

**CHAPEL HILL-CARRBORO CITY  
BOARD OF EDUCATION  
Chapel Hill, North Carolina**

*Financial Statements  
For the Fiscal Year Ended  
June 30, 2012*

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION  
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ANDERSON SMITH & WIKE PLLC

*Certified Public Accountants*

**INDEPENDENT AUDITORS' REPORT**

To the Chapel Hill-Carrboro City Board of Education  
Chapel Hill, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Chapel Hill-Carrboro City Board of Education, as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Chapel Hill-Carrboro City Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Chapel Hill-Carrboro City Board of Education as of June 30, 2012, and the respective changes in financial position and its cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School and Federal Grants funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2012 on our consideration of the Chapel Hill-Carrboro City 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chapel Hill-Carrboro City Board of Education's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining and individual nonmajor fund financial statements and schedules, budgetary schedules and other schedules, and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The combining and individual nonmajor fund financial statements and schedules, budgetary schedules and other schedules, and the accompanying schedule of expenditures of federal and State awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

*Anderson Smith & Wike PLLC*

November 13, 2012  
Rockingham, North Carolina  
(910) 997-1418

## **CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This section of the Chapel Hill-Carrboro City 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, 2012. This information should be read in conjunction with the audited financial statements included in this report.

### ***Financial Highlights***

- The district upgraded its financial software system to a SQL product. This major project was a district-wide effort as all staff had to be trained to use the new software. The software is comprehensive and has allowed the district to discontinue the external contract for online pay stub services and realize a budget savings.
- The district, again, took advantage of the budget flexibility provide by the State and exchanged positions between State and Local funds to save the district \$900,000 Local dollars.
- Orange County Government approved the sale of bonds to finance the new elementary school #11 for the district in the amount of \$22.7 million. Construction began last spring and is projected for completion by August of 2013.
- Major roofing, masonry, and carpentry projects throughout the district were completed using the Federal Qualified School Construction Bond funds received in 2010-11. The district used the \$4.6 million in grant funds to make repairs at six campuses.
- Financial reporting awards from Association of School Business Officials International and the Government Finance Officers Association were received for the eighth consecutive year.

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

The audited financial statements of the Chapel Hill-Carrboro City Board of Education consist of four components. They are as follows:

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

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

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds, proprietary 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

## **CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS**

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of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on each of the financial resources of each of the Board's major funds.

### ***Government-wide Statements***

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

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

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

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Chapel Hill-Carrboro City Board of Education has three types of funds:

*Governmental funds:* Most of the Board's basic services are included in the governmental funds, which generally focus on two things – 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Other Special Revenue 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 Chapel Hill-Carrboro City Board of Education has two proprietary funds - both enterprise funds – the School Food Service Fund and the Child Care 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. Chapel Hill-Carrboro City Board of Education has one fiduciary fund – an Agency Fund. The Agency Fund is used to account for moneys held for the Employee Flexible Spending Account 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.

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Net assets are an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$172.7 million as of June 30, 2012 as compared to \$171.6 million as of June 30, 2011, an increase of \$1.1 million. The largest component of net assets is invested in capital assets, net of related debt of \$165.6 million, which comprises 95.9% of the total net assets.

Following is a summary of the Statement of Net Assets as of June 30, 2012 and 2011:

**Table 1  
Condensed Statement of Net Assets  
As of June 30, 2012 and 2011**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/12	6/30/11	6/30/12	6/30/11	6/30/12	6/30/11
Current assets	\$ 19,849,907	\$ 20,481,685	\$ 808,468	\$ 977,503	\$ 20,658,375	\$ 21,459,188
Capital assets	165,285,293	164,099,688	340,873	351,474	165,626,166	164,451,162
Total assets	<u>185,135,200</u>	<u>184,581,373</u>	<u>1,149,341</u>	<u>1,328,977</u>	<u>186,284,541</u>	<u>185,910,350</u>
Current liabilities	9,836,498	9,616,107	371,776	635,399	10,208,274	10,251,506
Long-term liabilities	3,293,755	3,898,241	100,081	138,119	3,393,836	4,036,360
Total liabilities	<u>13,130,253</u>	<u>13,514,348</u>	<u>471,857</u>	<u>773,518</u>	<u>13,602,110</u>	<u>14,287,866</u>
Invested in capital assets, net of related debt	165,245,825	163,961,928	340,873	351,474	165,586,698	164,313,402
Restricted net assets	3,403,894	3,023,739	-	-	3,403,894	3,023,739
Unrestricted net assets	3,355,228	4,081,358	336,611	203,985	3,691,839	4,285,343
Total net assets	<u>\$ 172,004,947</u>	<u>\$ 171,067,025</u>	<u>\$ 677,484</u>	<u>\$ 555,459</u>	<u>\$ 172,682,431</u>	<u>\$ 171,622,484</u>

The net assets of the Board's governmental activities increased \$938,000 during the year from \$171.1 million at June 30, 2011 to \$172.0 million at June 30, 2012, indicating an improvement in the financial condition of the Board. This improvement is primarily attributable to increases of \$1.3 million net assets invested in capital assets, net of related debt.

The net assets of the Board's business-type activities increased \$122,000 from \$555,000 at June 30, 2011 to \$677,000 at June 30, 2012. This increase of \$122,000 is the amount of net profit (including transfers) generated by the Board's School Food Service and Child Care programs during the year.

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Following is a summary of the Statement of Activities for the current and prior fiscal years:

