



## **Comprehensive Annual Financial Report**

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

***For the Fiscal Year Ended June 30, 2014***

**Prepared by the Business Office**  
**Andy Bryan, Ed.D., Superintendent**  
**Mark Stephens, Chief Finance Officer**

**LEE COUNTY BOARD OF EDUCATION  
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**LEE COUNTY BOARD OF EDUCATION  
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# **Introductory Section**

**Letter of Transmittal**

December 15, 2014

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

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

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

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

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

**REPORTING ENTITY**

The Lee County Board of Education, elected by the citizens of Lee County, is the lowest level of government having control over all activities related to the public schools in Lee County. The Board is not considered a component unit of any other government, nor does it have its own component unit. The Board consists of seven members elected for staggered terms of four years. The Superintendent serves as secretary to the Board. The Board has no tax levying authority or borrowing authority and is required to maintain accounting records according to a Uniform State format. The Board receives local, state, and federal government funding and must comply with the legal requirements of each fund. N.C. General Statute 115C-140 empowers the Lee County Board of Education with general control and supervision of all matters pertaining to the schools in the system.

## **FINANCIAL AND BUDGETARY CONTROL**

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

Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments of management. All internal control evaluations occur within the framework just described. We believe that the Board's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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

## **COMPARISON OF BUDGET TO ACTUAL PERFORMANCE**

Comparisons of budget to actual performance are provided for all funds in the financial section that follows this introduction section in the CAFR. There were several budget amendments during the year. There were no material violations of legal budgetary requirements during the year, and all variances from the initial and final budgets were expected.

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS**

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

Lee County Schools' diversity reflects the new American demographic: Our Month 01 student population for 2013-2014 was 21.4% African American, 31.9% Hispanic, 41.8% White, and 4.9% other; our free- and reduced-lunch population was 65.8%. This data reflects the decade-long trend in Lee County regarding the growing Hispanic population, the decline in the percentage of White and African-American students, and the growing free- and reduced-lunch population. Overall, in 2013-2014, the total student population growth increased with a Month 01 number of 10,012 students. This compared to a 2012-2013 Month 01 total student population of 9,809.

### **Lee County Schools Vision, Beliefs, and Strategic Plan 2013-2017**

In December 2011, the Lee County Board of Education embarked on revising the district strategic plan that was ultimately ratified in June 2012. The plan reflects the vision and beliefs of the district and signifies the overall plan to help all students achieve at high levels. The budget of the district is tightly aligned to this plan.

Lee County Schools Strategic Plan 2013-2017 frames the district vision as a pre-requisite for student success in the 21st Century: Lee County Schools, in partnership with the community, will provide challenging learning experiences for students in a safe and supportive environment. We are committed to academic excellence, technological innovations, social responsibility, and life-long learning. Our success will be demonstrated by the achievement of our students and their positive participation in society.

As agreed upon by the Board of Education, the overall vision supports the goal that all children will graduate with more than a high school diploma. The beliefs supporting this vision include:

- All students can achieve at high levels regardless of ethnicity, race, or socioeconomic background.
- Education is Economic Development.
- Data analysis should guide instructional decisions.
- Quality teachers are the key to effective student learning.
- All students and teachers should have access to innovative instructional practices and technology.
- Safe and nurturing schools are a prerequisite for teaching and learning.
- Effective and efficient support systems are necessary to support student and employee success.
- Positive relationships are the key for effective community partnerships.

With over 10,000 students and approximately 1,200 employees, our schools offer outstanding teachers, welcoming environments, and cutting-edge technology that empower the future of every student. Our educational philosophy focuses on nurturing the whole child by setting high expectations, providing individualized guidance and support, and designing real-world learning opportunities. We accomplish these goals by providing every student with a nurturing environment and strong support in the classroom.

Our Board of Education believes that education is economic development and that our school district should be part of the economic engine that supports our community. We want all of our students to be prepared for the challenges that they will face during their lifetimes. This includes preparing students to pursue a lifetime of learning and to compete for the best jobs. We also want a well-educated citizenry in Lee County that attracts successful businesses to our area, provides a productive workforce, and acts for the overall betterment of the community.

Given the interconnectedness and changing nature of the global economy, our students' future success will depend on learning how to think critically, flourishing in changing and sometimes adverse circumstances, and pursuing lifelong learning. Creating the conditions in which students can acquire these skills is the best possible form of economic development for both individual students and our community.

For this reason, the district supported the development of various programs at the elementary, middle, and high school levels to support the vision and goals of the district. This includes a Leader in Me approach at five elementary schools, an AVID pilot at one elementary school, a school-wide AVID approach at the middle schools, National Academy Foundation (NAF) Career Academies at the high schools, the Central Carolina Works program at the high schools to promote dual enrollment, planning for an International Baccalaureate program, and a very successful Early College.

The district's 2013-2017 Educational Technology Plan and Vision Statement align with the district vision and beliefs. The district has focused on providing students and teachers with the technological tools to expand learning opportunities in and beyond the classroom and to nurture students who can adapt to changing economic conditions, compete on an international scale, and be prepared to fill future jobs that do not yet exist. Infrastructure & technical support provides wireless connectivity to each school through an 8011.n WLAN. Each LAN has a fiber backbone with GB switches. WAN connections are 1 GB. The district has 500 MB of Internet connectivity.

The reality of instructional delivery in Lee County Schools places student centered learning at the heart of our classrooms. Teachers have access to the needed digital tools in order to make this happen. Teachers enjoy access to a technology rich classroom. Elementary and middle school classrooms have a SMART Board, document camera, and projector. High schools have either a SMART Board or an interactive tablet, based on the needs of the teacher. High schools have video conferencing equipment utilized for distance learning. Each high school also has an i3D system.

All students in grades 3-12 have a laptop; all teachers in grades 3-12 have been provided at least 14 hours of professional development regarding the integrated use of computers in classroom instruction. This includes instruction regarding Web 2.0, various web based sites, use of the district web site for parental communication and posting of instructional activities, and various instructional software packages. The one-to-one laptop initiative included installation of a wireless system at each school, solicitation of feedback from stakeholders, and ongoing training and evaluation.

The use of technology has enabled teachers to use innovative methods to monitor student progress and provide unique real-world learning opportunities. Teachers in all seven elementary schools monitor student mastery of reading and mathematics using a PDA-based software program through mCLASS. Teachers at the middle school level have utilized problem-based learning to develop and solve real world problems utilizing math and science. Selected classroom teachers at the elementary, middle, and high school levels have "flipped" the classroom to provide students with the opportunities to view classroom instruction at home and complete richer homework activities at school.

From a curriculum and instruction perspective, the digital initiatives, combined with the hard work of teachers and students, have produced an increase in the district graduation rate and expectations for students.

**Professional Development** - Professional development has been a cornerstone of instructional improvement in Lee County Schools. All teachers are provided with staff development in instructional technology in order to continue the support of the one-to-one laptop initiative. Lee County Schools has supported the full integration of technology and instruction by utilizing seven instructional technology facilitators (ITFs) to provide professional development at each of our 16 schools. It provides the support for teachers and ITFs to maintain learning environments that fully utilize and integrate technology across grade levels and teams for professional learning communities. It also supports teachers with the necessary training to ensure an engaging environment for students.

During 2013-2014, teachers continued to be involved in the transition to Common Core. Lee County Schools chose Understanding by Design (UbD) as the framework to make this change.

**Leadership, Administration, and Instructional Support** - District level leadership has developed the innovative digital vision by working collaboratively with an extensive group of internal and external stakeholders to identify the most critical needs of our students. During this process, the district assessed district strengths and areas in need of improvement, evaluated the availability and allocation of specific resources, monitored economic, technological, and workforce development trends, and formulated evaluation plans to assess major initiatives. Each of these areas has been interwoven into district-level processes in support of innovative technological practices.

The establishment and development of our vision have occurred at many levels throughout the district. The district vision has included input from school board members, senior leadership, central office directors, building level principals, district teachers and staff, parents, business leaders, and community stakeholders. Specific events including school board retreats, school board committee meetings, district and building level administrative meetings, senior staff meetings, principal meetings, school improvement team meetings, teacher, parent, and student ad hoc committees, advisory group meetings, and community meetings have been utilized to gather ideas about our district's evolving educational vision. Budget and advisory meetings involving a cross section of constituents have created ownership in the district vision and nurtured the opportunity for dialogue that includes various perspectives. Through each of these groups, a district vision has been established and strengthened to build stakeholder ownership.

Since 2006, instructional improvements included an increase in the graduation rate for students and various subgroups and various academic indicators to increase student preparation for the post-secondary world:

- Increased the 4-year cohort graduation rate from 63.4% to 87.5%.
- Increased the 4-year cohort graduation rates for subgroups:

African Americans (56.9% to 87.3%)	Economically Disadvantaged (62.2% to 84.1%)
Females (71.7% to 89.9%)	Hispanics (55.3% to 86.8%)
Males (55.5% to 85.1%)	Students with Disabilities (36.4% to 84.7%)
Whites (68% to 88.3%)	

## LOCAL ECONOMIC CONDITION AND OUTLOOK

The information provided in this year's financial report is best understood when it is explained in relation to the local economy.

**Local Economy** - The Lee County School system is located within one hour of the metropolitan area of Raleigh, the state capital. Lee County in its own right enjoys those qualities that exemplify the charm and grace of living in a community where you have a sense of belonging and still benefit from having a large metropolitan area nearby. Lee County has a population of 60,266, which is slightly higher than the population from the previous year. Another significant distinction of Lee County is that it is located within one hour's drive of the world-famous Research Triangle Park, where some of the most advanced research in the world takes place. The major economic transportation routes of US 15-501, Highway 1 and US 421 will continue to provide for major industrial and commercial expansion in Lee County in the years to come. The reader is directed to the MD&A section of the CAFR for a more detailed explanation of the economic factors concerning the County. Lee County is home to several major industries such as manufacturers of pharmaceuticals, automotive components, cosmetics, plumbing fixtures, electronics, and brick. Businesses in Lee County continue to feel the impact of the decline in the state and national economy. Lee County is ranked 52<sup>nd</sup> of the 100 counties in the State in per capita personal income. The county's income has been impacted by the economic slowdown. The County unemployment rate of 8.1% for June 30, 2014 was above the State rate of 6.4% and the national average of 6.1%.

Services were provided to students in 2 pre-k centers, 7 elementary schools, 1 elementary alternative day treatment center, 3 middle schools, 2 high schools, 1 alternative middle/high, 1 early college high school and 1 school for exceptional children. The Board anticipates an increased enrollment over the next several years and will need continued increases in classroom space, teachers, and equipment. County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the school district.

We have several school buildings that were originally built in the 1950's. Renovations were completed on Lee County High School during 2012-2013. Because of student growth, a new elementary school is needed now and another one will be needed within five years. All capital needs beyond \$500,000 are listed in the Capital Improvement Plan (CIP). East and West Middle schools were built in 1978 and SanLee Middle was built in 2007. Our elementary schools were built over a span of several years. Edwards and Ingram were built in 1987, Greenwood in 1989, and Broadway, Bullock, Deep River, and Tramway were built in 1998. Our newest high school building was built in 2005 when Southern Lee High was added.

**Long Term Planning** - The State of North Carolina continues to struggle economically due to the national recession. Due to funding issues, school districts have eliminated positions. Funding has been cut drastically in recent years for public education at the state level. Local supplements paid to teachers and administrators help the Board to retain well-qualified staff but we continue to struggle to compete with neighboring counties. The supplement of teachers is based on 7% of their annual salary and it is paid in two installments to all eligible staff. The Board's budget was prepared with the priority of protecting the classroom for student instruction by cutting expenditures and reducing or eliminating services, while attempting to protect core instructional programs and the personnel associated with them. These items require a long-term financial commitment.

## **INDEPENDENT AUDIT**

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

## **FINANCIAL REPORTING AWARDS**

The Association of School Business Officials (ASBO) awarded a Certificate of Excellence in Financial Reporting to the Lee County Schools for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This award is a national program that provides unique professional recognition in the preparation and issuance of CAFRs by school systems.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lee County Schools for its comprehensive annual financial report for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded these certificates a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. These awards are valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the ASBO and GFOA requirements and we are submitting it to ASBO and GFOA to determine its eligibility for renewed rewards.

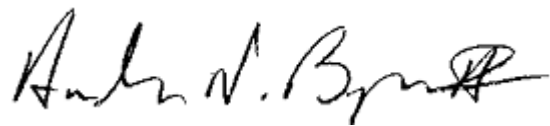
## **AWARD FOR EXCELLENCE IN FINANCIAL RESOURCE MANAGEMENT**

This award is presented annually to North Carolina school systems that have shown effective cash management and use of state funds, accurate and timely financial reporting, and no salary audit exceptions for certified personnel or position overdrafts. Lee County Schools has received this award for several consecutive years.

## **ACKNOWLEDGEMENTS**

The preparation of the Comprehensive Annual Financial Report in a timely manner could not have been accomplished without the efforts and dedication of the Superintendent's staff, Financial and Business Services Office, and our independent audit firm. We would like to express appreciation to all staff members who assisted in the preparation of this report. Also, our appreciation is expressed to the Finance Department of the County of Lee for their preparation of the data needed in the statistical section of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Andrew N. Bryan II". The signature is fluid and cursive, with a large initial "A" and a long horizontal stroke at the end.

Andrew N. Bryan II, Ed.D.  
Superintendent

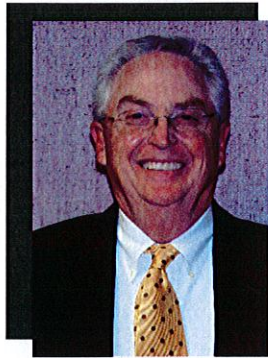
A handwritten signature in black ink, appearing to read "Mark Stephens". The signature is cursive, with a large initial "M" and a long horizontal stroke extending to the right.

Mark Stephens, CPA  
Chief Finance Officer

LEE COUNTY  
SCHOOLS  
INSPIRED.



