	14
Guidance Counselors	20	24	24	24	23	19	19	20	21	21
Psychological	4	4	4	5	4	5	5	4	4	4
Librarian/Audiovisual	14	15	16	16	15	17	17	16	16	16
Other	34	35	45	46	49	46	46	44	52	45
Total School and School Based Support	841	879	900	877	868	877	861	879	878	859
Central Services:										
Administration and Management	15	16	18	17	17	15	17	17	18	18
Technicians	11	13	13	15	14	15	14	13	14	14
Clerical	73	85	93	87	86	78	76	77	80	74
Service Workers	157	163	155	150	146	152	151	141	159	151
Other	26	31	30	28	29	27	27	28	28	31
Total Central Services	282	308	309	297	292	287	285	276	299	288
Total Employees	1,123	1,187	1,209	1,174	1,160	1,164	1,146	1,155	1,177	1,147

Source: North Carolina Public Schools Statistical Profile (2006-2015 Editions)



CHATHAM COUNTY BOARD OF EDUCATION
Operating Indicators
Last Ten Fiscal Years

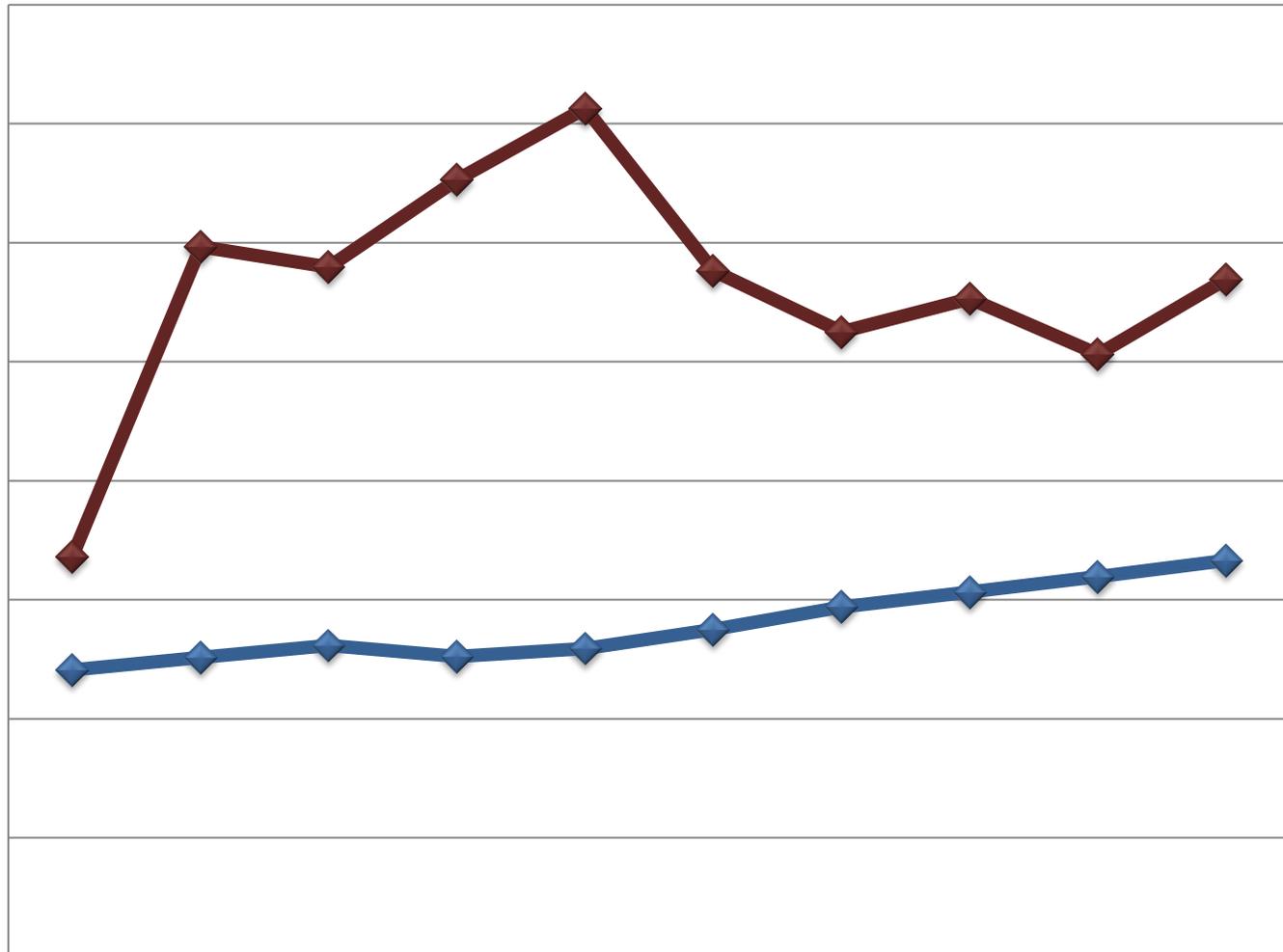
Year Ended June 30	Enrollment	Percentage Change	Operating Expenditures	Cost per Pupil	Percentage Change	Number of Schools	Graduating Class
2006	7,410	0.90%	\$61,966,247	\$8,363	5.51%	15	458
2007	7,516	1.43%	\$82,428,138	\$10,967	31.14%	15	480
2008	7,615	1.32%	\$82,220,606	\$10,797	-1.55%	15	505
2009	7,524	-1.20%	\$86,751,131	\$11,530	6.79%	16	470
2010	7,591	0.89%	\$92,082,497	\$12,130	5.20%	16	455
2011	7,750	2.09%	\$83,432,701	\$10,766	-11.24%	16	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
2015	8,330	1.67%	\$89,099,737	\$10,696	6.29%	17	N/A