**Table 2  
Condensed Statement of Activities  
For the Fiscal Years Ended June 30, 2012 and 2011**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/12	6/30/11	6/30/12	6/30/11	6/30/12	6/30/11
Revenues:						
Program revenues:						
Charges for services	\$ 3,227,716	\$ 3,126,314	\$ 3,610,850	\$ 3,558,523	\$ 6,838,566	\$ 6,684,837
Operating grants and contributions	64,339,584	67,177,842	1,863,465	1,648,292	66,203,049	68,826,134
Capital grants and contributions	39,470	157,678	-	-	39,470	157,678
General revenues:						
Other revenues	68,373,493	66,854,211	-	3,713	68,373,493	66,857,924
Total revenues	135,980,263	137,316,045	5,474,315	5,210,528	141,454,578	142,526,573
Expenses:						
Governmental activities:						
Instructional services	104,948,573	103,809,475	-	-	104,948,573	103,809,475
System-wide support services	23,529,956	22,689,231	-	-	23,529,956	22,689,231
Ancillary services	136,883	237,408	-	-	136,883	237,408
Payments to other governments	527,076	575,187	-	-	527,076	575,187
Interest on long-term debt	675	16,154	-	-	675	16,154
Unallocated depreciation	5,757,524	5,657,984	-	-	5,757,524	5,657,984
Business-type activities:						
School food service	-	-	4,009,913	3,957,877	4,009,913	3,957,877
Child care	-	-	1,484,031	1,522,392	1,484,031	1,522,392
Total expenses	134,900,687	132,985,439	5,493,944	5,480,269	140,394,631	138,465,708
Excess (deficiency)						
before transfers	1,079,576	4,330,606	(19,629)	(269,741)	1,059,947	4,060,865
Transfers in (out)	(141,654)	(500,017)	141,654	500,017	-	-
Increase(decrease) in net assets	937,922	3,830,589	122,025	230,276	1,059,947	4,060,865
Beginning net assets	171,067,025	167,236,436	555,459	325,183	171,622,484	167,561,619
Ending net assets	\$ 172,004,947	\$ 171,067,025	\$ 677,484	\$ 555,459	\$ 172,682,431	\$ 171,622,484

Total governmental activities generated revenues of \$136.0 million while expenses in this category totaled \$134.9 million for the year ended June 30, 2012, resulting in the aforementioned increase in net assets of \$938,000 (including net transfers to business-type activities of \$142,000). Comparatively, revenues were \$137.3 million, expenses totaled \$133.0 million and transfers out were \$500,000 for the year ended June 30, 2011, resulting in an increase in net assets of \$3.8 million. In comparing the two years, revenues decreased by \$1.3 million, while expenses increased over the prior year by \$1.9 million. The decrease in revenues was primarily comprised of a \$2.8 million decrease in operating grants and contributions related to the expiration of federal stimulus funding. This decrease was partially offset by a

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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\$1.5 million increase in funding from Orange County for school construction and renovation projects. The increase in expenses is primarily in instructional and system-wide support services.

The Board's primary sources of revenues were funding from the State of North Carolina, Orange County, Chapel Hill and Carrboro townships and the United States Government, which respectively comprised 43.18%, 34.5%, 14.3% and 4.1% of our total revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 77.8% of our total expenditures during the most recent fiscal year. Of the remaining 22.2% of our total expenditures, 17.4% was attributable to system-wide support services.

Our business-type activities generated revenues of \$5.5 million, while expenses in this category also totaled \$5.5 million and net transfers in from governmental activities totaled \$142,000 for the year ended June 30, 2012. For the year, net assets increased by \$122,000. Comparatively, revenues were \$5.2 million, expenses were \$5.5 million and transfers in from governmental activities totaled \$500,000 for the year ended June 30, 2011, resulting in an increase in net assets of \$230,000.

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

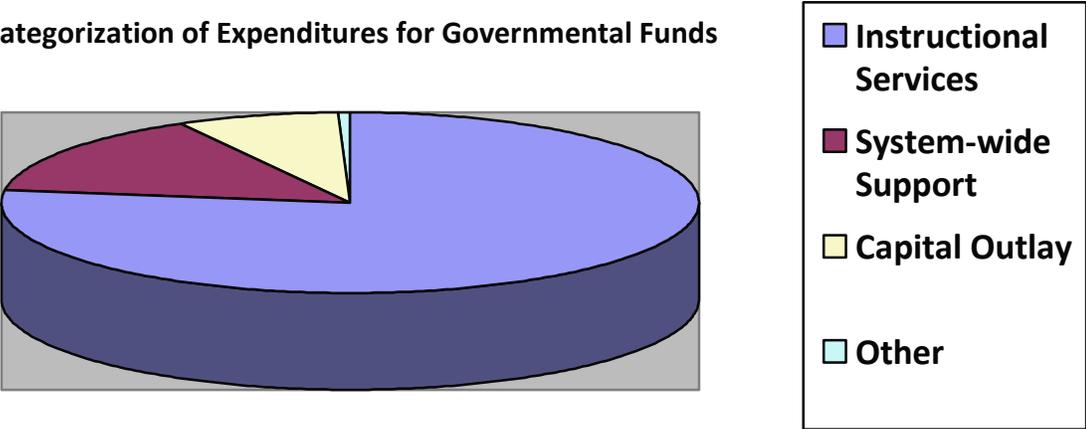
*Governmental Funds:* The focus of Chapel Hill-Carrboro City Board of Education's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements.

The Board's governmental funds reported a combined fund balance of \$13.7 million at June 30, 2012, a decrease of \$726,000 from the \$14.5 million reported at June 30, 2011. Governmental funds reported an increase in fund balance of \$4.1 million in the prior year.

The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues are expended in the year received. Due to the expiration of federal Recovery Act funding, revenues (and expenditures) in the Federal Grants Fund decreased by \$6.0 million in the fiscal year ended June 30, 2012. This decline was partially offset by revenue increases of \$3.3 million in the State Public School Fund.

The Capital Outlay Fund reported an increase in fund balance for the 2012 year of \$234,000. Revenues and other financing sources increased \$923,000 while expenditures increased \$1.1 million. Construction of a new elementary school was started during the year and contributed to the increase in capital outlay expenditures. Capital outlay expenditures are primarily funded by bond revenues and general appropriations from Orange County.

**Categorization of Expenditures for Governmental Funds**



Expenditures presented on modified accrual basis of accounting.

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

*Proprietary Funds:* The Board's business-type funds, the School Food Service Fund and the Child Care Fund, generated a combined increase in net assets of \$122,000 for the year compared to a \$230,000 increase for the year ended June 30, 2011. The School Food Service Fund reported an increase in net assets of \$20,000 in the current year compared to an increase of \$206,000 for the prior fiscal year, a decline of \$186,000. The decline is primarily attributable to a decrease in capital contributions of \$316,000 and a decrease in food sales of \$52,000. These decreases were partially offset by an increase in federal reimbursements of \$208,000. Expenditures remained basically unchanged at \$4.2 million for both the current and prior fiscal years.

The Child Care Fund reported a slight increase in revenues for the year of \$47,000 while expenditures increased by \$14,000 compared to the prior year. After transfers of \$163,000 to the General Fund, the Child Care Fund reported an increase in net assets of \$102,000 for the 2011-2012 year compared to an increase of \$48,000 in the prior year.