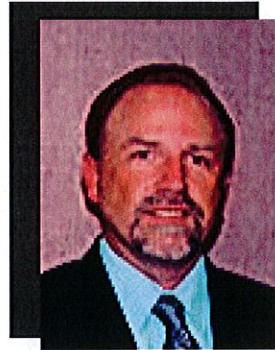
**Lee County Schools**  
**Board of Education**  
**Members and Superintendent**



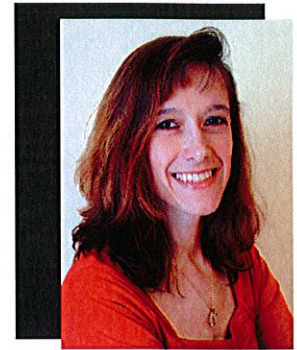
**Dr. Lynn H. Smith**  
Chairman



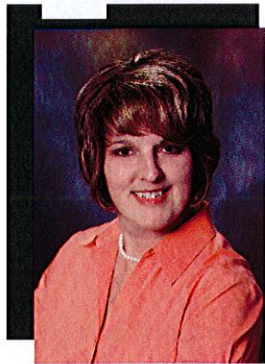
**Mark K. Akinosho**  
Vice Chairman



**John Bonardi, Jr.**



**Tamara Brogan**



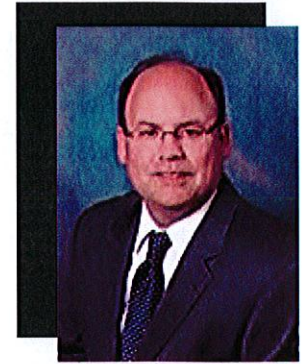
**Wendy Carlyle**



**Cameron Sharpe**



**Dr. Linda A. Smith**



**Andy Bryan, Ed.D.**

**Jimmy Love**  
Board Attorney

*Officials Issuing Report*  
**Andy Bryan, Ed.D.**  
Superintendent

**Mark Stephens**  
Chief Finance Officer

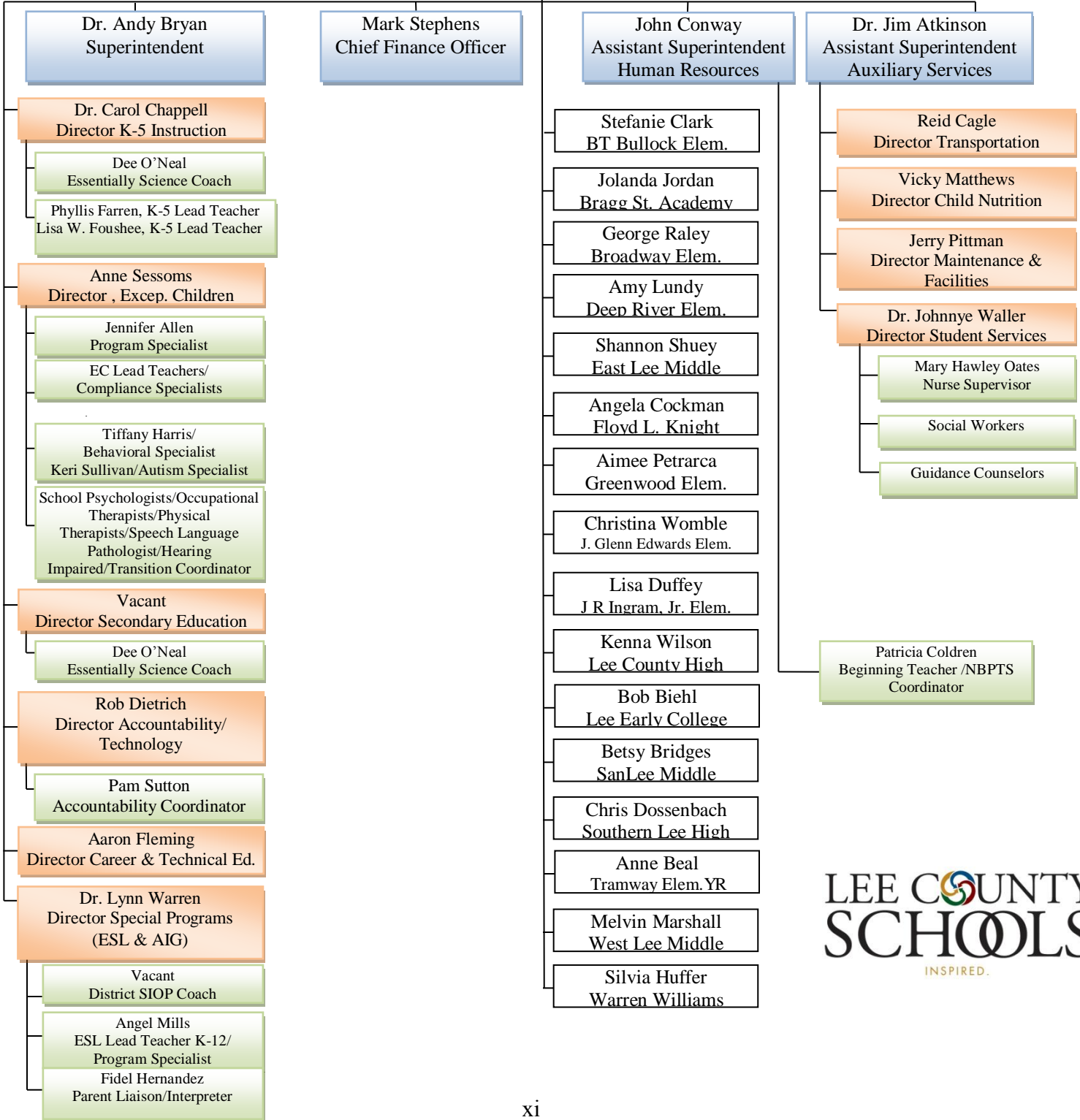
# Lee County Schools Organizational Chart

**Board of Education**  
 Mark Akinosho, John Bonardi, Tamara Brogan,  
 Wendy Carlyle, Cameron Sharpe, Linda Smith, Lynn Smith

**Dr. Andy Bryan**  
 Superintendent

**Susan Britt**  
 Administrative Assistant

**Sharon Spence**  
 Public Information Officer





Government Finance Officers Association

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

Presented to

**Lee County Schools  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

# Association of School Business Officials International



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

## **Lee County Schools**

*For Its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2013*

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



A handwritten signature in black ink, reading "Terrie S. Simmons".

Terrie S. Simmons, RSBA, CSBO  
President

A handwritten signature in black ink, reading "John D. Musso".

John D. Musso, CAE, RSBA  
Executive Director

LEE COUNTY  
SCHOOLS  
INSPIRED.



# **Financial Section**



# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

To the Lee County Board of Education  
Sanford, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lee County Board of Education, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements 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 Lee County Board of Education as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, State Public School, Federal Grants and Restricted Revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **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 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 Lee County Board of Education's basic financial statements. The introductory section, individual fund financial statement, nonmajor fund schedule, budgetary schedules, the statistical tables, as well as 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statement, nonmajor fund schedule, 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 financial statement, nonmajor fund schedule, 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 September 24, 2014 on our consideration of the Lee County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Lee County Board of Education's internal control over financial reporting and compliance.

*Anderson Smith & Wike PLLC*

September 24, 2014  
Rockingham, North Carolina

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

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

### ***Financial Highlights***

- The Board realized an increased enrollment of 142 students from the previous year's final month of average daily membership.
- Total government-wide current assets of the Board totaled \$9.3 million and capital assets totaled \$102.4 million for a total of \$111.7 million. This was a decrease of \$2.2 million from the previous year.
- The funding from the Lee County Commissioners decreased as the special appropriation for teacher assistants and tutors received for the first time in 2011-2012 in the amount of \$500,000 was discontinued.
- New heat pumps were installed at Bragg Street Academy.
- Total revenues from the State Public School Fund (SPSF) totaled \$52.3 million during the year and accounts for the largest portion of the school system's operational budget. The SPSF amount was \$300,000 less than in fiscal year 2012-2013.

### ***Overview of the Financial Statements***

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents budgetary schedules and other schedules for governmental funds and a budgetary schedule for the enterprise fund.*

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

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds, proprietary fund and fiduciary fund. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary 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

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

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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.

Lee County Board of Education has three types of funds:

*Governmental funds:* Most of the Board's basic services are included in the governmental funds, which generally focus on two things – 1) how cash and other assets 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 Restricted Revenue

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

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

*Proprietary funds:* Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. The Lee 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:* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Lee County Board of Education has one fiduciary fund – an Agency Fund. The Agency Fund is used to account for moneys held for the Flexible Benefits Fund which accounts for monies voluntarily withheld from employees' wages to pay for child care and medical expenses not covered under the employees' medical insurance. The fiduciary fund statement is shown as Exhibit 10 of this report.

**Financial Analysis of the Board as a Whole**

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$105.0 million as of June 30, 2014 as compared to \$107.3 million as of June 30, 2013, a decrease of \$2.3 million. The largest component of net position is net investment in capital assets of \$102.3 million, which comprises 97.4% of the total net position. Following is a summary of the Statement of Net Position:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Current assets	\$ 8,002,763	\$ 6,985,730	\$ 1,341,306	\$ 1,341,112	\$ 9,344,069	\$ 8,326,842
Capital assets	101,872,237	105,021,714	530,331	615,945	102,402,568	105,637,659
Total assets	<u>109,875,000</u>	<u>112,007,444</u>	<u>1,871,637</u>	<u>1,957,057</u>	<u>111,746,637</u>	<u>113,964,501</u>
Current liabilities	2,117,870	1,876,350	22,280	16,407	2,140,150	1,892,757
Long-term liabilities	<u>4,512,776</u>	<u>4,623,126</u>	<u>132,275</u>	<u>143,269</u>	<u>4,645,051</u>	<u>4,766,395</u>
Total liabilities	<u>6,630,646</u>	<u>6,499,476</u>	<u>154,555</u>	<u>159,676</u>	<u>6,785,201</u>	<u>6,659,152</u>
Net investment in capital assets	101,728,664	104,772,747	530,331	615,945	102,258,995	105,388,692
Restricted net position	1,456,589	1,307,711	-	-	1,456,589	1,307,711
Unrestricted net position (deficit)	<u>59,101</u>	<u>(572,490)</u>	<u>1,186,751</u>	<u>1,181,436</u>	<u>1,245,852</u>	<u>608,946</u>
Total net position	<u>\$ 103,244,354</u>	<u>\$ 105,507,968</u>	<u>\$ 1,717,082</u>	<u>\$ 1,797,381</u>	<u>\$ 104,961,436</u>	<u>\$ 107,305,349</u>

The net position of the Board's governmental activities amounted to \$103.2 million at June 30, 2014, a decrease of \$2.3 million from the prior year, indicating a decline in the financial condition of the Board. This decline is mainly attributable to a decrease of \$3.0 million in net investment in capital assets. The decrease in net investment in capital assets is due to an excess of depreciation expense over capital additions for the year.

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

The net position of the Board's business-type activities amounted to \$1.7 million at June 30, 2014, a decrease of \$80,000 from the prior year. This decrease is the net loss incurred by our school food service operations during the 2014 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, 2014 and 2013**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Revenues:						
Program revenues:						
Charges for services	\$ 123,709	\$ 91,963	\$ 824,687	\$ 864,400	\$ 948,396	\$ 956,363
Operating grants and contributions	55,274,440	57,653,541	3,870,601	3,808,886	59,145,041	61,462,427
Capital grants and contributions	108,146	100,547	-	-	108,146	100,547
General revenues:						
County appropriations	16,193,836	18,041,577	-	-	16,193,836	18,041,577
State appropriations	3,843,915	3,849,318	-	-	3,843,915	3,849,318
Federal appropriations	-	28,479	-	-	-	28,479
Other revenues	1,713,091	1,947,962	2,318	2,608	1,715,409	1,950,570
Total revenues	77,257,137	81,713,387	4,697,606	4,675,894	81,954,743	86,389,281
Expenses:						
Governmental activities:						
Instructional services	61,156,185	65,362,290	-	-	61,156,185	65,362,290
System-wide support services	15,151,756	15,755,226	-	-	15,151,756	15,755,226
Ancillary services	129,131	109,841	-	-	129,131	109,841
Payments to other governments	16,215	19,258	-	-	16,215	19,258
Interest on long-term debt	8,975	11,987	-	-	8,975	11,987
Unallocated depreciation	3,013,489	2,532,957	-	-	3,013,489	2,532,957
Business-type activities:						
School food service	-	-	4,822,905	4,872,752	4,822,905	4,872,752
Total expenses	79,475,751	83,791,559	4,822,905	4,872,752	84,298,656	88,664,311
Deficiency before transfers	(2,218,614)	(2,078,172)	(125,299)	(196,858)	(2,343,913)	(2,275,030)
Transfers in (out)	(45,000)	(45,037)	45,000	45,037	-	-
Change in net position	(2,263,614)	(2,123,209)	(80,299)	(151,821)	(2,343,913)	(2,275,030)
Beginning net position	105,507,968	107,631,177	1,797,381	1,949,202	107,305,349	109,580,379
Ending net position	\$ 103,244,354	\$ 105,507,968	\$ 1,717,082	\$ 1,797,381	\$ 104,961,436	\$ 107,305,349

Total governmental activities generated revenues of \$77.3 million while expenses in this category totaled \$79.5 million for the year ended June 30, 2014, resulting in the aforementioned decrease in net position of \$2.3 million (including transfers out to business-type activities of \$45,000). Comparatively, revenues were \$81.7 million, expenses totaled \$83.8 million and transfers out were \$45,000 for the year ended June 30, 2013, resulting in a decrease in net position of \$2.1 million. In comparing the two years, revenues decreased by \$4.5 million and expenses decreased by \$4.3 million. The decrease in revenues is primarily attributable to a \$1.8 million decrease in bond and lottery proceeds which were used in the

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

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prior year to fund a renovation project at Lee County High School. Operating grants and contributions decreased by \$2.4 million, due largely to a \$1.0 million decrease in revenues from the State Public School Fund and Federal Grants Fund. Decreases in instructional services and system-wide support services costs, primarily for salaries and benefits, were the main factors leading to the reduction in expenses. Cuts were made in these areas due to reductions in funding from the County and federal government.

The Board's primary sources of revenues were funding from the State of North Carolina, Lee County, and the United States Government, which respectively comprised 68.7%, 20.9% and 7.2% of our total revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 77.0% of our total expenditures during the most recent fiscal year. Of the remaining 23.0% of our total expenditures, 19.1% was attributable to system-wide support services.

Our business-type activities generated revenues of \$4.7 million, while expenses in this category totaled \$4.8 million for the year ended June 30, 2014. For the year, net position decreased by \$80,000 (including transfers in of \$45,000). Comparatively, revenues were \$4.7 million, expenses were \$4.9 million and transfers in were \$45,000 for the year ended June 30, 2013, resulting in a decrease in net position of \$152,000. In comparing the two years, revenues and expenses were comparable, with slight decreases noted in food costs, materials and supplies.

***Financial Analysis of the Board's Funds***

*Governmental Funds:* The focus of Lee 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.

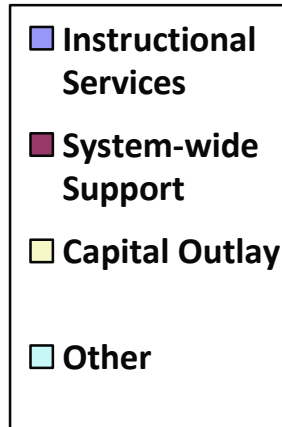
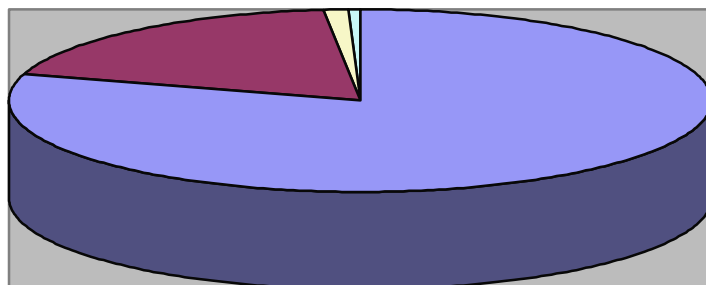
The Board's governmental funds reported a combined fund balance of \$5.9 million at June 30, 2014, an increase of \$776,000 over the \$5.1 million reported at June 30, 2013. The Board's General Fund reported an increase in fund balance for the year ended June 30, 2014 of \$83,000 (including the increase in reserve for inventories) compared to a decrease of \$20,000 in 2013.

The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues are expended in the year received. Combined revenues in these funds decreased \$1.0 million from the prior year.

The Restricted Revenue Fund reported an increase in fund balance for the year ended June 30, 2014 of \$367,000 compared to a decrease of \$317,000 in 2013. The improvement over the prior year is primarily attributable to a \$1.2 million decrease in expenditures, primarily for instructional services.

The Capital Outlay Fund reported an increase in fund balance for the 2014 year of \$250,000. The most significant revenues and expenditures reported in the Capital Outlay were \$850,000 received from County appropriations and expenditures of \$711,000 for building improvements and repairs.

**Categorization of Expenditures for Governmental Funds**



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 \$80,000 for the fiscal year ended June 30, 2014 compared to a decrease of \$152,000 for the same 2013 period. As discussed above for business-type activities, revenues and expenses were comparable over the two years, with slight decreases noted in food costs, materials and supplies.

**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 and expenditures did not exceed budget in any category. Revenues for the year totaled \$15.4 million and were in line with budget. The district budgeted to use \$1.3 million of fund balance for the June 30, 2014 fiscal year. However, management was able to keep instructional and system-wide support services expenditures \$1.3 million below budget which enabled the district to not have to use any of the appropriated fund balance.

Compared to the previous year, expenditures for instructional and system-wide support services decreased \$1.1 million. The decrease is due to the elimination of Teacher Assistant positions.