N/A = Not Available

Source: North Carolina Public Schools Statistical Profile (2006-2015 Editions)

Note: This table is a ten year schedule. However, the graduate data for the year ended June 30, 2015 could not be obtained from the North Carolina Department of Public Instruction prior to this report being issued. Therefore, there are only nine years of comparative data noted above.

Enrollment Compared to the Cost per Pupil



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
◆ Enrollment	7,410	7,516	7,615	7,524	7,591	7,750	7,938	8,065	8,193	8,330
◆ Cost per pupil	\$8,363	\$10,967	\$10,797	\$11,530	\$12,130	\$10,766	\$10,250	\$10,530	\$10,063	\$10,696

CHATHAM COUNTY BOARD OF EDUCATION

**Capital Assets
For the Year Ended June 30, 2015**

Schools	Site Size (Acres)	Square Footage	Year First Built	Building Classrooms	Capacity	Enrollment
Elementary Schools:						
North Chatham	31.580	69,390	1990	26	575	548
Perry W. Harrison	43.265	80,780	1996	28	626	589
Pittsboro	20.840	64,208	1960	34	716	504
Siler City	20.750	70,609	1977	36	671	685
Virginia Cross	45.443	101,000	2007	34	700	557
Kindergarten - Eighth Grade:						
Bennett	13.956	45,798	1951	10	230	217
Bonlee	12.706	45,000	1951	16	371	320
J.S. Waters	13.349	58,988	1953	19	423	284
Moncure	17.970	48,429	1958	13	303	291
Silk Hope	16.376	52,869	1951	16	376	408
Middle Schools:						
Chatham	56.370	71,042	1996	25	586	540
Horton	24.230	81,050	1956	31	550	387
Margaret B. Pollard	31.530	119,945	2011	35	600	566
High Schools:						
Chatham Central	60.500	103,878	1959	32	635	391
Jordan-Matthews	55.008	134,473	1956	39	775	743
Northwood	94.310	122,678	1972	43	1,005	1,247
SAGE Academy	5.290	40,108	1951	7	75	53

Source: Chatham County Schools Facilities and Transportation Department



COMPLIANCE SECTION





ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

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

To the 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, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the Chatham County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated November 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Chatham County Board of Education'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 entity'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be 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 Chatham County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson Smith & Wike PLLC

November 9, 2015
Rockingham, North Carolina



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

To the 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's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2015. The Chatham County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 Chatham County Board of Education'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 Chatham County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Chatham County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Chatham County Board of Education 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, we considered the Chatham County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Chatham County Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. 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.