**General Fund Budgetary Highlights**

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and program allocations. The effect of these revisions was to increase the original budget for total expenditures and transfers to other funds by \$1.0 million during the year. The majority of this increase was budgeted to be paid from appropriated fund balance. Since several revenue sources are either unknown or uncertain at the beginning of the fiscal year when the original budget is adopted, budget revisions are necessary throughout the year to recognize these adjustments.

For the year, the Board's General Fund reported a decrease in fund balance of \$1.0 million. Revenues from Orange County for the local operating budget decreased \$289,000 over the prior year, while supplemental school tax revenues from the Chapel Hill and Carrboro townships increased \$291,000. Overall, total General Fund revenues increased by \$140,000, or 0.2%, over the prior year, while expenditures increased \$4.6 million, or 8.5%. In the prior year, the Board expended \$5.6 million of federal Education Jobs and Stabilization stimulus funds in the Federal Grants Fund. The increase in General Fund expenditures in the 2011-2012 year is a direct result of the loss of this funding.

**Capital Assets**

Total primary government capital assets were \$165.6 million at June 30, 2012, an increase of 0.7% over the \$164.5 million reported at June 30, 2011. More detailed information about the Board's capital assets is contained in Note 3 to the financial statements. The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2012 and 2011.

**Table 3  
Summary of Capital Assets  
As of June 30, 2012 and 2011**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/12</u>	<u>6/30/11</u>	<u>6/30/12</u>	<u>6/30/11</u>	<u>6/30/12</u>	<u>6/30/11</u>
Land	\$ 6,485,407	\$ 6,485,407	\$ -	\$ -	\$ 6,485,407	\$ 6,485,407
Construction in progress	4,579,341	1,765,674	-	-	4,579,341	1,765,674
Buildings and improvements	149,933,814	151,295,187	-	-	149,933,814	151,295,187
Land improvements	1,357,449	1,473,153	-	-	1,357,449	1,473,153
Equipment and furniture	1,746,270	1,620,144	340,873	351,474	2,087,143	1,971,618
Vehicles	1,183,012	1,460,123	-	-	1,183,012	1,460,123
Total	<u>\$ 165,285,293</u>	<u>\$ 164,099,688</u>	<u>\$ 340,873</u>	<u>\$ 351,474</u>	<u>\$ 165,626,166</u>	<u>\$ 164,451,162</u>

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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***Debt Outstanding***

During the year, the Board's long-term debt decreased by from \$138,000 at June 30, 2011 to \$39,000 at June 30, 2012. 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 3 to the financial statements.

***Economic Factors***

- The State's over projection of student enrollment for 2010-11 had a negative impact on the Local budget for 2011-12 year. The County uses the State's projection for per pupil funding, but does not make adjustments during the fiscal year for over or under projections. The adjustments are netted in the enrollment projections for the subsequent school year. The projected 116 student enrollment decrease cost the district \$300,000 in Local funds despite a \$6 per pupil increase in County funding.
- The district lost \$5.75 million in State funding due to budget cuts to public education. Of this amount, \$3.4 million of the reductions were termed "discretionary" meaning the school board was required to determine where to make the reductions.
- The district has budgeted to use \$3.2 million of Local fund balance for the 2012-2013 fiscal year in an effort to bridge the budget shortfall and protect jobs.

***Requests for Information***

This report is intended to provide a summary of the financial condition of Chapel Hill-Carrboro City Board of Education. Questions or requests for additional information should be addressed to:

Ruby Pittman, Executive Director of Budget and Finance  
Chapel Hill-Carrboro City Board of Education  
Lincoln Center, 750 S. Merritt Mill Road  
Chapel Hill, NC 27516

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

**Exhibit 1**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Assets</b>			
Cash and cash equivalents	\$ 15,404,145	\$ 704,740	\$ 16,108,885
Due from other governments	3,366,197	53,224	3,419,421
Receivables	106,322	50,504	156,826
Prepaid expenses	973,243	-	973,243
Capital assets:			
Land and construction in progress	11,064,748	-	11,064,748
Other capital assets, net of depreciation	154,220,545	340,873	154,561,418
Total capital assets	<u>165,285,293</u>	<u>340,873</u>	<u>165,626,166</u>
 Total assets	 <u>185,135,200</u>	 <u>1,149,341</u>	 <u>186,284,541</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	2,346,111	76,984	2,423,095
Accrued salaries and wages payable	3,505,669	-	3,505,669
Unearned revenue	964,333	224,849	1,189,182
Long-term liabilities:			
Due within one year	3,020,385	69,943	3,090,328
Due in more than one year	<u>3,293,755</u>	<u>100,081</u>	<u>3,393,836</u>
 Total liabilities	 <u>13,130,253</u>	 <u>471,857</u>	 <u>13,602,110</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	165,245,825	340,873	165,586,698
Restricted for:			
Stabilization by State statute	628,112	-	628,112
School capital outlay	1,341,144	-	1,341,144
Instructional services	390,399	-	390,399
Individual schools activities	1,044,239	-	1,044,239
Unrestricted	<u>3,355,228</u>	<u>336,611</u>	<u>3,691,839</u>
 Total net assets	 <u>\$ 172,004,947</u>	 <u>\$ 677,484</u>	 <u>\$ 172,682,431</u>

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



**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2012**

**Exhibit 3**

	Major Funds				Non-major Funds	Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Special Revenue	
<b>Assets</b>						
Cash and cash equivalents	\$ 11,962,526	\$ -	\$ -	\$ 1,788,342	\$ 1,653,277	\$ 15,404,145
Due from other governments	82,304	2,090,119	131,478	1,062,296	-	3,366,197
Accounts receivable	98,602	-	-	-	7,720	106,322
Due from other funds	7,235	-	-	-	-	7,235
Prepaid expenditures	972,818	-	-	-	425	973,243
Total assets	<u>\$ 13,123,485</u>	<u>\$ 2,090,119</u>	<u>\$ 131,478</u>	<u>\$ 2,850,638</u>	<u>\$ 1,661,422</u>	<u>\$ 19,857,142</u>
<b>Liabilities and fund balances</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,028,724	\$ -	\$ -	\$ 1,246,494	\$ 70,893	\$ 2,346,111
Accrued salaries and wages payable	1,246,298	2,090,119	131,478	-	37,774	3,505,669
Due to other funds	-	-	-	-	7,235	7,235
Deferred revenue	-	-	-	263,000	-	263,000
Total liabilities	<u>2,275,022</u>	<u>2,090,119</u>	<u>131,478</u>	<u>1,509,494</u>	<u>115,902</u>	<u>6,122,015</u>
Fund balances:						
Nonspendable:						
Prepaid expenditures	972,818	-	-	-	425	973,243
Restricted:						
Stabilization by State statute	528,824	-	-	-	99,288	628,112
School capital outlay	-	-	-	1,341,144	-	1,341,144
Instructional services	-	-	-	-	390,399	390,399
Individual schools	-	-	-	-	1,044,239	1,044,239
Assigned:						
Subsequent year's expenditures	3,222,913	-	-	-	-	3,222,913
Special revenues	-	-	-	-	11,169	11,169
Unassigned	6,123,908	-	-	-	-	6,123,908
Total fund balances	<u>10,848,463</u>	<u>-</u>	<u>-</u>	<u>1,341,144</u>	<u>1,545,520</u>	<u>13,735,127</u>
Total liabilities and fund balances	<u>\$ 13,123,485</u>	<u>\$ 2,090,119</u>	<u>\$ 131,478</u>	<u>\$ 2,850,638</u>	<u>\$ 1,661,422</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	165,285,293
Difference in deferred lease revenue attributable to difference in income recognition periods for governmental funds and governmental activities.	(701,333)
Some liabilities, including those for compensated absences and installment purchases, are not due and payable in the current period and therefore are not reported in the funds.	<u>(6,314,140)</u>
Net assets of governmental activities	<u>\$ 172,004,947</u>