**Capital Assets**

Total primary government capital assets were \$102.4 million at June 30, 2014 compared to \$105.6 million at June 30, 2013, a decrease of 3.1%. The decrease is 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, 2014 and 2013. More detailed information about the Board's capital assets is contained in note 2 to the financial statements.

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/14</u>	<u>6/30/13</u>	<u>6/30/14</u>	<u>6/30/13</u>	<u>6/30/14</u>	<u>6/30/13</u>
Land	\$ 2,182,060	\$ 2,182,060	\$ -	\$ -	\$ 2,182,060	\$ 2,182,060
Buildings and improvements	96,371,137	99,205,600	-	-	96,371,137	99,205,600
Equipment and furniture	581,160	514,452	515,310	593,087	1,096,470	1,107,539
Vehicles	2,737,880	3,119,602	15,021	22,858	2,752,901	3,142,460
Total	<u>\$ 101,872,237</u>	<u>\$ 105,021,714</u>	<u>\$ 530,331</u>	<u>\$ 615,945</u>	<u>\$ 102,402,568</u>	<u>\$ 105,637,659</u>

**Debt Outstanding**

During the year, the Board's long-term debt decreased by \$105,000 from \$249,000 at June 30, 2013 to \$144,000 at June 30, 2014. 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**

- The Board anticipates an increase in enrollment over the next several years and will need continued increases in classroom space, teachers, and equipment. County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the school district. The county's unemployment rate improved significantly, down from 10.8% in June 2013 to 8.1% in June 2014. The County's rate remains above the June 30, 2014 national average of 6.1% and state average of 6.4%.
- The Board's budget was prepared with the following priorities: Classroom teachers and support, Teacher Assistants, support innovation and technology. The Board's budget was created to maintain status quo by cutting expenditures and reducing or eliminating services, while attempting to protect core instructional programs and personnel associated with them.

**Requests for Information**

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

Mark Stephens, CPA  
Chief Finance Officer  
Lee County Board of Education  
Post Office Box 1010  
Sanford, NC 27331-1010

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

**Exhibit 1**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Assets</b>			
Cash and cash equivalents	\$ 6,799,727	\$ 1,061,750	\$ 7,861,477
Due from other governments	772,949	131,979	904,928
Receivables	-	338	338
Inventories	430,087	147,239	577,326
Capital assets:			
Land	2,182,060	-	2,182,060
Other capital assets, net of depreciation	99,690,177	530,331	100,220,508
Total capital assets	<u>101,872,237</u>	<u>530,331</u>	<u>102,402,568</u>
Total assets	<u>109,875,000</u>	<u>1,871,637</u>	<u>111,746,637</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	463,356	5,005	468,361
Accrued salaries and wages payable	723,678	-	723,678
Due to other governments	770,836	-	770,836
Unearned revenue	160,000	17,275	177,275
Long-term liabilities:			
Due within one year	2,922,590	106,830	3,029,420
Due in more than one year	<u>1,590,186</u>	<u>25,445</u>	<u>1,615,631</u>
Total liabilities	<u>6,630,646</u>	<u>154,555</u>	<u>6,785,201</u>
<b>Net position</b>			
Net investment in capital assets	101,728,664	530,331	102,258,995
Restricted for:			
Stabilization by State statute	149,964	-	149,964
School capital outlay	676,553	-	676,553
Instructional services	52,053	-	52,053
Individual schools activities	578,019	-	578,019
Unrestricted	<u>59,101</u>	<u>1,186,751</u>	<u>1,245,852</u>
Total net position	<u>\$ 103,244,354</u>	<u>\$ 1,717,082</u>	<u>\$ 104,961,436</u>

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

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

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 37,221,539	\$ 123,709	\$ 30,972,232	\$ -	\$ (6,125,598)	\$ -	\$ (6,125,598)
Special populations	9,351,693	-	8,881,129	-	(470,564)	-	(470,564)
Alternative programs	4,329,941	-	4,104,879	-	(225,062)	-	(225,062)
School leadership	4,553,210	-	3,032,756	-	(1,520,454)	-	(1,520,454)
Co-curricular	1,591,602	-	-	-	(1,591,602)	-	(1,591,602)
School-based support	4,108,200	-	3,282,494	-	(825,706)	-	(825,706)
System-wide support services:							
Support and development	716,282	-	185,715	-	(530,567)	-	(530,567)
Special population support and development	387,549	-	210,681	-	(176,868)	-	(176,868)
Alternative programs and services support and development	273,980	-	217,009	-	(56,971)	-	(56,971)
Technology support	1,338,500	-	401,246	-	(937,254)	-	(937,254)
Operational support	10,202,039	-	2,901,370	108,146	(7,192,523)	-	(7,192,523)
Financial and human resource services	1,109,843	-	378,503	-	(731,340)	-	(731,340)
Accountability	5,994	-	24	-	(5,970)	-	(5,970)
System-wide pupil support	312,631	-	97,152	-	(215,479)	-	(215,479)
Policy, leadership and public relations	804,938	-	441,556	-	(363,382)	-	(363,382)
Ancillary services	129,131	-	(6,573)	-	(135,704)	-	(135,704)
Payments to other governments	16,215	-	174,267	-	158,052	-	158,052
Interest on long-term debt	8,975	-	-	-	(8,975)	-	(8,975)
Unallocated depreciation expense**	3,013,489	-	-	-	(3,013,489)	-	(3,013,489)
Total governmental activities	79,475,751	123,709	55,274,440	108,146	(23,969,456)	-	(23,969,456)
Business-type activities:							
School food service	4,822,905	824,687	3,870,601	-	-	(127,617)	(127,617)
Total primary government	\$ 84,298,656	\$ 948,396	\$ 59,145,041	\$ 108,146	(23,969,456)	(127,617)	(24,097,073)
General revenues:							
Unrestricted county appropriations - operating					15,338,050	-	15,338,050
Unrestricted county appropriations - capital					855,786	-	855,786
Unrestricted State appropriations - operating					3,615,873	-	3,615,873
Unrestricted State appropriations - capital					228,042	-	228,042
Investment earnings, unrestricted					7,242	2,318	9,560
Miscellaneous, unrestricted					1,705,849	-	1,705,849
Transfers					(45,000)	45,000	-
Total general revenues and transfers					21,705,842	47,318	21,753,160
Change in net position					(2,263,614)	(80,299)	(2,343,913)
Net position - beginning					105,507,968	1,797,381	107,305,349
**This amount excludes the depreciation that is included in the direct expenses of the various programs.					\$ 103,244,354	\$ 1,717,082	\$ 104,961,436

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

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

**Exhibit 3**

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Restricted Revenue	Capital Outlay	Individual Schools	
<b>Assets</b>							
Cash and cash equivalents	\$ 3,410,065	\$ -	\$ -	\$ 2,072,033	\$ 739,610	\$ 578,019	\$ 6,799,727
Due from other governments	11,685	654,168	58,824	48,272	-	-	772,949
Inventories	430,087	-	-	-	-	-	430,087
Total assets	<u>\$ 3,851,837</u>	<u>\$ 654,168</u>	<u>\$ 58,824</u>	<u>\$ 2,120,305</u>	<u>\$ 739,610</u>	<u>\$ 578,019</u>	<u>\$ 8,002,763</u>
<b>Liabilities and Fund balances</b>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 399,896	\$ -	\$ -	\$ 403	\$ 63,057	\$ -	\$ 463,356
Accrued salaries and wages payable	10,686	654,168	58,824	-	-	-	723,678
Due to other governments	770,836	-	-	-	-	-	770,836
Unearned revenue	-	-	-	160,000	-	-	160,000
Total liabilities	<u>1,181,418</u>	<u>654,168</u>	<u>58,824</u>	<u>160,403</u>	<u>63,057</u>	<u>-</u>	<u>2,117,870</u>
Fund balances:							
Nonspendable:							
Inventories	430,087	-	-	-	-	-	430,087
Restricted:							
Stabilization by State statute	101,692	-	-	48,272	-	-	149,964
School capital outlay	-	-	-	-	676,553	-	676,553
Instructional services	-	-	-	52,053	-	-	52,053
Individual schools	-	-	-	-	-	578,019	578,019
Assigned:							
Subsequent year's expenditures	1,248,049	-	-	-	-	-	1,248,049
Special revenues	-	-	-	1,859,577	-	-	1,859,577
Unassigned	890,591	-	-	-	-	-	890,591
Total fund balances	<u>2,670,419</u>	<u>-</u>	<u>-</u>	<u>1,959,902</u>	<u>676,553</u>	<u>578,019</u>	<u>5,884,893</u>
Total liabilities and fund balances	<u>\$ 3,851,837</u>	<u>\$ 654,168</u>	<u>\$ 58,824</u>	<u>\$ 2,120,305</u>	<u>\$ 739,610</u>	<u>\$ 578,019</u>	

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.	101,872,237
Some liabilities, including those for compensated absences, capital leases and installment purchases, are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,512,776)</u>
Net position of governmental activities	<u>\$ 103,244,354</u>

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

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

**Exhibit 4**

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Restricted Revenue	Capital Outlay	Individual Schools	
Revenues:							
State of North Carolina	\$ -	\$ 52,275,874	\$ -	\$ 630,154	\$ 288,752	\$ -	\$ 53,194,780
Lee County	15,338,050	-	-	-	855,786	-	16,193,836
U.S. Government	-	-	5,399,529	156,584	-	-	5,556,113
Other	109,393	-	-	1,128,437	488	1,300,921	2,539,239
Total revenues	15,447,443	52,275,874	5,399,529	1,915,175	1,145,026	1,300,921	77,483,968
Expenditures:							
Current:							
Instructional services:							
Regular instructional	3,480,342	33,232,181	494,322	17,140	-	-	37,223,985
Special populations	358,812	6,534,944	2,208,348	250,203	-	-	9,352,307
Alternative programs	180,974	1,555,369	2,218,772	375,110	-	-	4,330,225
School leadership	1,498,190	2,889,176	7,549	158,594	-	-	4,553,509
Co-curricular	358,596	-	-	8,296	-	1,224,815	1,591,707
School-based support	766,880	3,025,342	116,374	199,874	-	-	4,108,470
System-wide support services:							
Support and development	461,401	147,194	45,355	62,379	-	-	716,329
Special population support and development	171,360	211,234	-	4,980	-	-	387,574
Alternative programs and services support and development	(1,186)	132,480	84,578	58,126	-	-	273,998
Technology support	523,298	806,275	1,597	7,418	-	-	1,338,588
Operational support	6,113,552	2,786,057	45,808	239,025	-	-	9,184,442
Financial and human resource services	878,820	378,503	-	746	-	-	1,258,069
Accountability	2,326	2,543	-	1,125	-	-	5,994
System-wide pupil support	93,289	97,152	-	122,211	-	-	312,652
Policy, leadership and public relations	348,207	441,556	-	15,228	-	-	804,991
Ancillary services	109,290	(9,132)	2,559	26,414	-	-	129,131
Non-programmed charges	15,215	-	174,267	1,000	-	-	190,482
Debt service:							
Principal retirement	44,684	-	-	-	60,710	-	105,394
Interest and fees	8,975	-	-	-	-	-	8,975
Capital outlay	-	-	-	-	834,776	-	834,776
Total expenditures	15,413,025	52,230,874	5,399,529	1,547,869	895,486	1,224,815	76,711,598
Revenues over expenditures	34,418	45,000	-	367,306	249,540	76,106	772,370
Other financing uses:							
Transfers to other funds	-	(45,000)	-	-	-	-	(45,000)
Net change in fund balance	34,418	-	-	367,306	249,540	76,106	727,370
Fund balances:							
Beginning of year	2,587,858	-	-	1,592,596	427,013	501,913	5,109,380
Increase in reserve for inventories	48,143	-	-	-	-	-	48,143
End of year	\$ 2,670,419	\$ -	\$ -	\$ 1,959,902	\$ 676,553	\$ 578,019	\$ 5,884,893

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

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

**Exhibit 5**

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

Net changes in fund balances - total governmental funds	\$ 727,370
Change in fund balance due to change in reserve for inventory	48,143
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 expense exceeded capital outlays in the current period.	(3,196,913)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Amount of donated assets	47,436
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.	105,394
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated absences	<u>4,956</u>
Total changes in net position of governmental activities	<u>\$ (2,263,614)</u>

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

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

**Exhibit 6**

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Lee County	15,338,050	15,338,050	15,338,050	-
U.S. Government	125,000	-	-	-
Other	-	109,954	109,393	(561)
Total revenues	<u>15,463,050</u>	<u>15,448,004</u>	<u>15,447,443</u>	<u>(561)</u>
Expenditures:				
Current:				
Instructional services	7,439,626	7,469,626	6,643,794	825,832
System-wide support services	9,128,485	9,078,482	8,591,067	487,415
Ancillary services	108,780	113,737	109,290	4,447
Non-programmed charges	20,000	20,000	15,215	4,785
Total current	<u>16,696,891</u>	<u>16,681,845</u>	<u>15,359,366</u>	<u>1,322,479</u>
Debt service:				
Principal retirement	44,684	44,684	44,684	-
Interest and fees	8,975	8,975	8,975	-
Total debt service	<u>53,659</u>	<u>53,659</u>	<u>53,659</u>	<u>-</u>
Total expenditures	<u>16,750,550</u>	<u>16,735,504</u>	<u>15,413,025</u>	<u>1,322,479</u>
Revenues over (under) expenditures	(1,287,500)	(1,287,500)	34,418	1,321,918
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Fund balance appropriated	<u>1,287,500</u>	<u>1,287,500</u>	-	<u>(1,287,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	34,418	<u>\$ 34,418</u>
Fund balances:				
Beginning of year			2,587,858	
Increase in reserve for inventories			<u>48,143</u>	
End of year			<u>\$ 2,670,419</u>	

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

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

*Exhibit 6 (continued)*

	State Public School Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 52,112,022	\$ 53,440,415	\$ 52,275,874	\$ (1,164,541)
Lee County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>52,112,022</u>	<u>53,440,415</u>	<u>52,275,874</u>	<u>(1,164,541)</u>
Expenditures:				
Current:				
Instructional services	47,576,212	48,263,169	47,237,012	1,026,157
System-wide support services	4,483,324	5,124,760	5,002,994	121,766
Ancillary services	-	-	(9,132)	9,132
Non-programmed charges	-	-	-	-
Total current	<u>52,059,536</u>	<u>53,387,929</u>	<u>52,230,874</u>	<u>1,157,055</u>
Debt service:				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>52,059,536</u>	<u>53,387,929</u>	<u>52,230,874</u>	<u>1,157,055</u>
Revenues over (under) expenditures	52,486	52,486	45,000	(7,486)
Other financing sources (uses):				
Transfers to other funds	(52,486)	(52,486)	(45,000)	7,486
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
Increase in reserve for inventories			-	
End of year			<u>\$ -</u>	

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

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

**Exhibit 6 (continued)**

	Federal Grants Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Lee County	-	-	-	-
U.S. Government	6,925,561	7,279,185	5,399,529	(1,879,656)
Other	-	-	-	-
Total revenues	<u>6,925,561</u>	<u>7,279,185</u>	<u>5,399,529</u>	<u>(1,879,656)</u>
Expenditures:				
Current:				
Instructional services	6,486,804	6,830,701	5,045,365	1,785,336
System-wide support services	135,369	189,484	177,338	12,146
Ancillary services	-	2,559	2,559	-
Non-programmed charges	303,388	256,441	174,267	82,174
Total current	<u>6,925,561</u>	<u>7,279,185</u>	<u>5,399,529</u>	<u>1,879,656</u>
Debt service				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>6,925,561</u>	<u>7,279,185</u>	<u>5,399,529</u>	<u>1,879,656</u>
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
Increase in reserve for inventories			-	
End of year			<u>\$ -</u>	