Anderson Smith & Wike PLLC

*November 9, 2015
Rockingham, North Carolina*



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

To the 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's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Board's major State programs for the year ended June 30, 2015. The Chatham County Board of Education's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 Chatham County Board of Education'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; and 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 Chatham County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Chatham County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Chatham County Board of Education 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 Chatham County Board of Education's internal control over compliance with the types of 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 for each major state program and to test and report on internal control over compliance 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 Chatham County Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies, 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.

Anderson Smith & Wike PLLC

*November 9, 2015
Rockingham, North Carolina*

**CHATHAM COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2015**

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 Identified for Reporting*

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 Identified for Reporting*

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
84.010	Title I, Grants to Local Educational Agencies
	Special Education Cluster:
84.027	Grants to States – IDEA, Part B (611)
84.027	Special Needs Targeted Assistance
84.173	Preschool Grants – IDEA, Part B (619)
84.173	Preschool Targeted Assistance

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, 2015**

Section I - Summary of Auditors' Results (Continued)

State Awards

Internal control over major State programs:

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

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

State Public School Fund
Vocational Education – State Months of Employment

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

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

Section IV - State Award Findings and Questioned Costs

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

CHATHAM COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2015

No findings were reported in the prior year.

CHATHAM COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2015

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Expenditures</u>
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555		\$ <u>225,091</u>
Cash Assistance:			
School Breakfast Program	10.553		617,294
National School Lunch Program	10.555		1,950,838
Seamless Summer Program	10.559		<u>29,536</u>
Cash Assistance Subtotal			<u>2,597,668</u>
Total Child Nutrition Cluster			<u>2,822,759</u>
Total U.S. Department of Agriculture			<u>2,822,759</u>
<u>U.S. Department of Education</u>			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies	84.010	PRC 050	1,639,008
Title I - School Improvement Grant	84.010	PRC 105	5,110
School Improvement 1003G	84.377	PRC 117	250,929
Migrant Education (Title I of IASA)	84.011	PRC 051	29,760
Improving Teacher Quality	84.367	PRC 103	173,995
Language Acquisition Grant	84.365	PRC 104, 111	163,427
Education for Homeless Children and Youth	84.196	PRC 026	62,025
Race to the Top - ARRA	84.395	PRC 154	<u>36,843</u>
Special Education Cluster:			
Grants to States - IDEA, part B (611)	84.027	PRC 060	1,659,416
Special Needs Targeted Assistance	84.027	PRC 118	23,142
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	52,787
Preschool Targeted Assistance	84.173	PRC 119	<u>1,998</u>
Total Special Education Cluster			<u>1,737,343</u>
Title VI-B, Education of the Handicapped	84.323	PRC 082	7,531
Career and Technical Education - Basic Grants to States			
Program Development	84.048	PRC 017	96,465
Capacity Building Grants	84.048	PRC 058	<u>1,250</u>
Total U.S. Department of Education			<u>4,203,686</u>

**CHATHAM COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2015**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Passed-through the N.C. Department of Health and Human Services:			
School Nurse Funding Initiative	93.994		54,206
Total Federal Assistance			\$ 7,080,651
State Grants:			
<u>N.C. Department of Public Instruction</u>			
Cash Assistance:			
State Public School Fund			\$ 43,090,637
Vocational Education:			
State Months of Employment		PRC 013	2,447,014
Program Support Funds		PRC 014	156,281
Driver Training		PRC 012	175,411
School Technology Fund		PRC 015	143,117
Cash Assistance Subtotal			46,012,460
Non-Cash Assistance:			
State Buses Appropriation			197,161
Textbooks		PRC 130	17,285
Non-cash Assistance Subtotal			214,446
Total NC Department of Public Instruction			46,226,906
<u>N.C. Department of Agriculture</u>			
State Reduced Breakfast Program			8,051
<u>N.C. Department of Health and Human Services</u>			
Division of Public Health:			
State School Nurse Initiative			40,659
Total State Assistance			46,275,616
Total Federal and State Assistance			\$ 53,356,267

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

1. Basis of Presentation

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