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

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

**Exhibit 4**

	Major Funds				Non-major Funds	Total
	General	State Public School	Federal Grants	Capital Outlay	Special Revenue	Governmental Funds
<b>Revenues:</b>						
State of North Carolina	\$ -	\$ 58,255,360	\$ -	\$ 39,470	\$ 513,450	\$ 58,808,280
Orange County	36,799,808	-	-	10,115,516	-	46,915,324
U.S. Government	-	-	4,390,152	-	1,180,622	5,570,774
Other	21,509,765	-	-	171,073	3,204,413	24,885,251
Total revenues	<u>58,309,573</u>	<u>58,255,360</u>	<u>4,390,152</u>	<u>10,326,059</u>	<u>4,898,485</u>	<u>136,179,629</u>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instructional services:</b>						
Regular instructional	19,613,052	39,588,501	482,852	157,904	65,603	59,907,912
Special populations	10,062,861	5,916,232	1,857,383	-	-	17,836,476
Alternative programs	1,544,405	2,070,776	1,452,549	-	1,916,253	6,983,983
School leadership	3,135,103	3,164,133	-	-	-	6,299,236
Co-curricular	2,082,484	-	-	-	2,745,628	4,828,112
School-based support	5,515,567	4,002,000	125,556	-	-	9,643,123
<b>System-wide support services:</b>						
Support and development	895,267	151,157	-	-	20,217	1,066,641
Special population support and development	316,866	116,779	355,874	-	-	789,519
Alternative programs and services support and development	27,089	-	20,312	-	117,803	165,204
Technology support	1,717,575	94,046	-	244,068	32,839	2,088,528
Operational support	9,357,601	2,267,212	9,777	19,492	-	11,654,082
Financial and human resource services	1,342,478	460,961	-	-	-	1,803,439
Accountability	367,343	-	-	-	-	367,343
Policy, leadership and public relations	1,984,993	378,093	-	29,731	-	2,392,817
Ancillary services	-	-	2,076	134,807	-	136,883
Non-programmed charges	555,003	-	83,773	-	-	638,776
<b>Debt service:</b>						
Principal retirement	-	-	-	98,292	-	98,292
Interest and fees	-	-	-	675	-	675
<b>Capital outlay</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,097,491</u>	<u>-</u>	<u>10,097,491</u>
Total expenditures	<u>58,517,687</u>	<u>58,209,890</u>	<u>4,390,152</u>	<u>10,782,460</u>	<u>4,898,343</u>	<u>136,798,532</u>
Revenues over (under) expenditures	<u>(208,114)</u>	<u>45,470</u>	<u>-</u>	<u>(456,401)</u>	<u>142</u>	<u>(618,903)</u>
<b>Other financing sources (uses):</b>						
Transfers from other funds	163,100	-	-	690,000	43,839	896,939
Transfers to other funds	(958,839)	(45,470)	-	-	-	(1,004,309)
Total other financing sources (uses)	<u>(795,739)</u>	<u>(45,470)</u>	<u>-</u>	<u>690,000</u>	<u>43,839</u>	<u>(107,370)</u>
Net change in fund balance	(1,003,853)	-	-	233,599	43,981	(726,273)
<b>Fund balances:</b>						
Beginning of year	11,852,316	-	-	1,107,545	1,501,539	14,461,400
End of year	<u>\$ 10,848,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,341,144</u>	<u>\$ 1,545,520</u>	<u>\$ 13,735,127</u>

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

**CHAPEL HILL-CARRBORO CITY 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, 2012**

**Exhibit 5**

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

Net changes in fund balances - total governmental funds	\$ (726,273)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,185,605
Difference in lease income recognized from deferred revenue due to difference between income recognition periods for governmental funds and governmental activities.	(87,666)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	98,292
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>467,964</u>
Total changes in net assets of governmental activities	<u>\$ 937,922</u>

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

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

**Exhibit 6**

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Orange County	36,305,808	36,799,808	36,799,808	-
U.S. Government	-	-	-	-
Other	21,119,591	20,731,852	21,509,765	777,913
Total revenues	57,425,399	57,531,660	58,309,573	777,913
Expenditures:				
Current:				
Instructional services				
Regular instructional	22,270,815	20,348,242	19,613,052	735,190
Special populations	9,334,027	10,403,474	10,062,861	340,613
Alternative programs	1,575,687	1,705,361	1,544,405	160,956
School leadership	3,107,298	3,239,346	3,135,103	104,243
Co-curricular	2,025,472	2,126,339	2,082,484	43,855
School-based support	5,697,539	5,990,473	5,515,567	474,906
Total instructional services	44,010,838	43,813,235	41,953,472	1,859,763
System-wide support services				
Support and development	1,059,243	896,284	895,267	1,017
Special population support and development	147,128	344,043	316,866	27,177
Alternative programs and services support and development	29,867	27,089	27,089	-
Technology support	1,773,028	1,729,305	1,717,575	11,730
Operational support	8,830,030	9,694,296	9,357,601	336,695
Financial and human resource services	1,590,928	1,409,985	1,342,478	67,507
Accountability	370,744	388,121	367,343	20,778
Policy, leadership and public relations	2,275,065	2,112,624	1,984,993	127,631
Total system-wide support services	16,076,033	16,601,747	16,009,212	592,535
Ancillary services				
Nutrition	-	-	-	-
Nonprogrammed charges	979,680	584,947	555,003	29,944
Total expenditures	61,066,551	60,999,929	58,517,687	2,482,242
Revenues over (under) expenditures	(3,641,152)	(3,468,269)	(208,114)	3,260,155
Other financing sources (uses):				
Transfers from other funds	-	163,100	163,100	-
Transfers to other funds	(11,761)	(1,115,000)	(958,839)	156,161
Fund balance appropriated	3,652,913	4,420,169	-	(4,420,169)
Total other financing sources (uses)	3,641,152	3,468,269	(795,739)	(4,264,008)
Net change in fund balance	\$ -	\$ -	(1,003,853)	\$ (1,003,853)
Fund balances:				
Beginning of year			11,852,316	
End of year			\$ 10,848,463	