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

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

*Exhibit 6 (continued)*

	Restricted Revenue Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 626,150	\$ 786,150	\$ 630,154	\$ (155,996)
Lee County	-	-	-	-
U.S. Government	-	156,584	156,584	-
Other	301,200	1,169,560	1,128,437	(41,123)
Total revenues	<u>927,350</u>	<u>2,112,294</u>	<u>1,915,175</u>	<u>(197,119)</u>
Expenditures:				
Current:				
Instructional services	1,805,713	2,681,507	1,009,217	1,672,290
System-wide support services	518,432	795,155	511,238	283,917
Ancillary services	10,000	41,427	26,414	15,013
Non-programmed charges	-	1,000	1,000	-
Total current	<u>2,334,145</u>	<u>3,519,089</u>	<u>1,547,869</u>	<u>1,971,220</u>
Debt service				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,334,145</u>	<u>3,519,089</u>	<u>1,547,869</u>	<u>1,971,220</u>
Revenues over (under) expenditures	(1,406,795)	(1,406,795)	367,306	1,774,101
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Fund balance appropriated	<u>1,406,795</u>	<u>1,406,795</u>	-	<u>(1,406,795)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	367,306	<u>\$ 367,306</u>
Fund balances:				
Beginning of year			1,592,596	
Increase in reserve for inventories			-	
End of year			<u>\$ 1,959,902</u>	

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

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

**Exhibit 7**

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 1,061,750
Due from other governments	131,979
Receivables	338
Inventories	147,239
Total current assets	<u>1,341,306</u>
Noncurrent assets:	
Capital assets:	
Equipment, furniture and vehicles, net	<u>530,331</u>
Total assets	<u>1,871,637</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	5,005
Compensated absences	106,830
Unearned revenue	17,275
Total current liabilities	<u>129,110</u>
Noncurrent liabilities:	
Compensated absences	<u>25,445</u>
Total liabilities	<u>154,555</u>
<b>Net position</b>	
Net investment in capital assets	530,331
Unrestricted	<u>1,186,751</u>
Total net position	<u>\$ 1,717,082</u>

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

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

**Exhibit 8**

	Enterprise Fund Major Fund School Food Service
Operating revenues:	
Food sales	\$ 797,864
Other	26,823
Total operating revenues	<u>824,687</u>
Operating expenses:	
Food cost:	
Purchase of food	1,553,288
Donated commodities	320,061
Salaries and benefits	2,303,282
Indirect costs	417,948
Materials and supplies	207,795
Repairs and maintenance	178,688
Depreciation	94,119
Non-capitalized equipment	21,266
Other	44,406
Total operating expenses	<u>5,140,853</u>
Operating loss	<u>(4,316,166)</u>
Nonoperating revenues:	
Federal reimbursements	3,542,790
Federal commodities	320,061
State reimbursements	7,750
Indirect costs not paid	317,948
Interest earned	2,318
Total nonoperating revenues	<u>4,190,867</u>
Loss before transfers	(125,299)
Transfers from other funds	<u>45,000</u>
Change in net position	(80,299)
Net position, beginning of year	<u>1,797,381</u>
Net position, end of year	<u>\$ 1,717,082</u>

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

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

**Exhibit 9**

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food Service</u>
Cash flows from operating activities:	
Cash received from customers	\$ 799,564
Cash paid for goods and services	(2,095,375)
Cash paid to employees for services	(2,269,276)
Other operating revenue	<u>26,823</u>
Net cash used by operating activities	<u>(3,538,264)</u>
Cash flows from noncapital financing activities:	
Federal and State reimbursements	<u>3,495,661</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(8,505)</u>
Cash flows from investing activities:	
Interest earned on investments	<u>2,318</u>
Net decrease in cash and cash equivalents	(48,790)
Cash and cash equivalents, beginning of year	<u>1,110,540</u>
Cash and cash equivalents, end of year	<u>\$ 1,061,750</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (4,316,166)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	94,119
Donated commodities	320,061
Salaries paid by special revenue fund	45,000
Indirect costs not paid	317,948
Changes in assets and liabilities:	
Decrease in accounts receivable	592
Decrease in inventories	5,303
Increase in accounts payable and accrued liabilities	4,765
Increase in unearned revenue	1,108
Decrease in compensated absences payable	<u>(10,994)</u>
Total adjustments	<u>777,902</u>
Net cash used by operating activities	<u>\$ (3,538,264)</u>

**NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:**

The School Food Service Fund received donated commodities with a value of \$320,061 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.

Indirect costs of \$317,948 that would be due to the Restricted Revenue Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 8.

The State Public School Fund paid salaries and benefits of \$45,000 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.*

**LEE COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
June 30, 2014**

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**Exhibit 10**

	<u>Flexible Benefits Fund</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$      80,251</u>
<b>Liabilities</b>	
Benefits payable	<u>\$      80,251</u>

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

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. Reporting Entity

The Lee County Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Lee County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding 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.

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

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

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

*Restricted Revenue 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 Lee County appropriations, restricted sales tax moneys, proceeds of county debt issued for public school construction, lottery proceeds as well as certain 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:

*Agency Fund.* Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the Board holds on behalf of others. The Board maintains one agency fund, the Flexible Benefits Fund, which accounts for monies voluntarily withheld from employees' wages to pay for child care and medical expenses not covered under the employees' medical insurance.

**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.

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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 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. In the General and Capital Outlay funds, expenditures may not legally exceed appropriations at the function level. For all other annually budgeted funds, expenditures may not legally exceed appropriations at the purpose level. In the General and Capital Outlay Funds, the Superintendent may transfer amounts between sub-functions within a fund without limitations and without a report to the Board of Education being required. Any transfer that increase or decrease the budget by more than 10% between functions of any County-appropriated amount requires Board of Education and Board of County Commissioner approval. For non County-appropriated funds in the General and Capital Outlay funds, the Superintendent may transfer amounts between functions without limitation and without a report to the Board of Education required. For all other annually budgeted funds, the Board has authorized the Superintendent to move moneys within a function without the approval of the governing board. The Superintendent may not transfer any amounts between funds or from any contingency appropriation within a fund. Amendments which alter the county appropriation or transfer monies to or from the Capital Outlay Fund also require the approval of the Lee County Board of Commissioners. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

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

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2. Cash and Cash Equivalents

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

3. Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. The inventories of the Board's General Fund consist of expendable materials and supplies which are recorded as expenditures when purchased. The General Fund inventories do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is 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, 1950 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

For capital assets utilized in both 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.

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

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

	<u>Years</u>
Buildings and improvements	50
Equipment and furniture	3 - 10
Vehicles	6

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

5. Long-term Obligations

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

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6. Compensated Absences

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

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

7. Net 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.

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.

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*Assigned fund balance* – portion of fund balance that the Board of Education intends to use for specific purposes.

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

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 the Board of Education has assigned to be expended for educational services. This amount can be expended on instructional services, system-wide support services, ancillary services or non-programmed charges.

*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 other governmental funds if expenditures incurred for specific purposes exceeded 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.

**8. Reconciliation of Government-wide and Fund Financial Statements**

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$97,359,461 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)	\$153,908,118
Less accumulated depreciation	<u>(52,035,881)</u>
Net capital assets	101,872,237
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:	
Capital leases	(103,738)
Installment purchases	(39,835)
Compensated absences	<u>(4,369,203)</u>
Total adjustment	<u>\$ 97,359,461</u>

**LEE COUNTY BOARD OF EDUCATION**  
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b. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances 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 \$(2,990,984) as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 264,194
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	(3,461,107)
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	105,394
Revenues in the statement of activities that do not provide current financial Resources are not reported as revenues in the funds	
Amount of donated assets	47,436
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:	
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	48,143
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	<u>4,956</u>
Total adjustment	<u>\$ (2,990,984)</u>

**NOTE 2 - DETAIL NOTES ON ALL FUNDS**

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling

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Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risk for deposits.

At June 30, 2014, the Board had deposits with banks and savings and loans with a carrying amount of \$5,760,456 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$6,371,375 and \$5,424,334, respectively. Of these balances, \$839,827 was covered by federal depository insurance and \$10,955,882 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2014, the Board had \$2,181,272 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2014. 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.

3. Accounts Receivable

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

	Due from other governments	Other	Total
Governmental activities:			
General Fund	\$ 11,685	\$ -	\$ 11,685
Other governmental activities	<u>761,264</u>	<u>-</u>	<u>761,264</u>
Total governmental activities	<u>\$ 772,949</u>	<u>\$ -</u>	<u>\$ 772,949</u>
Business-type activities:			
School Food Service Fund	<u>\$ 131,979</u>	<u>\$ 338</u>	<u>\$ 132,317</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 11,685	Amounts due from County
State Public School Fund	654,168	Operating funds from DPI
Federal Grants Fund	58,824	Federal grant funds
Restricted Revenue Fund	<u>48,272</u>	State grant funds
Total	<u>\$ 772,949</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 131,979</u>	Federal grant funds

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4. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,182,060	\$ -	\$ -	\$ 2,182,060
Capital assets being depreciated:				
Buildings and improvements	140,083,433	-	-	140,083,433
Equipment and furniture	2,752,959	245,734	6,500	2,992,193
Vehicles	8,584,536	65,896	-	8,650,432
Total capital assets being depreciated	<u>151,420,928</u>	<u>311,630</u>	<u>6,500</u>	<u>151,726,058</u>
Less accumulated depreciation for:				
Buildings and improvements	40,877,833	2,834,463	-	43,712,296
Equipment and furniture	2,238,507	179,026	6,500	2,411,033
Vehicles	5,464,934	447,618	-	5,912,552
Total accumulated depreciation	<u>48,581,274</u>	<u>3,461,107</u>	<u>6,500</u>	<u>52,035,881</u>
Total capital assets being depreciated, net	<u>102,839,654</u>			<u>99,690,177</u>
Governmental activity capital assets, net	<u>\$ 105,021,714</u>			<u>\$ 101,872,237</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:				
Equipment and furniture	\$ 2,673,412	\$ 8,505	\$ 3,200	\$ 2,678,717
Vehicles	31,348	-	-	31,348
Total capital assets being depreciated	<u>2,704,760</u>	<u>8,505</u>	<u>3,200</u>	<u>2,710,065</u>
Less accumulated depreciation for:				
Equipment and furniture	2,080,325	86,282	3,200	2,163,407
Vehicles	8,490	7,837	-	16,327
Total accumulated depreciation	<u>2,088,815</u>	<u>94,119</u>	<u>3,200</u>	<u>2,179,734</u>
School Food Service capital assets, net	<u>\$ 615,945</u>			<u>\$ 530,331</u>

Depreciation was charged to governmental functions as follows:

System-wide support services	\$ 447,618
Unallocated depreciation	<u>3,013,489</u>
Total	<u>\$ 3,461,107</u>

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B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

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

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 8.69% of annual covered payroll. The contribution requirements of plan members and Lee County Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2014, 2013 and 2012 were \$4,015,592, \$3,956,708 and \$3,442,495, respectively, equal to the required contributions for each year.

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, 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

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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, 2014, 2013 and 2012, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$2,495,305, \$2,517,473 and \$2,313,505, respectively. These contributions represented 5.40%, 5.30% and 5.00% 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 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

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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, 2014, 2013 and 2012, the Board paid all annual required contributions to the DIPNC for disability benefits of \$203,321, \$208,998 and \$240,605, respectively. These contributions represented 0.44%, 0.44% and 0.52% of covered payroll, respectively.

2. Accounts Payable

Accounts payable as of June 30, 2014 are as follows:

	Vendors and Other	Due to Other Governments	Total
Governmental activities:			
General Fund	\$ 399,896	\$ 770,836	\$ 1,170,732
Other governmental activities	63,460	-	63,460
Total governmental activities	<u>\$ 463,356</u>	<u>\$ 770,836</u>	<u>\$ 1,234,192</u>
Business-type activities:			
School Food Service Fund	<u>\$ 5,005</u>	<u>\$ -</u>	<u>\$ 5,005</u>

Due to other governments of \$770,836 at June 30, 2014 consists entirely of amounts owed to the NC Local Government Employees Retirement System for June 2014 employee and employer retirement contributions.

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3. Unearned Revenues

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

Governmental activities:

State grant funds (Restricted Revenue Fund)	<u>\$ 160,000</u>
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Business-type activities:

Prepayments of meals (School Food Service Fund)	<u>\$ 17,275</u>
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Unearned revenue in governmental activities consists of grant revenues for which eligibility requirements other than time requirements have not been met.

4. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit for both general liability and errors and omissions of \$2,550,000 each. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability coverage. Statutory workers' compensation coverage is purchased through a private insurer for employees to the extent they are paid from Federal and local funds. Workers' compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on flood, earthquake, business interruption and extra expense. \$10 million per occurrence is provided on increased cost of construction.

The Board does not carry supplemental flood insurance in case of natural disasters since there are no Board-owned 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 \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

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

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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.

5. Long-Term Obligations

a. Capital Leases

As authorized in State law [G.S. 115C-528(a)], the Board entered into lease agreements for the lease of mobile classroom units. The leasing arrangement was made for a term of 5 years. At the conclusion of the lease term, ownership is transferred to the Board. The lease agreement qualifies as a capital lease for accounting purposes; therefore, the obligation has been recorded at the present value of the future minimum lease payments as of the date of its inception. At June 30, 2014, the assets recorded under the capital lease, net of accumulated depreciation of \$13,550, amounted to \$212,270. The following is a schedule of future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2014:

<u>Year Ending June 30:</u>	<u>Governmental Activities</u>
2015	\$ 53,658
2016	53,658
2017	<u>4,733</u>
Total minimum lease payments	112,049
Less amount representing interest	<u>(8,311)</u>
Present value of the minimum lease payments	<u>\$ 103,738</u>

b. 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 2012-2013 fiscal year, the Board entered into a financing contract for the purchase of school buses. The financing contract requires four 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 15<sup>th</sup> dates. The future minimum payments of the installment purchases as of June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
	<u>Principal</u>
2015	<u>\$ 39,835</u>

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

c. Long-Term Obligation Activity

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

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>	<u>Current Portion</u>
Governmental activities:					
Capital lease	\$ 148,422	\$ -	\$ 44,684	\$ 103,738	\$ 47,914
Installment purchases	100,545	-	60,710	39,835	39,835
Compensated absences	<u>4,374,159</u>	<u>2,833,101</u>	<u>2,838,057</u>	<u>4,369,203</u>	<u>2,834,841</u>
Total governmental activities	<u>\$ 4,623,126</u>	<u>\$ 2,833,101</u>	<u>\$ 2,943,451</u>	<u>\$ 4,512,776</u>	<u>\$ 2,922,590</u>
Business-type activities:					
Compensated absences	<u>\$ 143,269</u>	<u>\$ 104,715</u>	<u>\$ 115,709</u>	<u>\$ 132,275</u>	<u>\$ 106,830</u>

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

C. Interfund Balances and Activity

Transfers to/from other Funds

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

From the State Public School Fund to the School Food Service Fund for administrative costs	<u>\$ 45,000</u>
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D. 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	\$ 2,670,419
Less:	
Inventories	(430,087)
Stabilization by State statute	(101,692)
Appropriated Fund Balance in the 2014-2015 budget	<u>(1,248,049)</u>
Remaining fund balance	<u>\$ 890,591</u>

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances outstanding at June 30, 2014 are as follows:

	<u>Encumbrances</u>
General Fund	\$ 90,007
Capital Outlay Fund	629,074

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

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**NOTE 3 – RESTRICTED REVENUE FUND – OTHER REVENUES**

Other revenues for the fiscal year ended June 30, 2014 in the Restricted Revenue Fund consists of the following:

Private grants and programs	\$	240,785
Medicaid reimbursement program		145,517
Sales tax refunds		153,252
Indirect costs allocated		286,062
Tuition and fees		108,023
Other		<u>194,798</u>
Total other revenues	\$	<u>1,128,437</u>

**NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

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

LEE COUNTY  
SCHOOLS  
INSPIRED.



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

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Lee County:			
County appropriation	\$ 15,338,050	\$ 15,338,050	\$ -
Other:			
Fines and forfeitures	99,429	111,106	11,677
Miscellaneous	10,525	(1,713)	(12,238)
Total other	<u>109,954</u>	<u>109,393</u>	<u>(561)</u>
Total revenues	<u>15,448,004</u>	<u>15,447,443</u>	<u>(561)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	3,769,391	3,480,342	289,049
Special populations	529,034	358,812	170,222
Alternative programs	282,307	180,974	101,333
School leadership	1,553,176	1,498,190	54,986
Co-curricular	403,684	358,596	45,088
School-based support	932,034	766,880	165,154
Total instructional services	<u>7,469,626</u>	<u>6,643,794</u>	<u>825,832</u>
System-wide support services:			
Support and development	477,554	461,401	16,153
Special population support and development	192,002	171,360	20,642
Alternative programs and services support and development	7,532	(1,186)	8,718
Technology support	528,024	523,298	4,726
Operational support	6,498,595	6,113,552	385,043
Financial and human resource services	896,491	878,820	17,671
Accountability	5,000	2,326	2,674
System-wide pupil support	109,313	93,289	16,024
Policy, leadership and public relations	363,971	348,207	15,764
Total system-wide support services	<u>9,078,482</u>	<u>8,591,067</u>	<u>487,415</u>
Ancillary services:			
Community	104,902	100,872	4,030
Nutrition	8,225	8,418	(193)
Adult	610	-	610
Total ancillary services	<u>113,737</u>	<u>109,290</u>	<u>4,447</u>

**LEE 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, 2014**

	Final Budget	Actual	Variance Positive (Negative)
Expenditures: (Continued)			
Current:			
Non-programmed charges:			
Payments to other governments	20,000	15,215	4,785
Debt service:			
Principal retirement	44,684	44,684	-
Interest and fees	8,975	8,975	-
Total debt service	53,659	53,659	-
Total expenditures	16,735,504	15,413,025	1,322,479
Revenues over (under) expenditures	(1,287,500)	34,418	1,321,918
Fund balance appropriated	1,287,500	-	(1,287,500)
Net change in fund balance	\$ -	34,418	\$ 34,418
Fund balance:			
Beginning of year		2,587,858	
Increase in reserve for inventories		48,143	
End of year		\$ 2,670,419	

**LEE COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
INDIVIDUAL SCHOOLS FUND  
For the Fiscal Year Ended June 30, 2014**

	<u>Revenues</u>	<u>Expenditures</u>	<u>Net change in fund balance</u>	<u>Fund balances June 30, 2013</u>	<u>Fund balances June 30, 2014</u>
Lee County High	\$ 438,306	\$ 395,260	\$ 43,046	\$ 93,191	\$ 136,237
Southern Lee High	291,233	283,344	7,889	91,473	99,362
East Lee Middle	63,080	54,712	8,368	16,004	24,372
West Lee Middle	56,813	50,823	5,990	50,445	56,435
SanLee Middle	70,981	71,952	(971)	50,446	49,475
B.T. Bullock Elementary	19,792	23,622	(3,830)	20,021	16,191
Broadway Elementary	21,310	16,652	4,658	12,066	16,724
Deep River Elementary	12,013	12,182	(169)	10,098	9,929
Floyd L. Knight Elementary	113,132	108,377	4,755	34,741	39,496
Greenwood Elementary	31,285	24,393	6,892	30,907	37,799
J. G. Edwards Elementary	49,728	48,708	1,020	47,178	48,198
J.R. Ingram, Jr. Elementary	32,583	33,538	(955)	15,659	14,704
Tramway Elementary	72,484	79,364	(6,880)	17,535	10,655
Lee Early College	<u>28,181</u>	<u>21,888</u>	<u>6,293</u>	<u>12,149</u>	<u>18,442</u>
Totals	<u>\$ 1,300,921</u>	<u>\$ 1,224,815</u>	<u>\$ 76,106</u>	<u>\$ 501,913</u>	<u>\$ 578,019</u>

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

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 203,002	\$ 60,710	\$ (142,292)
Public School Capital Fund - Lottery	929,623	228,042	(701,581)
Total State of North Carolina	<u>1,132,625</u>	<u>288,752</u>	<u>(843,873)</u>
Lee County:			
Bond proceeds	-	5,455	5,455
County appropriations	850,331	850,331	-
Total Lee County	<u>850,331</u>	<u>855,786</u>	<u>5,455</u>
Other:			
Interest earned on investments	-	488	488
Total revenues	<u>1,982,956</u>	<u>1,145,026</u>	<u>(837,930)</u>
Expenditures:			
Debt service:			
Principal retirement	203,002	60,710	142,292
Capital Outlay:			
Buildings and improvements:			
Bragg Street Academy - Lottery	-	178,950	-
Broadway Elementary - Lottery	-	28,176	-
Deep River Elementary - Lottery	-	10,289	-
Tramway Elementary - Lottery	-	10,627	-
Other buildings and improvements	-	482,661	-
Total buildings and improvements	<u>1,814,489</u>	<u>710,703</u>	<u>1,103,786</u>
Furnishings and equipment	58,047	43,697	14,350
Vehicles	94,334	80,376	13,958
Total capital outlay	<u>1,966,870</u>	<u>834,776</u>	<u>1,132,094</u>
Total expenditures	<u>2,169,872</u>	<u>895,486</u>	<u>1,274,386</u>
Revenues over (under) expenditures	(186,916)	249,540	436,456
Fund balance appropriated	<u>186,916</u>	-	<u>(186,916)</u>
Net change in fund balance	<u>\$ -</u>	249,540	<u>\$ 249,540</u>
Fund balance:			
Beginning of year		<u>427,013</u>	
End of year		<u>\$ 676,553</u>	

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

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Food sales	\$ 1,026,000	\$ 797,864	\$ (228,136)
Other	1,000	26,823	25,823
Total operating revenues	<u>1,027,000</u>	<u>824,687</u>	<u>(202,313)</u>
Operating expenditures:			
Business support services:			
Purchase of food	-	1,547,985	-
Donated commodities	-	320,061	-
Salaries and benefits	-	2,314,276	-
Indirect costs	-	417,948	-
Materials and supplies	-	207,795	-
Repairs and maintenance	-	178,688	-
Non-capitalized equipment	-	21,266	-
Other	-	44,406	-
Capital outlay	-	8,505	-
Total operating expenditures	<u>5,393,000</u>	<u>5,060,930</u>	<u>332,070</u>
Operating loss	<u>(4,366,000)</u>	<u>(4,236,243)</u>	<u>129,757</u>
Nonoperating revenues:			
Federal reimbursements and grants	3,600,000	3,542,790	(57,210)
Federal commodities	280,000	320,061	40,061
State reimbursements	10,000	7,750	(2,250)
Indirect costs not paid	275,000	317,948	42,948
Interest earned	2,000	2,318	318
Other	1,000	-	(1,000)
Total nonoperating revenues	<u>4,168,000</u>	<u>4,190,867</u>	<u>22,867</u>
Excess (deficiency) of revenues over expenditures before other financing sources and appropriated fund balance	(198,000)	(45,376)	152,624
Other financing sources:			
Transfers from other funds	46,000	45,000	(1,000)
Fund balance appropriated	<u>152,000</u>	<u>-</u>	<u>(152,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(376)</u>	<u>\$ (376)</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(94,119)	
Equipment purchases		8,505	
Decrease in compensated absences payable		10,994	
Decrease in inventories		<u>(5,303)</u>	
Change in net position (full accrual)		<u>\$ (80,299)</u>	

**LEE COUNTY BOARD OF EDUCATION  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FIDUCIARY FUND  
 For the Fiscal Year Ended June 30, 2014**

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	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>Flexible Benefits Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 79,554	\$ 132,903	\$ 132,206	\$ 80,251
<b>Liabilities</b>				
Benefits payable	\$ 79,554	\$ 132,903	\$ 132,206	\$ 80,251

LEE COUNTY  
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# 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 Lee County, these schedules on the county's revenue sources are relevant to an understanding of Lee 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 Lee provides significant funding to the school system. Selected fiscal data from the County of Lee 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.

LEE COUNTY  
SCHOOLS  
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**LEE COUNTY SCHOOLS**  
**NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

Schedule 1

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Net investment in capital assets	\$101,728,664	\$104,772,747	\$106,028,829	\$102,057,300	\$ 91,262,739	\$ 91,765,480	\$ 93,846,311	\$ 87,206,902	\$ 72,129,510	\$ 72,484,255
Restricted	1,456,589	1,307,711	1,284,531	908,285	482,343	468,305	481,331	556,365	546,007	465,513
Unrestricted (deficit)	59,101	(572,490)	317,817	(311,707)	591,231	(227,827)	(32,104)	147,507	143,685	743,697
<b>Total governmental activities net position</b>	<b>\$103,244,354</b>	<b>\$105,507,968</b>	<b>\$107,631,177</b>	<b>\$102,653,878</b>	<b>\$ 92,336,313</b>	<b>\$ 92,005,958</b>	<b>\$ 94,295,538</b>	<b>\$ 87,910,774</b>	<b>\$ 72,819,202</b>	<b>\$ 73,693,465</b>
Business-type activities										
Investment in capital assets	\$ 530,331	\$ 615,945	\$ 607,402	\$ 622,391	\$ 655,861	\$ 727,994	\$ 555,953	\$ 650,004	\$ 751,907	\$ 716,521
Unrestricted	1,186,751	1,181,436	1,341,800	1,320,632	1,019,102	821,050	898,829	1,162,018	1,245,420	1,259,344
<b>Total business-type activities net position</b>	<b>\$ 1,717,082</b>	<b>\$ 1,797,381</b>	<b>\$ 1,949,202</b>	<b>\$ 1,943,023</b>	<b>\$ 1,674,963</b>	<b>\$ 1,549,044</b>	<b>\$ 1,454,782</b>	<b>\$ 1,812,022</b>	<b>\$ 1,997,327</b>	<b>\$ 1,975,865</b>
Government-wide										
Net investment in capital assets	\$102,258,995	\$105,388,692	\$106,636,231	\$102,679,691	\$ 91,918,600	\$ 92,493,474	\$ 94,402,264	\$ 87,856,906	\$ 72,881,417	\$ 73,200,776
Restricted	1,456,589	1,307,711	1,284,531	908,285	482,343	468,305	481,331	556,365	546,007	465,513
Unrestricted	1,245,852	608,946	1,659,617	1,008,925	1,610,333	593,223	866,725	1,309,525	1,389,105	2,003,041
<b>Total government-wide net position</b>	<b>\$104,961,436</b>	<b>\$107,305,349</b>	<b>\$109,580,379</b>	<b>\$104,596,901</b>	<b>\$ 94,011,276</b>	<b>\$ 93,555,002</b>	<b>\$ 95,750,320</b>	<b>\$ 89,722,796</b>	<b>\$ 74,816,529</b>	<b>\$ 75,669,330</b>

Source: Lee County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2014.

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

Schedule 2

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Expenses</b>										
Governmental activities:										
Instructional programs						\$ 64,161,345	\$ 61,373,844	\$ 51,066,262	\$ 48,857,183	\$ 46,135,412
Regular Instruction	\$ 37,221,539	\$ 39,104,948	\$ 37,045,690	\$ 40,606,841	\$ 37,180,288					
Special Populations	9,351,693	9,508,884	9,983,706	10,152,434	9,754,784					
Alternative Programs	4,329,941	5,346,801	4,799,949	5,347,664	5,471,241					
School Leadership	4,553,210	4,674,959	4,539,064	4,698,826	4,534,424					
Co-Curricular	1,591,602	1,723,747	1,582,938	366,573	343,369					
School-Based	4,108,200	5,002,951	4,616,738	4,839,806	4,443,923					
Support services						19,379,473	13,507,983	32,333,522	15,524,447	14,109,071
Support and Development	716,282	626,337	622,472	616,400	1,027,915					
Special Populations Support & Development	387,549	376,714	351,906	319,387	223,251					
Alternative Programs	273,980	307,632	307,105	291,226	298,419					
Technology Support	1,338,500	1,439,600	1,261,402	1,027,259	936,419					
Operational Support	10,202,039	10,632,071	11,128,541	11,046,387	10,846,986					
Financial and Human Resources	1,109,843	1,108,475	1,130,954	1,195,477	1,101,603					
Accountability	5,994	9,128	2,586	12,889	2,687					
System-Wide Pupil Support	312,631	239,766	191,971	121,673	3,685					
Policy, Leadership and Public Relations	804,938	1,015,503	930,512	1,028,655	916,892					
Ancillary services	129,131	109,841	115,954	102,571	142,200					
Payments to other governments	16,215	19,258	16,797	45,505	-					
Interest on Long-Term Debt	8,975	11,987	35,477	27,664	46,440					
Unallocated depreciation expense	3,013,489	2,532,957	2,552,464	2,624,741	2,624,486	2,506,130	2,036,132	2,082,192	1,994,089	1,549,697
Other						257,627	256,306	153,453	181,002	128,089
Total governmental activities expenses	79,475,751	83,791,559	81,216,226	84,471,978	79,899,012	86,304,575	77,174,265	85,635,429	66,556,721	61,922,269
Business-type activities:										
School food service	4,822,905	4,872,752	4,632,511	4,233,778	4,290,957	4,637,538	4,553,165	4,381,775	4,174,877	3,959,035
Total government-wide expenses	84,298,656	88,664,311	85,848,737	88,705,756	84,189,969	90,942,113	81,727,430	90,017,204	70,731,598	65,881,304

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

Schedule 2  
(continued)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Program Revenues</b>										
Governmental activities:										
Charges for services						110,661	180,518	146,354	169,516	143,235
Regular Instruction	123,709	72,184	72,660	107,048	110,356					
Operational Support	-	19,779	16,940	14,953	22,445					
Operating grants and contributions						61,880,784	59,119,707	52,252,186	49,399,802	48,032,707
Regular Instruction	30,972,232	31,112,803	31,763,702	29,921,769	30,988,204					
Special Populations	8,881,129	9,648,948	9,960,357	9,402,322	9,077,680					
Alternative Programs	4,104,879	5,035,836	4,598,274	4,643,050	4,711,987					
School Leadership	3,032,756	2,891,230	3,159,069	2,921,899	3,168,969					
School-Based Support	3,282,494	3,715,737	2,797,271	3,168,200	3,004,164					
Support and Development	185,715	187,451	186,495	217,302	719,884					
Special Populations Support & Development	210,681	177,978	132,573	192,424	142,002					
Alternative Programs	217,009	111,811	151,281	202,018	233,146					
Technology Support	401,246	372,810	389,251	336,868	285,397					
Operational Support	2,901,370	3,099,430	3,154,518	3,230,718	3,716,692					
Financial and Human Resources	378,503	399,146	396,272	492,045	369,448					
Accountability	24	-	-	1,636	2,691					
System-Wide Pupil Support	97,152	108,817	95,588	29,954	-					
Policy, Leadership and Public Relations	441,556	612,238	484,835	461,538	422,784					
Ancillary services	(6,573)	9,469	9,923	47,656	78,973					
Payments to other governments	174,267	169,837	155,351	-	-					
Capital grants and contributions										
Operational Support	108,146	100,547	41,746	102,283	75,295	2,511,461	8,000,742	16,253,276	585,030	644,135
Total governmental activities program revenues	<u>55,506,295</u>	<u>57,846,051</u>	<u>57,566,106</u>	<u>55,493,683</u>	<u>57,130,117</u>	<u>64,502,906</u>	<u>67,300,967</u>	<u>68,651,816</u>	<u>50,154,348</u>	<u>48,820,077</u>
Business-type activities:										
Charges for services										
Child Nutrition	824,687	864,400	962,485	1,004,037	1,064,215	1,116,034	1,247,547	1,286,450	1,317,207	1,355,363
Operating grants and contributions										
Child Nutrition	3,870,601	3,808,886	3,581,937	3,433,626	3,264,774	3,344,449	2,908,554	2,859,708	2,836,504	2,494,529
Capital grants and contributions	-	-	-	-	32,288	249,273				
Total business-type activities program revenues	<u>4,695,288</u>	<u>4,673,286</u>	<u>4,544,422</u>	<u>4,437,663</u>	<u>4,361,277</u>	<u>4,709,756</u>	<u>4,156,101</u>	<u>4,146,158</u>	<u>4,153,711</u>	<u>3,849,892</u>
Total government-wide program revenues	<u>60,201,583</u>	<u>62,519,337</u>	<u>62,110,528</u>	<u>59,931,346</u>	<u>61,491,394</u>	<u>69,212,662</u>	<u>71,457,068</u>	<u>72,797,974</u>	<u>54,308,059</u>	<u>52,669,969</u>
Net (Expense)/Revenue										
Governmental activities	(23,969,456)	(25,945,508)	(23,650,120)	(28,978,295)	(22,768,895)	(21,801,669)	(9,873,298)	(16,983,613)	(16,402,373)	(13,102,192)
Business-type activities	(127,617)	(199,466)	(88,089)	203,885	70,320	72,218	(397,064)	(235,617)	(21,166)	(109,143)
Total primary government net expense	<u>\$ (24,097,073)</u>	<u>\$ (26,144,974)</u>	<u>\$ (23,738,209)</u>	<u>\$ (28,774,410)</u>	<u>\$ (22,698,575)</u>	<u>\$ (21,729,451)</u>	<u>\$ (10,270,362)</u>	<u>\$ (17,219,230)</u>	<u>\$ (16,423,539)</u>	<u>\$ (13,211,335)</u>

Source: Lee County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2014.