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION

Exhibit 6 (continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 2012

	State Public School Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 59,331,358	\$ 59,542,702	\$ 58,255,360	\$ (1,287,342)
Orange County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>59,331,358</u>	<u>59,542,702</u>	<u>58,255,360</u>	<u>(1,287,342)</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	41,466,285	40,423,859	39,588,501	835,358
Special populations	5,693,440	6,045,734	5,916,232	129,502
Alternative programs	2,191,893	2,265,731	2,070,776	194,955
School leadership	3,294,978	3,265,016	3,164,133	100,883
Co-curricular	-	-	-	-
School-based support	3,464,863	4,008,169	4,002,000	6,169
Total instructional services	<u>56,111,459</u>	<u>56,008,509</u>	<u>54,741,642</u>	<u>1,266,867</u>
System-wide support services				
Support and development	566,427	169,743	151,157	18,586
Special population support and development	107,898	116,779	116,779	-
Alternative programs and services support and development	-	-	-	-
Technology support	-	98,324	94,046	4,278
Operational support	1,988,735	2,262,191	2,267,212	(5,021)
Financial and human resource services	139,993	460,966	460,961	5
Accountability	-	-	-	-
Policy, leadership and public relations	370,860	378,300	378,093	207
Total system-wide support services	<u>3,173,913</u>	<u>3,486,303</u>	<u>3,468,248</u>	<u>18,055</u>
Ancillary services				
Nutrition	-	-	-	-
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>59,285,372</u>	<u>59,494,812</u>	<u>58,209,890</u>	<u>1,284,922</u>
Revenues over (under) expenditures	<u>45,986</u>	<u>47,890</u>	<u>45,470</u>	<u>(2,420)</u>
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	(45,986)	(47,890)	(45,470)	2,420
Fund balance appropriated	-	-	-	-
Total other financing sources (uses)	<u>(45,986)</u>	<u>(47,890)</u>	<u>(45,470)</u>	<u>2,420</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 2012

	Federal Grants Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Orange County	-	-	-	-
U.S. Government	6,911,135	6,672,204	4,390,152	(2,282,052)
Other	-	-	-	-
Total revenues	<u>6,911,135</u>	<u>6,672,204</u>	<u>4,390,152</u>	<u>(2,282,052)</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	502,329	542,255	482,852	59,403
Special populations	2,364,511	2,503,290	1,857,383	645,907
Alternative programs	1,387,009	1,665,857	1,452,549	213,308
School leadership	-	-	-	-
Co-curricular	-	-	-	-
School-based support	112,877	197,425	125,556	71,869
Total instructional services	<u>4,366,726</u>	<u>4,908,827</u>	<u>3,918,340</u>	<u>990,487</u>
System-wide support services				
Support and development	-	-	-	-
Special population support and development	280,097	417,096	355,874	61,222
Alternative programs and services support and development	38,378	38,378	20,312	18,066
Technology support	-	-	-	-
Operational support	29,000	29,777	9,777	20,000
Financial and human resource services	-	-	-	-
Accountability	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Total system-wide support services	<u>347,475</u>	<u>485,251</u>	<u>385,963</u>	<u>99,288</u>
Ancillary services				
Nutrition	4,000	7,200	2,076	5,124
Nonprogrammed charges	2,192,934	1,270,926	83,773	1,187,153
Total expenditures	<u>6,911,135</u>	<u>6,672,204</u>	<u>4,390,152</u>	<u>2,282,052</u>
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND TYPES**  
**June 30, 2012**

**Exhibit 7**

	Enterprise		Totals
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 50,520	\$ 654,220	\$ 704,740
Due from other governments	53,224	-	53,224
Receivables	35,888	14,616	50,504
Total current assets	<u>139,632</u>	<u>668,836</u>	<u>808,468</u>
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	<u>340,873</u>	<u>-</u>	<u>340,873</u>
Total assets	<u>480,505</u>	<u>668,836</u>	<u>1,149,341</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	70,703	6,281	76,984
Compensated absences	40,791	29,152	69,943
Unearned revenue	75,484	149,365	224,849
Total current liabilities	<u>186,978</u>	<u>184,798</u>	<u>371,776</u>
Noncurrent liabilities:			
Compensated absences	<u>64,577</u>	<u>35,504</u>	<u>100,081</u>
Total liabilities	<u>251,555</u>	<u>220,302</u>	<u>471,857</u>
<b>Net assets</b>			
Invested in capital assets	340,873	-	340,873
Unrestricted (deficit)	<u>(111,923)</u>	<u>448,534</u>	<u>336,611</u>
Total net assets	<u>\$ 228,950</u>	<u>\$ 448,534</u>	<u>\$ 677,484</u>

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

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND TYPES**  
**For the Fiscal Year Ended June 30, 2012**