Note: Reporting by function began in 2010 to provide more detail.

**LEE COUNTY SCHOOLS  
GENERAL REVENUES AND TOTAL CHANGE IN NET POSITION  
Last Ten Fiscal Years  
(accrual basis of accounting)**

Schedule 3

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net (Expense)/Revenue Governmental activities	(23,969,456)	(25,945,508)	(23,650,120)	(28,978,295)	(22,768,895)	(21,801,669)	(9,873,298)	(16,983,613)	(16,402,373)	(13,102,192)
Net (Expense)/Revenue Business-type activities	(127,617)	(199,466)	(88,089)	203,885	70,320	72,218	(397,064)	(235,617)	(21,166)	(109,143)
<b>Total primary government-wide net expense</b>	<b><u>\$(24,097,073)</u></b>	<b><u>\$(26,144,974)</u></b>	<b><u>\$(23,738,209)</u></b>	<b><u>\$(28,774,410)</u></b>	<b><u>\$(22,698,575)</u></b>	<b><u>\$(21,729,451)</u></b>	<b><u>\$(10,270,362)</u></b>	<b><u>\$(17,219,230)</u></b>	<b><u>\$(16,423,539)</u></b>	<b><u>\$(13,211,335)</u></b>
<b>General revenues and transfers:</b>										
Governmental activities:										
State of North Carolina - capital	228,042	1,003,146	798,286	1,253,821	1,412,769	2,058,073	979,990	518,535	644,189	256,158
Federal - capital	-	-	-	13,146,068	1,923,941	-	-	-	-	-
State & Federal - operating	3,615,873	2,874,651	2,782,294	7,789,983	3,086,512	-	-	-	-	-
Lee County - unrestricted - operating	15,338,050	16,050,050	15,838,050	15,178,050	14,978,050	15,602,134	13,502,134	12,666,167	12,171,984	9,871,984
Lee County - unrestricted - capital	855,786	1,991,527	6,997,407	603,831	953,831	1,444,963	721,812	16,808,163	743,000	743,000
Other revenues	1,713,091	1,947,962	2,179,756	1,369,489	789,197	406,919	1,054,126	2,082,320	1,968,937	1,597,375
Transfers in (out)	(45,000)	(45,037)	(89,505)	(45,381)	(45,050)	-	-	-	-	-
Total governmental activities general revenues and transfers	<u>21,705,842</u>	<u>23,822,299</u>	<u>28,506,288</u>	<u>39,295,861</u>	<u>23,099,250</u>	<u>19,512,089</u>	<u>16,258,062</u>	<u>32,075,185</u>	<u>15,528,110</u>	<u>12,468,517</u>
Business-type activities:										
Other revenues	2,318	2,608	4,763	18,794	10,549	22,044	39,822	50,314	42,628	27,783
Transfers in (out)	45,000	45,037	89,505	45,381	45,050	-	-	-	-	-
Total business-type activities general revenues and transfers	<u>47,318</u>	<u>47,645</u>	<u>94,268</u>	<u>64,175</u>	<u>55,599</u>	<u>22,044</u>	<u>39,822</u>	<u>50,314</u>	<u>42,628</u>	<u>27,783</u>
<b>Total government-wide general revenues and transfers</b>	<b><u>21,753,160</u></b>	<b><u>23,869,944</u></b>	<b><u>28,600,556</u></b>	<b><u>39,360,036</u></b>	<b><u>23,154,849</u></b>	<b><u>19,534,133</u></b>	<b><u>16,297,884</u></b>	<b><u>32,125,499</u></b>	<b><u>15,570,738</u></b>	<b><u>12,496,300</u></b>
<b>Change in Net Position</b>										
Governmental activities	(2,263,614)	(2,123,209)	4,856,168	10,317,566	330,355	(2,289,580)	6,384,764	15,091,572	(874,263)	(633,675)
Business-type activities	(80,299)	(151,821)	6,179	268,060	125,919	94,262	(357,242)	(185,303)	21,462	(81,360)
<b>Total primary government change in net position</b>	<b><u>\$ (2,343,913)</u></b>	<b><u>\$ (2,275,030)</u></b>	<b><u>\$ 4,862,347</u></b>	<b><u>\$ 10,585,626</u></b>	<b><u>\$ 456,274</u></b>	<b><u>\$ (2,195,318)</u></b>	<b><u>\$ 6,027,522</u></b>	<b><u>\$ 14,906,269</u></b>	<b><u>\$ (852,801)</u></b>	<b><u>\$ (715,035)</u></b>

Source: Lee County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2014.

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

Schedule 4

	Fiscal Year					Fiscal Year					
	2014	2013	2012	2011		2010	2009	2008	2007	2006	2005
<b>General Fund</b>					<b>General Fund</b>						
Nonspendable:					Reserved	\$ 553,445	\$ 508,961	\$ 645,053	\$ 1,160,174	\$ 790,428	\$ 1,148,331
Inventories	\$ 430,087	\$ 381,944	\$ 372,349	\$ 415,193	Unreserved	2,339,359	2,553,973	2,125,172	1,623,056	2,020,786	1,941,263
Stabilization by State statute	101,692	237,267	162,265	294,558	<b>Total general fund</b>						
Assigned:											
Subsequent year's expenditures	1,248,049	1,148,049	1,248,050	1,157,867							
Unassigned	890,591	820,598	824,871	824,872							
<b>Total general fund</b>	<b>\$ 2,670,419</b>	<b>\$ 2,587,858</b>	<b>\$ 2,607,535</b>	<b>\$ 2,692,490</b>		<b>\$ 2,892,804</b>	<b>\$ 3,062,934</b>	<b>\$ 2,770,225</b>	<b>\$ 2,783,230</b>	<b>\$ 2,811,214</b>	<b>\$ 3,089,594</b>
<b>All Other Governmental Funds</b>					<b>All Other Governmental Funds</b>						
Restricted:					Reserved		\$ -	\$ -	\$ 7,120	\$ 196,675	\$ 207,737
Stabilization by State statute	\$ 48,272	\$ 69,928	\$ 23,302	\$ 70,160	Other funds	\$ 231,771					
Capital projects fund	676,553	427,013	445,446	357,939	Capital projects fund	4,780					
Instructional services	52,053	71,590	140,120	-	Unreserved, reported in:						
Individual schools	578,019	501,913	513,398	528,471	Other funds	635,410					
Assigned:					Capital projects fund	319,046	310,662	579,123	478,896	220,983	190,978
Special revenues	1,859,577	1,451,078	1,746,532	841,800	Special revenue funds	482,343	468,305	481,331	556,365	546,007	465,513
<b>Total all other governmental funds</b>	<b>\$ 3,214,474</b>	<b>\$ 2,521,522</b>	<b>\$ 2,868,798</b>	<b>\$ 1,798,370</b>	<b>Total all other governmental funds</b>	<b>\$ 1,673,350</b>	<b>\$ 778,967</b>	<b>\$ 1,060,454</b>	<b>\$ 1,035,261</b>	<b>\$ 766,990</b>	<b>\$ 656,491</b>
<b>Total fund balance</b>	<b>\$ 5,884,893</b>	<b>\$ 5,109,380</b>	<b>\$ 5,476,333</b>	<b>\$ 4,490,860</b>	<b>Total fund balance</b>	<b>\$ 4,566,154</b>	<b>\$ 3,841,901</b>	<b>\$ 3,830,679</b>	<b>\$ 3,818,491</b>	<b>\$ 3,578,204</b>	<b>\$ 3,746,085</b>

Source: Lee County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2014. Fund Balance classifications changed with GASB 54 in 2011.

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

Schedule 5

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues:</b>										
State of North Carolina	\$ 53,194,780	\$ 54,254,513	\$ 53,213,350	\$ 52,387,462	\$ 51,369,475	\$ 56,247,721	\$ 54,009,449	\$ 48,125,895	\$ 45,512,640	\$ 43,426,871
U. S. Government	5,556,113	6,308,344	6,768,322	10,886,776	9,118,117	6,127,209	5,197,487	5,234,089	4,990,721	5,410,969
Local sources:										
Lee County - unrestricted	15,338,050	16,050,050	15,838,050	15,178,050	14,978,050	15,602,134	13,502,134	12,666,167	12,171,984	9,871,984
Lee County - restricted	855,786	1,991,527	6,997,407	13,749,899	2,877,772	3,956,424	8,722,554	16,808,163	743,000	743,000
Other revenues	2,539,239	3,401,245	3,625,121	2,920,645	2,207,837	2,198,255	2,448,028	2,129,781	2,524,566	2,099,508
Total revenues	<u>77,483,968</u>	<u>82,005,679</u>	<u>86,442,250</u>	<u>95,122,832</u>	<u>80,551,251</u>	<u>84,131,743</u>	<u>83,879,652</u>	<u>84,964,095</u>	<u>65,942,911</u>	<u>61,552,332</u>
<b>Expenditures:</b>										
Instructional programs:							61,158,385	51,039,520	48,603,620	46,400,069
Regular	37,223,985	38,858,450	37,055,404	40,426,066	37,219,158	39,042,536				
Special	9,352,307	9,448,944	9,986,324	10,101,577	9,768,939	9,797,050				
Alternative	4,330,225	5,313,097	4,801,208	5,320,876	5,479,180	5,307,265				
School Leadership	4,553,509	4,645,490	4,540,254	4,675,288	4,541,004	4,960,086				
Co-Curricular	1,591,707	1,712,881	1,583,353	364,737	343,867	379,976				
School-based support	4,108,470	4,971,415	4,617,949	4,815,562	4,450,372	4,492,786				
System-wide support services:							12,766,126	16,398,213	15,869,140	13,654,184
Support and development	716,329	622,389	622,635	613,312	1,029,407	1,048,113				
Special populations support	387,574	374,339	351,998	317,787	223,575	236,383				
Alternative programs	273,998	305,693	307,186	289,767	298,852	267,829				
Technology support	1,338,588	1,430,525	1,261,733	979,250	979,250	888,282				
Operational support	9,184,442	8,675,644	9,957,480	9,537,411	8,844,847	9,102,901				
Financial and human resource	1,258,069	1,232,705	1,213,428	1,189,488	1,103,202	1,143,053				
Accountability	5,994	9,070	2,587	12,824	2,691	578				
System-wide pupil support	312,652	238,255	192,021	121,063	3,690	6,230				
Policy, leadership & public relations	804,991	1,009,102	930,756	1,023,502	918,224	968,446				
Ancillary services	129,131	109,841	115,954	102,571	142,200	104,853				
Non-programmed charges	190,482	189,095	172,148	310,659	291,894	239,227				
Debt service:										
Principal retirement	105,394	142,219	301,046	368,450	523,533	969,160				
Interest and fees	8,975	11,987	35,477	27,664	46,440	30,296				
Capital Outlay	834,776	3,195,395	7,501,307	14,658,097	3,716,657	6,909,210	9,300,415	18,130,594	1,255,991	1,236,904
Other							1,008,609	809,953	434,673	500,667
Total expenditures	<u>76,711,598</u>	<u>82,496,536</u>	<u>85,550,248</u>	<u>95,255,951</u>	<u>79,836,014</u>	<u>85,731,646</u>	<u>84,233,535</u>	<u>86,378,280</u>	<u>66,163,424</u>	<u>61,791,824</u>
Revenues over (under) expenditures	<u>772,370</u>	<u>(490,857)</u>	<u>892,002</u>	<u>(133,119)</u>	<u>715,237</u>	<u>(1,599,903)</u>	<u>(353,883)</u>	<u>(1,414,185)</u>	<u>(220,513)</u>	<u>(239,492)</u>
Other financing sources (uses)										
Transfers to other funds	(45,000)	(45,037)	(89,505)	(45,381)	(45,050)					
Installment purchase obligations issued	-	159,346	225,820	83,493	-	845,895	274,335	236,448	-	447,566
Capital lease obligations issued	-	-	-	-	-	768,686	57,653	1,181,024	-	21,319
Total other financing sources (uses)	<u>(45,000)</u>	<u>114,309</u>	<u>136,315</u>	<u>38,112</u>	<u>(45,050)</u>	<u>1,614,581</u>	<u>331,988</u>	<u>1,417,472</u>	<u>-</u>	<u>468,885</u>
Net change in fund balance	<u>\$ 727,370</u>	<u>\$ (376,548)</u>	<u>\$ 1,028,317</u>	<u>\$ (95,007)</u>	<u>\$ 670,187</u>	<u>\$ 14,678</u>	<u>\$ (21,895)</u>	<u>\$ 3,287</u>	<u>\$ (220,513)</u>	<u>\$ 229,393</u>
Debt service as a percentage of noncapital expenditures	0.15%	0.19%	0.43%	0.49%	0.75%	1.28%	0.00%	0.00%	0.00%	0.00%

Source: Lee County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2014.

Note: Reporting by function began in 2009 to provide more detail.

**LEE COUNTY SCHOOLS  
OPERATING STATISTICS  
Last Ten Fiscal Years**

Schedule 6

<u>Fiscal Year</u>	<u>Average Daily Membership</u>	<u>Average Daily Attendance</u>	<u>Fund Operating Expenditures</u>	<u>Per Pupil Expenditure</u>	<u>% Change</u>	<u>NC Per Pupil Expenditure Rank</u>	<u>Certified Personnel</u>	<u>Ratio of Pupil-Certified Ratio</u>	<u>Student Attendance Percentage</u>	<u>Students Receiving Free or Reduced-Price Meals</u>
2014	9,943	*	*	*	*	*	712	14.0	*	65.8%
2013	9,767	9,312	\$81,877,649	\$8,383	0.5%	85	715	13.7	95.3%	65.4%
2012	9,650	9,242	80,513,577	8,343	-3.2%	82	708	13.6	95.8%	64.7%
2011	9,565	9,136	82,461,257	8,621	5.4%	69	711	13.5	95.5%	63.3%
2010	9,545	9,099	78,079,578	8,180	-4.0%	87	696	13.7	95.3%	60.2%
2009	9,498	9,059	80,887,707	8,516	4.1%	82	716	13.3	95.4%	57.9%
2008	9,396	8,993	76,865,834	8,181	7.3%	87	685	13.7	95.7%	55.4%
2007	9,258	8,829	70,559,325	7,621	2.9%	94	674	13.7	95.4%	55.8%
2006	9,133	8,710	67,646,764	7,407	6.4%	81	675	13.5	95.4%	54.9%
2005	9,056	8,657	63,061,423	6,964	5.0%	92	650	13.9	95.6%	50.9%

\* Information not yet available

Sources: Lee County Schools Child Nutrition Department, Students Receiving Free or Reduced-Price Meals  
North Carolina Department of Public Instruction, all other information reported.