**Exhibit 8**

	Enterprise		Totals
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
Operating revenues:			
Food sales	\$ 1,861,576	\$ -	\$ 1,861,576
Child care fees	-	1,404,226	1,404,226
Rental of school property	-	345,048	345,048
Total operating revenues	<u>1,861,576</u>	<u>1,749,274</u>	<u>3,610,850</u>
Operating expenses:			
Purchase of food	-	117,773	117,773
Salaries and benefits	1,284,983	1,274,612	2,559,595
Indirect costs	142,613	-	142,613
Materials and supplies	8,296	30,586	38,882
Repairs and maintenance	79,119	-	79,119
Depreciation	44,885	-	44,885
Non-capitalized equipment	-	482	482
Chartwells management fees	2,590,338	-	2,590,338
Contracted services	-	41,895	41,895
Other	2,292	18,683	20,975
Total operating expenses	<u>4,152,526</u>	<u>1,484,031</u>	<u>5,636,557</u>
Operating income (loss)	<u>(2,290,950)</u>	<u>265,243</u>	<u>(2,025,707)</u>
Nonoperating revenues:			
Federal reimbursements	1,697,467	-	1,697,467
Federal commodities	161,631	-	161,631
State reimbursements	4,367	-	4,367
Indirect costs not paid	142,613	-	142,613
Total nonoperating revenues	<u>2,006,078</u>	<u>-</u>	<u>2,006,078</u>
Income (loss) before transfers and contributions	(284,872)	265,243	(19,629)
Transfers to other funds	-	(163,100)	(163,100)
Transfers from other funds	270,470	-	270,470
Capital contributions	34,284	-	34,284
Change in net assets	19,882	102,143	122,025
Net assets, beginning of year	<u>209,068</u>	<u>346,391</u>	<u>555,459</u>
Net assets, end of year	<u>\$ 228,950</u>	<u>\$ 448,534</u>	<u>\$ 677,484</u>

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

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPES**  
**For the Fiscal Year Ended June 30, 2012**

**Exhibit 9**

	Enterprise		Totals
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
Cash flows from operating activities:			
Cash received from customers	\$ 1,883,825	\$ 1,761,223	\$ 3,645,048
Cash paid for goods and services	(2,813,693)	(206,673)	(3,020,366)
Cash paid to employees for services	(1,252,091)	(1,284,343)	(2,536,434)
Net cash provided (used) by operating activities	<u>(2,181,959)</u>	<u>270,207</u>	<u>(1,911,752)</u>
Cash flows from noncapital financing activities:			
Transfers from (to) other funds	225,000	(163,100)	61,900
Due from other funds	111,192	-	111,192
Federal and State reimbursements	1,712,261	-	1,712,261
Net cash provided (used) by noncapital financing activities	<u>2,048,453</u>	<u>(163,100)</u>	<u>1,885,353</u>
Net increase (decrease) in cash and cash equivalents	(133,506)	107,107	(26,399)
Cash and cash equivalents, beginning of year	<u>184,026</u>	<u>547,113</u>	<u>731,139</u>
Cash and cash equivalents, end of year	<u>\$ 50,520</u>	<u>\$ 654,220</u>	<u>\$ 704,740</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (2,290,950)	\$ 265,243	\$ (2,025,707)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	44,885	-	44,885
Donated commodities	161,631	-	161,631
Salaries paid by special revenue fund	45,470	-	45,470
Indirect costs not paid	142,613	-	142,613
Changes in assets and liabilities:			
Decrease in accounts receivable	9,917	11,100	21,017
Increase (decrease) in accounts payable and accrued liabilities	(295,279)	2,746	(292,533)
Increase in unearned revenue	12,332	849	13,181
Decrease in compensated absences payable	(12,578)	(9,731)	(22,309)
Total adjustments	<u>108,991</u>	<u>4,964</u>	<u>113,955</u>
Net cash provided (used) by operating activities	<u>\$ (2,181,959)</u>	<u>\$ 270,207</u>	<u>\$ (1,911,752)</u>

**NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:**

The School Food Service Fund received donated commodities with a value of \$161,631 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund paid salaries and benefits of \$45,470 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as a transfer in and an operating expense on Exhibit 8.

School Food Service capital assets with a value of \$34,284 were purchased by the Capital Outlay Fund during the year. The value of these assets is reflected as a capital contribution on Exhibit 8.

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

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**June 30, 2012**

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**Exhibit 10**

	<u>Employee Flexible Spending Account</u>
<b>Assets</b>	
Cash	<u>\$ 102,409</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	<u>\$ 102,409</u>

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

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

The accounting policies of Chapel Hill-Carrboro City 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 Chapel Hill-Carrboro City 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 the cities of Chapel Hill and Carrboro, 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 assets and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. 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.

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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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.

*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 Orange 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 funds:

*Other Special Revenue Fund.* The Other Special Revenue Fund is used to account for gifts and grants restricted as to use, certain federal and state grants restricted as to use, federal and state appropriations made directly to local school administrative units, funds received for refunds, reimbursements and various special programs.

*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 nonmajor enterprise fund:

*Child Care Fund.* The Child Care Fund is used to account for the after school care program within the school system, as well as revenues from the rental of school property.

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 Employee Flexible Spending Account, 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

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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recorded when the related fund liability is incurred, except for claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

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

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

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 fiduciary funds and the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the purpose level for all annually budgeted funds. The budget is presented in the accompanying financial statements at the function level for informational purposes only. Amendments are required for any revisions that alter total expenditures of any fund or that change appropriations at the purpose level. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, 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.

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

2. Cash and Cash Equivalents

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

3. Prepaid Expenditures

Prepaid expenditures represent amounts paid to vendors for goods or services in one period that benefit a future period. The Board utilizes the consumption method of accounting and recognizes prepaid items as expenditures in the period consumed.

4. Capital Assets

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

For capital assets utilized in 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.

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

	<u>Years</u>
Buildings and improvements	50
Land improvements	15
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.

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, 2012 is recorded in the

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

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

7. Net Assets/Fund Balances

Net Assets

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

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.

Prepaid expenditures- portion of fund balance that is not an available resource because it represents the year end balance of prepaid expenditures, 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.

*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.

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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.

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

8. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. The net adjustment of \$158,269,820 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)	\$244,453,424
Less accumulated depreciation	<u>(79,168,131)</u>
Net capital assets	165,285,293
Difference in deferred lease revenue attributable to difference in income recognition periods for governmental funds and governmental activities	(701,333)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchases	(39,468)
Compensated absences	<u>(6,274,672)</u>
Total adjustment	<u>\$158,269,820</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$1,664,195 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	\$ 7,253,483

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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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	(6,067,878)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	98,292
Difference in lease income recognized from deferred revenue due to difference between income recognition periods for governmental funds and governmental activities.	(87,666)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	467,964
Total adjustment	\$ 1,664,195

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2012, the Board reported expenditures within the Capital Outlay Fund that violated State law [G.S. 115C-441] because they exceeded the amount appropriated in the budget ordinance by \$98,967. Management will monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**

A. Assets

1. Deposits

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

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

At June 30, 2012, the Board had deposits with banks and savings and loans with a carrying amount of \$4,822,157 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$5,856,437 and \$379,965, respectively. Of these balances, \$1,239,463 was covered by federal depository insurance and \$4,996,939 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2012, the Board had \$11,389,137 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2012. The Board has no policy for managing interest rate risk or credit risk.