Notes: The amounts shown for per pupil expenditures represent the per pupil expenditures as computed and reported by the North Carolina Department of Public Instruction (NCDPI). NCDPI computes this statistic by dividing current expense expenditures by average daily membership. Consequently, capital expense expenditures and certain other expenditures (community services, Head Start, and inter/intra fund transfers) are excluded to improve the comparability of per pupil expenditures between fiscal years and between other North Carolina school districts. This computation is considered the official per pupil expenditure reported for Lee County Schools.

**LEE COUNTY SCHOOLS**  
**GOVERNMENTAL FUND EXPENDITURES BY FUNCTION**  
**Last Ten Fiscal Years**

Schedule 7

<u>Fiscal Year</u>	<u>Regular Instructional</u>	<u>Special Instructional</u>	<u>Other Instructional</u>	<u>Support Development</u>	<u>Special Populations</u>	<u>Alternative Programs</u>	<u>Technology Support</u>	<u>Operational Support</u>	<u>Financial/HR</u>	<u>Other Policy/Leadership</u>	<u>Ancillary Services</u>	<u>Non-Programmed Charges</u>	<u>Total</u>
2014	\$37,223,985	\$9,352,307	\$14,583,911	\$716,329	\$387,574	\$273,998	\$1,338,588	\$9,184,442	\$1,258,069	\$1,123,637	\$129,131	\$190,482	\$75,762,453
2013	38,858,450	9,448,944	16,642,883	622,389	374,339	305,693	1,430,525	8,675,644	1,232,705	1,256,427	109,841	189,095	79,146,935
2012	37,055,404	9,986,324	15,542,764	622,635	351,998	307,186	1,261,733	9,957,480	1,213,428	1,125,364	115,954	172,148	77,712,418
2011	40,426,066	10,101,577	15,176,463	613,312	317,787	289,767	979,250	9,537,411	1,189,488	1,157,389	102,571	310,659	80,201,740
2010	37,219,158	9,768,939	14,814,423	1,029,407	223,575	298,852	888,282	8,844,847	1,103,202	924,605	142,200	291,894	75,549,384
2009	39,042,536	9,797,050	15,140,113	1,048,113	236,383	267,829	725,668	9,102,901	1,143,053	975,254	104,853	239,227	77,822,980
2008	38,321,437	8,947,146	13,889,802	1,001,878	148,219	219,262	717,719	8,717,102	1,117,529	844,417	140,498	211,249	74,276,258

<u>Fiscal Year</u>	<u>Regular Instructional</u>	<u>Special Instructional</u>	<u>Other Instructional</u>	<u>Pupil Support</u>	<u>Instructional Support</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Business Support</u>	<u>Central Support</u>	<u>Support Services</u>	<u>Community Services</u>	<u>Other</u>	<u>Total</u>
2007	29,804,500	6,218,741	15,016,279	82,683	748,217	1,396,105	3,549,282	7,706,989	460,948	2,453,989	78,751	165,353	67,681,837
2006	28,805,537	5,694,230	14,103,853	89,075	638,726	1,388,616	3,402,756	7,464,486	462,794	2,422,687	82,514	187,849	64,743,123
2005	27,667,924	5,747,676	12,984,469	87,026	723,023	1,360,059	3,077,207	6,008,506	416,445	1,991,303	58,848	166,298	60,288,784

Source: Lee County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2014.

Note: 2007-08 was the first year the revised chart of accounts was in effect for all school districts.

**LEE COUNTY SCHOOLS  
CAPITAL PROJECTS FUND EXPENDITURES  
Last Ten Fiscal Years**

Schedule 8

Fiscal Year	Sites and Building Improvements	Furniture and Equipment	Vehicles and Other	Total
2014	\$ 710,703	\$ 43,697	\$ 141,086	\$ 895,486
2013	2,663,957	129,845	502,140	3,295,942
2012	7,275,511	128,199	346,997	7,750,707
2011	14,449,811	68,330	536,070	15,054,211
2010	3,494,313	153,887	638,430	4,286,630
2009	5,463,495	352,404	2,092,767	7,908,666
2008	8,708,677	238,040	1,010,560	9,957,277
2007	16,598,897	469,755	1,627,791	18,696,443
2006	875,206	96,775	448,320	1,420,301
2005	530,017	131,354	851,054	1,512,425

Source: Lee County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2014.

**LEE COUNTY SCHOOLS**  
**SOURCES OF SCHOOL FOOD SERVICE REVENUES AND REIMBURSEMENTS**  
**Last Ten Fiscal Years**

Schedule 9

<u>Year Ended June 30</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Food Sales	\$797,864	\$862,059	\$962,485	\$1,016,863	\$1,066,051	\$1,118,033	\$1,249,747	\$1,286,450	\$1,317,207	\$1,355,363
USDA Reimbursement	3,542,790	3,508,271	3,312,767	3,118,879	2,953,269	2,740,291	2,512,589	2,526,481	2,344,118	2,155,336
Donated Commodities	320,061	291,628	260,511	310,771	308,098	287,780	276,634	233,931	217,270	220,617
Other	354,839	278,453	233,752	9,944	12,120	336,423	156,953	149,610	137,833	146,359
<b>Total</b>	<b><u>\$5,015,554</u></b>	<b><u>\$4,940,411</u></b>	<b><u>\$4,769,515</u></b>	<b><u>\$4,456,457</u></b>	<b><u>\$4,339,538</u></b>	<b><u>\$4,482,527</u></b>	<b><u>\$4,195,923</u></b>	<b><u>\$4,196,472</u></b>	<b><u>\$4,016,428</u></b>	<b><u>\$3,877,675</u></b>
Food Sales	16%	17%	20%	23%	25%	25%	30%	31%	33%	35%
USDA Reimbursement	71%	71%	69%	70%	68%	61%	60%	60%	58%	56%
Donated Commodities	6%	6%	5%	7%	7%	6%	7%	6%	5%	6%
Other	7%	6%	5%	0%	0%	8%	4%	4%	3%	4%
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>

Source: Lee County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2014.

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

**LEE COUNTY SCHOOLS  
OUTSTANDING DEBT BY TYPE  
Last Ten Fiscal Years**

Schedule 10

Fiscal Year	Real Property		Total Primary Government	Population Estimate	Percentage of Personal Income	Per Capita
	Capital Leases	Installment Purchases				
2014	\$103,738	\$39,835	\$143,573	*	*	*
2013	148,422	100,545	248,967	59,715	*	\$4.17
2012	190,094	41,746	231,840	58,752	0.01%	3.95
2011	344,705	83,492	428,197	57,866	0.02%	7.40
2010	582,920	130,234	713,154	60,477	0.04%	11.79
2009	824,488	412,199	1,236,687	59,091	0.07%	20.93
2008	188,788	402,478	591,266	57,973	0.03%	10.20
2007	200,862	704,708	905,570	56,908	0.05%	15.91
2006	6,401	42,219	48,620	55,704	0.00%	0.87
2005	20,270	191,408	211,678	54,417	0.01%	3.89

\* Information not yet available

Sources: Information taken from District's financial statements and other sources including Bureau of Economic Analysis, U.S. Department of Commerce.

Note: The Board's debt is reported on Lee County Schools' financials as required. Details regarding the Board's outstanding long-term obligations can be found in the notes to the financial statements.

**LEE COUNTY SCHOOLS  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
As of June 30, 2014**

Schedule 11

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Underlying Debt</u>
Direct:			
Lee County Schools	\$ 143,573	100%	\$ 143,573
Total direct debt	<u>143,573</u>		<u>143,573</u>
Overlapping Debt:			
Lee County	63,455,247	100%	63,455,247
City of Sanford	46,545,582	100%	46,545,582
Town of Broadway	440,000	100%	440,000
Lee County Water & Sewer District #1	<u>400,000</u>	100%	<u>400,000</u>
Total overlapping debt	<u>110,840,829</u>		<u>110,840,829</u>
Total direct and overlapping debt	<u>\$ 110,984,402</u>		<u>\$ 110,984,402</u>

Note: Percentage of overlap based on assessed property values. County issues debt for the school system as needed.

Sources: Lee County Schools, Annual Financial Report for the year ended June 30, 2014.

County of Lee, North Carolina, Annual Financial Report for the year ended June 30, 2014.

**LEE COUNTY SCHOOLS  
NUMBER OF PERSONNEL  
Last Ten Fiscal Years**

Schedule 12

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>		<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Officials, Administrators, Managers</b>	16	17	17	17	15	16	<b>Instructional Programs:</b>				
<b>Principals</b>	16	16	16	16	15	15	Regular	620	601	598	581
<b>Assistant Principals</b>	20	20	19	20	20	20	Special	228	234	230	227
<b>Elementary Classroom Teachers</b>	427	422	419	412	401	209	Student Services	<u>37</u>	<u>40</u>	<u>37</u>	<u>32</u>
<b>Secondary Classroom Teachers</b>	183	182	182	183	182	183	<b>Total Instructional Programs</b>	<b><u>885</u></b>	<b><u>875</u></b>	<b><u>865</u></b>	<b><u>840</u></b>
<b>Other Classroom Teachers</b>	15	14	13	17	16	231	<b>Support Services:</b>				
<b>Guidance</b>	22	22	21	23	24	23	Pupil	7	6	6	5
<b>Psychological</b>	5	5	5	5	5	5	Instructional Staff	35	30	32	31
<b>Librarians, Audiovisual Staff</b>	8	11	11	12	12	13	Administrative	15	14	13	14
<b>Consultants, Supervisors of Instruction</b>	22	22	20	31	28	15	School Administration	34	34	32	28
<b>Other Professional Staff</b>	31	37	37	28	28	37	Business	83	82	80	76
<b>Teacher Assistants</b>	190	199	198	204	195	260	Central	<u>147</u>	<u>156</u>	<u>152</u>	<u>143</u>
<b>Technicians</b>	18	19	17	12	10	9	<b>Total Support Services</b>	<b><u>321</u></b>	<b><u>322</u></b>	<b><u>315</u></b>	<b><u>297</u></b>
<b>Clerical, Secretarial Staff</b>	50	50	47	66	66	82					
<b>Service Workers</b>	<u>131</u>	<u>128</u>	<u>124</u>	<u>154</u>	<u>158</u>	<u>150</u>					
<b>Total</b>	<b><u>1,154</u></b>	<b><u>1,164</u></b>	<b><u>1,146</u></b>	<b><u>1,200</u></b>	<b><u>1,175</u></b>	<b><u>1,268</u></b>	<b>Total</b>	<b><u>1,206</u></b>	<b><u>1,197</u></b>	<b><u>1,180</u></b>	<b><u>1,137</u></b>

Source: NCDPI SS200 Full-Time Personnel Report. The reporting classifications changed in 2008-09.

**LEE COUNTY SCHOOLS  
TEACHERS' SALARIES  
Last Ten Fiscal Years**

<b>Year Ended June 30th</b>	<b><u>Minimum</u></b>	<b><u>Maximum</u></b>	<b><u>Average</u></b>
2014	\$32,956	\$68,748	\$42,417
2013	32,956	65,538	44,744
2012	32,956	65,538	41,571
2011	32,560	64,756	45,221
2010	32,560	71,990	44,255
2009	32,560	71,990	45,823
2008	32,560	73,044	45,684
2007	30,506	70,363	41,556
2006	29,505	68,714	41,206
2005	27,199	67,725	40,925

Source: Lee County Schools' Finance Department

Note: The above table includes base pay from the state salary schedule and the systemwide local salary supplement.

**LEE COUNTY SCHOOLS  
SCHOOLS AND STUDENT PROGRAMS  
Last Ten Fiscal Years**

Schedule 14

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Number of Schools</b>										
Elementary	7	7	7	7	7	7	7	7	7	7
Middle	3	3	3	3	3	3	2	2	2	2
High	3	3	3	3	3	3	3	3	2	1
Alternative	2	2	2	2	1	1	1	1	1	1
Exceptional	1	1	1	1	1	1	1	1	1	1
Total	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>15</u>	<u>15</u>	<u>14</u>	<u>14</u>	<u>13</u>	<u>12</u>
<b>Child Nutrition</b>										
Average breakfasts served daily	2,346	2,510	2,372	2,258	2,153	2,187	1,995	2,210	2,173	2,214
Average lunches served daily	6,078	6,324	6,400	6,322	6,279	6,368	7,239	7,813	7,573	7,273
<b>Exceptional Children's Program</b>										
Number of disabled students	1,212	1,152	1,080	1,079	1,064	1,070	1,061	1,057	1,071	1,089
Number of academically/ intellectually gifted students	1,256	1,113	1,005	954	926	1,041	1,189	1,109	1,202	1,269
<b>English as a Second Language Program (ESL)</b>										
Number of students served	1,198	1,275	1,410	1,445	1,556	1,645	1,535	1,280	1,129	1,104
Number of schools with ESL	16	15	13	13	13	13	13	13	12	12
Number of languages spoken	22	23	27	27	24	24	27	24	23	20
<b>Athletic Programs</b>										
<b>Middle Schools</b>										
Men's sports	5	5	5	5	5	5	5	5	5	5
Women's sports	5	5	5	5	5	5	5	5	5	5
<b>High Schools</b>										
Men's sports	11	11	11	11	11	11	11	11	11	11
Women's sports	12	12	12	12	12	12	12	12	12	11

Source: Information taken from District's financial statements and other sources.

**LEE COUNTY SCHOOLS  
SCHOOL BUILDING INFORMATION  
Last Ten Fiscal Years**

Schedule 15

<u>School</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Elementary</b>										
B.T. Bullock										
Square feet	78,768	78,768	78,768	78,768	78,768	78,768	78,768	78,768	78,768	78,768
Capacity	594	594	594	594	594	594	594	594	594	594
First month membership	685	662	643	627	634	642	621	612	616	613
Broadway										
Square Feet	86,615	86,615	86,615	86,615	86,615	86,615	86,615	86,615	86,615	86,615
Capacity	638	638	638	638	638	638	638	638	638	638
First month membership	632	613	557	587	592	609	621	619	675	672
Deep River										
Square Feet	78,768	78,768	78,768	78,768	78,768	78,768	78,768	78,768	78,768	78,768
Capacity	594	594	594	594	594	594	594	594	594	594
First month membership	636	621	647	649	664	667	652	628	519	512
Greenwood										
Square Feet	94,324	94,324	94,324	94,324	94,324	94,324	94,324	94,324	94,324	94,324
Capacity	660	660	660	660	660	660	660	660	660	660
First month membership	654	645	664	664	652	666	635	631	659	625
J. Glenn Edwards										
Square Feet	70,229	70,229	70,229	70,229	70,229	70,229	70,229	70,229	70,229	70,229
Capacity	682	682	682	682	682	682	682	682	682	682
First month membership	750	709	695	676	682	676	638	626	625	649
Tramway										
Square Feet	78,768	78,768	78,768	78,768	78,768	78,768	78,768	78,768	78,768	78,768
Capacity	594	594	594	594	594	594	594	594	594	594
First month membership	704	696	700	697	690	657	639	645	657	661
J.R. Ingram										
Square Feet	70,229	70,229	70,229	70,229	70,229	70,229	70,229	70,229	70,229	70,229
Capacity	682	682	682	682	682	682	682	682	682	682
First month membership	700	696	701	668	684	708	706	713	655	613
<b>Middle</b>										
East Lee										
Square Feet	95,983	95,983	95,983	95,983	95,983	95,983	95,983	95,983	95,983	95,983
Capacity	880	880	880	880	880	880	880	880	880	880
First month membership	707	666	686	649	632	626	964	986	1,018	1,055
SanLee										
Square Feet	137,396	137,396	137,396	137,396	137,396	137,396	See	See	See	See
Capacity	836	836	836	836	836	836	Notes	Notes	Notes	Notes
First month membership	808	836	811	804	793	776	Below	Below	Below	Below

**LEE COUNTY SCHOOLS  
SCHOOL BUILDING INFORMATION  
Last Ten Fiscal Years**

Schedule 15  
(continued)

<u>School</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>West Lee</b>										
Square Feet	95,983	95,983	95,983	95,983	95,983	95,983	95,983	95,983	95,983	95,983
Capacity	880	880	880	880	880	880	880	880	880	880
First month membership	723	749	732	710	684	723	1,116	1,107	1,082	1,084
<b>High</b>										
<b>Lee County</b>										
Square Feet	332,989	332,989	332,989	332,989	332,989	332,989	332,989	332,989	332,989	332,989
Capacity	1,675	1,675	1,675	1,675	1,675	1,675	1,675	1,675	1,675	1,675
First month membership	1,450	1,403	1,391	1,372	1,395	1,406	1,429	1,479	1,762	2,575
<b>Southern Lee</b>										
Square Feet	183,520	183,520	183,520	183,520	183,520	183,520	183,520	183,520	183,520	See
Capacity	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	Notes
First month membership	1,138	1,104	1,071	1,104	1,108	1,126	1,166	1,106	904	Below
<b>Lee Early College</b>										
Square Feet	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	See	See
Capacity	400	400	400	400	400	300	200	100	Notes	Notes
First month membership	275	275	292	298	280	217	167	73	Below	Below
<b>Alternative</b>										
<b>Bragg Street Academy</b>										
Square Feet	10,893	10,893	10,893	10,893	10,893	10,893	10,893	10,893	10,893	10,893
Capacity	62	62	62	62	62	62	62	62	62	62
First month membership	39	56	52	46	40	35	41	46	34	37
<b>Warren Williams Elementary Alternative</b>										
Square Feet	19,401	19,401	19,401	19,401	See	See	See	See	See	See
Capacity	120	120	120	120	Notes	Notes	Notes	Notes	Notes	Notes
First month membership	6	14	7	-	Below	Below	Below	Below	Below	Below
<b>Special</b>										
<b>F.L. Knight/The Children's Center</b>										
Square Feet	20,841	20,841	20,841	20,841	20,841	20,841	20,841	20,841	20,841	20,841
Capacity	110	110	110	110	110	110	110	110	110	110
First month membership	64	69	64	63	69	69	71	59	61	62

Source: Lee County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2014.