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2012 are as follows:

	Due from (to) other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ 7,235	\$ 82,304	\$ 98,602	\$ 188,141
Other governmental activities	<u>(7,235)</u>	<u>3,283,893</u>	<u>7,720</u>	<u>3,284,378</u>
Total governmental activities	<u>\$ -</u>	<u>\$ 3,366,197</u>	<u>\$ 106,322</u>	<u>\$ 3,472,519</u>
Business-type activities:				
School Food Service Fund	\$ -	\$ 53,224	\$ 35,888	\$ 89,112
Child Care Fund	<u>-</u>	<u>-</u>	<u>14,616</u>	<u>14,616</u>
Total business-type activities	<u>\$ -</u>	<u>\$ 53,224</u>	<u>\$ 50,504</u>	<u>\$ 103,728</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 82,304	Amounts due from County
State Public School Fund	2,090,119	Operating funds from DPI
Capital Outlay Fund	1,062,296	Amounts due from County
Federal Grants Fund	<u>131,478</u>	Federal grant funds
Total	<u>\$ 3,366,197</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 53,224</u>	Federal grant funds

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

4. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,485,407	\$ -	\$ -	\$ 6,485,407
Construction in progress	1,765,674	6,749,011	3,935,344	4,579,341
Total capital assets not being depreciated	<u>8,251,081</u>	<u>6,749,011</u>	<u>3,935,344</u>	<u>11,064,748</u>
Capital assets being depreciated:				
Buildings and improvements	215,490,929	3,811,315	-	219,302,244
Land improvements	4,871,147	36,345	-	4,907,492
Equipment and furniture	3,984,835	558,913	-	4,543,748
Vehicles	4,601,949	33,243	-	4,635,192
Total capital assets being depreciated	<u>228,948,860</u>	<u>4,439,816</u>	<u>-</u>	<u>233,388,676</u>
Less accumulated depreciation for:				
Buildings and improvements	64,195,742	5,172,688	-	69,368,430
Land improvements	3,397,994	152,049	-	3,550,043
Equipment and furniture	2,364,691	432,787	-	2,797,478
Vehicles	3,141,826	310,354	-	3,452,180
Total accumulated depreciation	<u>73,100,253</u>	<u>6,067,878</u>	<u>-</u>	<u>79,168,131</u>
Total capital assets being depreciated, net	<u>155,848,607</u>			<u>154,220,545</u>
Governmental activity capital assets, net	<u>\$ 164,099,688</u>			<u>\$ 165,285,293</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 937,392	\$ 34,284	\$ -	\$ 971,676
Less accumulated depreciation for:				
Equipment and furniture	585,918	44,885	-	630,803
School Food Service capital assets, net	<u>351,474</u>			<u>340,873</u>
Child Care Fund:				
Capital assets being depreciated:				
Equipment and furniture	37,339	-	-	37,339
Less accumulated depreciation for:				
Equipment and furniture	37,339	-	-	37,339
Child Care Fund capital assets, net	<u>-</u>			<u>-</u>
Business-type activities capital assets, net	<u>\$ 351,474</u>			<u>\$ 340,873</u>

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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Depreciation was charged to governmental functions as follows:

System-wide support services	\$ 310,354
Unallocated depreciation	<u>5,757,524</u>
Total	<u>\$ 6,067,878</u>

5. Construction and Other Significant Commitments

As of June 30, 2012, the Board had various construction, renovation and repair projects in progress throughout the district, including the construction of a new elementary school. At year-end, the Board's commitments with contractors for the remaining portion of the contracts to complete these projects totaled approximately \$18.0 million.

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

*Plan Description.* Chapel Hill-Carrboro City 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 7.44% of annual covered payroll. The contribution requirements of plan members and Chapel Hill-Carrboro City 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, 2012, 2011, and 2010 were \$6,016,874, \$4,009,432, and \$2,910,965, 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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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 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, 2012, 2011, and 2010, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$4,043,598, \$3,985,033, and \$3,669,284, respectively. These contributions represented 5.00%, 4.90%, and 4.50% 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

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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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 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, 2012, 2011, and 2010, the Board paid all annual required contributions to the DIPNC for disability benefits of \$420,534, \$422,902, and \$424,006, respectively. These contributions represented 0.52% of covered payroll for each of the three fiscal years.

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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2. Accounts Payable

Accounts payable as of June 30, 2012 are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 1,028,724	\$ 1,246,298	\$ 2,275,022
Other governmental activities	<u>1,317,387</u>	<u>2,259,371</u>	<u>3,576,758</u>
Total governmental activities	<u>\$ 2,346,111</u>	<u>\$ 3,505,669</u>	<u>\$ 5,851,780</u>
Business-type activities:			
School Food Service Fund	\$ 70,703	\$ -	\$ 70,703
Child Care Fund	<u>6,281</u>	<u>-</u>	<u>6,281</u>
Total business-type activities	<u>\$ 76,984</u>	<u>\$ -</u>	<u>\$ 76,984</u>

3. Unearned Revenues

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

Governmental activities:		
Prepaid use fee (Capital Outlay Fund - see below)		<u>\$ 964,333</u>
Business-type activities:		
Prepayments of meals (School Food Service Fund)		\$ 75,484
Prepayments of tuition (Child Care Fund)		<u>149,365</u>
Total business-type activities		<u>\$ 224,849</u>

The Board entered into a lease agreement with the University of North Carolina at Chapel Hill (the "University"), whereby the Board constructed additional space at Smith Middle School which is being leased to the University for a period of thirty years. During the first ten years of the agreement, the parties may terminate the agreement only upon a breach of the agreement that remains uncured for a reasonable amount of time after receipt of notice of the breach. In such event, the Board shall refund the University an amount equal to the use fee prorated over the remaining number of years of the ten year period. The agreement required the University to pay a use fee of \$1,315,000 at the beginning of the lease. Due to the terms of the agreement, this fee is being recognized as revenue by the Board over a ten year period in the governmental funds statements (Capital Outlay Fund) and over a thirty year period in the governmental activities statements. At June 30, 2012 deferred revenue reported in the Capital Outlay Fund amounted to \$263,000 while unearned revenue reported in the Statement of Net Assets for governmental activities totaled \$964,333.