Notes: SanLee Middle opened in 2008-09 to serve grades 6-8. Southern Lee High School opened in 2005-06 to serve grades 9-11 and began to serve grades 9-12 in 2006-07. Lee Early College opened in 2006-07 to serve 9th grade only. Lee Early College served grades 9-10 in 2007-08, grades 9-11 in 2008-09 and grades 9-12 in 2009-10. This campus is housed on the local community college campus. Warren Williams Elementary Alternative School opened in February 2011. This information does not include mobile unit square footage.

**LEE COUNTY, NORTH CAROLINA**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Schedule 16

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (1) (amounts expressed in thousands)</u>	<u>Per Capita Personal Income (1)</u>	<u>Public School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
2014	60,266	*	*	10,012	8.10%
2013	59,715	*	*	9,809	11.20%
2012	58,752	\$1,990,413	\$33,332	9,707	12.30%
2011	57,866	1,863,902	32,193	9,602	12.70%
2010	60,477	1,844,828	30,505	9,603	12.50%
2009	59,091	1,832,000	30,983	9,592	14.80%
2008	57,973	1,786,000	30,878	9,458	7.20%
2007	56,908	1,695,000	28,975	9,330	5.50%
2006	55,704	1,554,422	26,777	9,219	5.40%
2005	54,417	1,439,609	26,455	9,056	5.60%

\* Information not yet available

Notes:

- (1) Bureau of Economic Analysis, U. S. Department of Commerce. Figures are for the prior calendar year.
- (2) Lee County Board of Education
- (3) N.C. Employment Security Commission

**LEE COUNTY, NORTH CAROLINA  
PRINCIPAL EMPLOYERS  
Current Year and Nine Years Ago**

Schedule 17

<b>Employer</b>	<b>Fiscal Year 2014 (1)</b>			<b>Fiscal Year 2005</b>		
	<b>Approximate Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Lee County Schools	1,000-1,500	1	5.29%	1,000-1,500	4	5.03%
Static Control Components, Inc.	500-999	2	3.17%	1,000-1,500	2	5.03%
Coty, LLC	500-999	3	3.17%	500-999	5	3.01%
Pilgrim's Pride Corporation	500-999	4	3.17%	1,000-1,500	3	5.03%
Central Carolina Hospital	500-999	5	3.17%	500-999	6	3.01%
Caterpillar	500-999	6	3.17%			
Central Carolina Community College	500-999	7	3.17%			
Pentair Pool Products	250-499	8	1.58%			
Frontier Spinning	250-499	9	1.58%			
County of Lee	250-499	10	1.58%			
Pfizer, Inc.				1,000-1,500	1	5.03%
Tyson Mexican Original, Inc.				500-999	8	3.01%
The Mega Force Staffing Group, Inc.				500-999	9	3.01%
Magneti Marelli USA, Inc.				500-999	10	3.01%
Moen, Inc.				500-999	7	3.01%
<b>Total</b>			<b>29.05%</b>			<b>38.18%</b>

Source: NC Employment Security Commission; total county employment

Notes:

(1) Based on March 2014 employment information which is most recent information provided by the NC Employment Security Commission.

**LEE COUNTY, NORTH CAROLINA**  
**Ratio of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Schedule 18

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Certificates of Participation	Installment Loans	General Obligation Bonds	Bond Anticipation Notes	Installment Loans			
2014	\$ 235,000	\$ 41,693,273	\$ 21,526,974	\$ -	\$ -	\$ -	\$ 63,455,247	*	\$ 1,053
2013	485,000	44,440,000	23,335,253	-	-	-	68,260,253	*	1,143
2012	735,000	47,957,000	24,314,110	-	-	-	73,006,110	3.71%	1,243
2011	2,285,000	48,855,000	25,165,634	-	-	-	76,305,634	4.09%	1,319
2010	5,085,000	50,165,000	25,448,160	-	-	-	80,698,160	4.37%	1,334
2009	7,885,000	51,475,000	3,098,070	-	-	-	62,458,070	3.41%	1,057
2008	10,635,000	52,575,000	1,932,754	-	-	-	65,142,754	3.65%	1,124
2007	13,410,000	53,075,000	2,386,899	-	-	-	68,871,899	4.06%	1,210
2006	16,210,000	25,220,000	2,822,304	-	-	-	44,252,304	2.85%	794
2005	19,030,000	25,720,000	3,240,187	-	-	-	47,990,187	3.33%	882

\* Information not yet available

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

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule 16 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Calendar year 2012 and 2013 personal income data not available to calculate fiscal year 2013 or fiscal year 2014.

**LEE COUNTY, NORTH CAROLINA  
PRINCIPAL PROPERTY TAXPAYERS  
Current Year and Nine Years Ago**

Schedule 19

Taxpayer	Type of Business	Fiscal Year 2014			Fiscal Year 2005		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Pfizer	Pharmaceuticals	\$ 206,080,536	1	4.0%	\$ 151,477,369	1	4.1%
Coty, Inc.	Cosmetics	115,378,073	2	2.2%	48,325,709	3	1.3%
Frontier Spinning Mills LLC	Textiles	72,707,456	3	1.4%	22,465,600	9	0.6%
Donald R. Simpson	Real Estate	71,832,925	4	1.4%	29,056,933	7	0.8%
Caterpillar	Manufacturing	65,140,310	5	1.3%			
Progress Energy	Utility	47,516,700	6	0.9%	31,457,127	6	0.9%
Magneti Marelli, Inc.	Automotive Parts Remanufactured	42,332,015	7	0.8%	27,213,882	8	0.7%
Static Control	Printer Cartridges	36,614,113	8	0.7%			
The Pantry, Inc.	Convenience Stores	33,527,705	9	0.7%			
Moen, Inc.	Plumbing Fixtures	33,522,960	10	0.7%	40,676,960	4	1.1%
Windstream, Inc.	Utility				40,237,747	5	1.1%
GKN Automotive Components, Inc.	Automotive Parts				82,760,839	2	2.3%
Central Carolina Hospital	Medical Care				21,353,708	10	0.6%
<b>Totals</b>		<b>\$ 724,652,793</b>		<b>14.1%</b>	<b>\$ 495,025,874</b>		<b>13.5%</b>

Source: Lee County Tax Department

**LEE COUNTY, NORTH CAROLINA  
PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Fiscal Years  
(in thousands)**

Schedule 20

Fiscal Year Ended June 30	Total Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 37,033,563	\$ 36,508,688	98.6%	\$ -	\$ 36,508,688	98.6%
2013	36,257,156	35,175,722	97.0%	643,444	35,819,166	98.8%
2012	35,810,080	34,992,878	97.7%	655,303	35,648,181	99.5%
2011	36,431,441	35,580,416	97.7%	722,441	36,302,857	99.6%
2010	35,774,486	34,900,196	97.6%	609,226	35,509,422	99.3%
2009	35,560,801	34,701,417	97.6%	765,179	35,466,596	99.7%
2008	34,701,980	33,618,528	96.9%	950,350	34,568,878	99.6%
2007	31,910,008	30,887,929	96.8%	945,359	31,833,288	99.8%
2006	30,865,687	29,860,345	96.7%	938,959	30,799,304	99.8%
2005	24,701,551	23,797,835	96.3%	784,820	24,582,655	99.5%

Source: Lee County Tax Department

Note: The total tax levy includes penalties assessed and releases or discoveries made after the original assessment of taxable value.

LEE COUNTY  
SCHOOLS  
INSPIRED.





# 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 Lee County Board of Education  
Sanford, 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 Lee County Board of Education, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Lee County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated September 24, 2014.

### ***Internal Control Over Financial Reporting***

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

### ***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*

*September 24, 2014  
Rockingham, North Carolina*



# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

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

To the Lee County Board of Education  
Sanford, North Carolina

***Report on Compliance for Each Major Federal Program***

We have audited Lee 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 the Board's major federal program for the year ended June 30, 2014. The Lee County Board of Education's major federal program is 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 the Lee County Board of Education's major federal program 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 Lee County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the Lee 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 its major federal program for the year ended June 30, 2014.

## ***Report on Internal Control Over Compliance***

Management of the Lee 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 Lee 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 Lee 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*

*September 24, 2014  
Rockingham, North Carolina*



# ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

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

To the Lee County Board of Education  
Sanford, North Carolina

***Report on Compliance for Each Major State Program***

We have audited Lee 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 the Board's major State program for the year ended June 30, 2014. The Lee County Board of Education's major State program is 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 the Lee County Board of Education's major state program 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 Lee County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major State Program***

In our opinion, the Lee 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 its major State program for the year ended June 30, 2014.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with applicable sections of OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina* and which is described in the accompanying schedule of findings and questioned costs as item 14-01. Our opinion on each major state program is not modified with respect to this matter.

The Board's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the Lee 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 Lee 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 Lee 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*

September 24, 2014  
Rockingham, North Carolina

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

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**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 *No*

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 *No*

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	Name of Federal Program or Cluster
84.367	Improving Teacher Quality
	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*

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

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**Section I - Summary of Auditors' Results (Continued)**  
**State Awards**

Internal control over major State programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses No

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act Yes

Identification of major State program:

Program Name

State Public School Fund  
NC Pre-Kindergarten Program

**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.

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

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**Section IV - State Award Findings and Questioned Costs**

**Finding 14-01**

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

**NONCOMPLIANCE**  
Special Tests and Provisions

Criteria: The local Board of Education is required to create, disseminate and post information related to concussions and head injuries in accordance with the Gfeller-Waller Concussion Awareness Act.

Condition: We requested all of the signed Student-Athlete & Parent/Legal Custodian Concussion Statements for students who played football at East Lee Middle School in the fall of 2013. Per our testing, we noted that signed concussion statements were not on file for several of the student-athletes.

Effect: The Board is not in compliance with the aforementioned criteria.

Cause: Management has not fully developed controls and procedures for obtaining signed concussion statements.

Questioned Cost: Not applicable

Recommendation: We recommend that management implement procedures to ensure compliance with the requirements of the Gfeller-Waller Concussion Awareness Act.

Views of responsible officials and planned corrective actions:

The Board agrees with the finding and will implement procedures to ensure compliance with the requirements of the Gfeller-Waller Concussion Awareness Act.

**LEE COUNTY BOARD OF EDUCATION  
CORRECTIVE ACTION PLAN  
For the Fiscal Year Ended June 30, 2014**

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**Finding 14-01:**

Name of Contact Person: Dr. James Atkinson, Sr., Asst. Superintendent Auxiliary Services

Corrective Action Plan: Management along with the coaches and Athletic Director will implement procedures to ensure compliance with the requirements of the Gfeller-Waller Concussion Awareness Act.

Proposed Completion Date: Immediately.

**LEE COUNTY BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Fiscal Year Ended June 30, 2014**

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There were no audit findings reported in the prior year.

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

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
<b>Federal Grants:</b>			
<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>320,061</u>
Cash Assistance:			
School Breakfast Program	10.553		760,123
National School Lunch Program	10.555		<u>2,782,667</u>
Cash Assistance Subtotal			<u>3,542,790</u>
Total Child Nutrition Cluster			<u>3,862,851</u>
<u>U.S. Department of Education</u>			
Office of Elementary and Secondary Education			
Direct Programs:			
Impact Aid (School Assistance in Federally Affected Areas)	84.041		24,684
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies	84.010	PRC 050	2,262,646
Title II, Math and Science Partnership	84.366	PRC 112	142,300
Improving Teacher Quality	84.367	PRC 103	248,953
Language Acquisition Grant	84.365	PRC 104	195,081
Education for Homeless Children and Youth	84.196	PRC 026	27,161
Race to the Top - ARRA	84.395	PRC 156	178,246
Special Education Cluster:			
Grants to States - IDEA, part B (611)	84.027	PRC 060	2,039,632
Special Needs Targeted Assistance	84.027	PRC 118	11,408
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	78,376
Preschool Targeted Assistance	84.173	PRC 119	<u>28,295</u>
Total Special Education Cluster			<u>2,157,711</u>
Title VI-B, Education of the Handicapped	84.323	PRC 082	<u>5,865</u>
Career and Technical Education - Basic Grants to States Program Development	84.048	PRC 017	<u>129,966</u>
Total U.S. Department of Education			<u>5,372,613</u>

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

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Health Resources and Services Administration			
Passed-through the N.C. Department of Public Instruction:			
Abstinence Education	93.235	PRC 101	<u>51,600</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
ROTC	None		<u>131,900</u>
<b>Total Federal Assistance</b>			<b><u>9,418,964</u></b>
<b>State Grants:</b>			
<u>N.C. Department of Public Instruction:</u>			
Cash Assistance:			
State Public School Fund			49,193,199
Vocational Education			
State Months of Employment		PRC 013	2,578,803
Program Support Funds		PRC 014	136,943
Driver Training		PRC 012	171,793
School Technology Fund		PRC 015	133,258
Passed-through Lee County:			
Public School Capital Fund - Lottery			<u>228,042</u>
Cash assistance subtotal			<u>52,442,038</u>
Non-Cash Assistance:			
State Buses Appropriation			60,710
Textbooks		PRC 130	<u>61,878</u>
Non-cash assistance subtotal			<u>122,588</u>
Total NC Department of Public Instruction			<u>52,564,626</u>
<u>N.C. Department of Agriculture:</u>			
State Reduced Breakfast Program			<u>7,750</u>

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

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
<u>N.C. Department of Health and Human Services:</u>			
Division of Child Development			
NC Pre-Kindergarten Program			480,154
Division of Public Health			
State School Nurse Initiative			<u>150,000</u>
Total NC Department of Health and Human Services			<u>630,154</u>
<b>Total State Assistance</b>			<b><u>53,202,530</u></b>
<b>Total Federal and State Assistance</b>			<b><u>\$ 62,621,494</u></b>

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

LEE COUNTY  
SCHOOLS

INSPIRED.