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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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 \$3,150,000 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 also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits up to a \$5 million lifetime limit. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

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

5. Contingent Liabilities

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

6. Long-Term Obligations

a. Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through special third party financing arrangements. During the fiscal year ended June 30, 2011, the Board entered into such a contract for the purchase of school buses. The contract

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

requires four equal principal-only payments with the first payment due within 10 days of receipt of the buses and the following 3 payments due on the next 3 immediately following November 15<sup>th</sup> dates. The future minimum payments of the installment purchases as of June 30, 2012 are as follows:

The Board also entered into an installment purchase contract for the purchase of computer equipment during the fiscal year ended June 30, 2009. The contract required payments of principal and interest at 4.75% and was paid in full during the current year.

<u>Year Ending June 30,</u>	<u>Governmental Activities</u> <u>Principal</u>
2013	<u>\$ 39,468</u>

b. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2012:

	<u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2012</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ 137,760	\$ -	\$ 98,292	\$ 39,468	\$ 39,468
Compensated absences	<u>6,742,636</u>	<u>5,210,746</u>	<u>5,678,710</u>	<u>6,274,672</u>	<u>2,980,917</u>
Total governmental activities	<u>\$ 6,880,396</u>	<u>\$ 5,210,746</u>	<u>\$ 5,777,002</u>	<u>\$ 6,314,140</u>	<u>\$ 3,020,385</u>
Business-type activities:					
Compensated absences	<u>\$ 192,333</u>	<u>\$ 97,335</u>	<u>\$ 119,644</u>	<u>\$ 170,024</u>	<u>\$ 69,943</u>

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

C. Interfund Balances and Activity

1. Transfers to/from other Funds

Transfers to/from other funds during the year ended June 30, 2012 consisted of the following:

From the General Fund to the School Food Service Fund for the payment of operating expenses	<u>\$ 225,000</u>
From the General Fund to the Capital Outlay Fund for school capital improvement needs	<u>\$ 690,000</u>
From the General Fund to the Other Special Revenue Fund for pre-kindergarten program expenditures	<u>\$ 43,839</u>
From the State Public School Fund to the School Food Service Fund for the payment of administrative salaries	<u>\$ 45,470</u>
From the Child Care Fund to the General Fund for the payment of operating expenditures	<u>\$ 163,100</u>

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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2. Interfund Balances

The composition of interfund balances as of June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Special Revenue Fund	<u>\$ 7,235</u>

The amount due to the General Fund from the Other Special Revenue Fund represents repayment of amounts borrowed by the Other Special Revenue Fund for payment of operating expenditures. This balance is expected to be paid prior to June 30, 2013.

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	\$ 10,848,463
Less:	
Prepaid expenditures	(972,818)
Stabilization by State statute	(528,824)
Appropriated fund balance in fiscal year 2012-2013 budget	<u>(3,222,913)</u>
Remaining fund balance	<u>\$ 6,123,908</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, 2012 are as follows:

	<u>Encumbrances</u>
General Fund	\$ 340,683
Capital Outlay Fund	2,531,520
Non-Major Funds	91,568

**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.

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Orange County:			
County appropriation	\$ 36,799,808	\$ 36,799,808	\$ -
Other:			
Fines and forfeitures	360,000	341,331	(18,669)
Supplemental school taxes	19,035,591	19,521,219	485,628
Interest earned on investment	60,000	86,429	26,429
Indirect costs allocated	165,000	111,700	(53,300)
Insurance proceeds	734	2,695	1,961
Medicaid reimbursement program	125,000	719,138	594,138
Tuition and fees	540,000	471,563	(68,437)
ABC revenues	33,000	33,000	-
Sales and use tax refund	90,000	59,881	(30,119)
Miscellaneous	322,527	162,809	(159,718)
Total other	<u>20,731,852</u>	<u>21,509,765</u>	<u>777,913</u>
Total revenues	<u>57,531,660</u>	<u>58,309,573</u>	<u>777,913</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	20,348,242	19,613,052	735,190
Special populations	10,403,474	10,062,861	340,613
Alternative programs	1,705,361	1,544,405	160,956
School leadership	3,239,346	3,135,103	104,243
Co-curricular	2,126,339	2,082,484	43,855
School-based support	5,990,473	5,515,567	474,906
Total instructional services	<u>43,813,235</u>	<u>41,953,472</u>	<u>1,859,763</u>
System-wide support services:			
Support and development	896,284	895,267	1,017
Special population support and development	344,043	316,866	27,177
Alternative programs and services support and development	27,089	27,089	-
Technology support	1,729,305	1,717,575	11,730
Operational support	9,694,296	9,357,601	336,695
Financial and human resource services	1,409,985	1,342,478	67,507
Accountability	388,121	367,343	20,778
Policy, leadership and public relations	2,112,624	1,984,993	127,631
Total system-wide support services	<u>16,601,747</u>	<u>16,009,212</u>	<u>592,535</u>

**CHAPEL HILL-CARRBORO CITY 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, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Expenditures (Continued):			
Non-programmed charges:			
Payments to other governments	584,947	555,003	29,944
Total expenditures	60,999,929	58,517,687	2,482,242
Revenues under expenditures	(3,468,269)	(208,114)	3,260,155
Other financing sources (uses):			
Transfers from other funds	163,100	163,100	-
Transfers to other funds	(1,115,000)	(958,839)	156,161
Fund balance appropriated	4,420,169	-	(4,420,169)
Total other financing sources (uses)	3,468,269	(795,739)	(4,264,008)
Net change in fund balance	\$ -	(1,003,853)	\$ (1,003,853)
Fund balance:			
Beginning of year		11,852,316	
End of year		\$ 10,848,463	

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2012**

	Special Revenue Funds		Totals
	Other Special Revenue	Individual Schools	
<b>Assets</b>			
Cash and cash equivalents	\$ 609,038	\$ 1,044,239	\$ 1,653,277
Accounts receivable	7,720	-	7,720
Prepaid expenditures	425	-	425
Total assets	<u>\$ 617,183</u>	<u>\$ 1,044,239</u>	<u>\$ 1,661,422</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 70,893	\$ -	\$ 70,893
Accrued salaries and wages payable	37,774	-	37,774
Due to other funds	7,235	-	7,235
Total liabilities	<u>115,902</u>	<u>-</u>	<u>115,902</u>
<b>Fund balances</b>			
Nonspendable:			
Prepaid expenditures	425	-	425
Restricted:			
Stabilization by State statute	99,288	-	99,288
Instructional services	390,399	-	390,399
Individual schools	-	1,044,239	1,044,239
Assigned:			
Special revenues	11,169	-	11,169
Total fund balances	<u>501,281</u>	<u>1,044,239</u>	<u>1,545,520</u>
Total liabilities and fund balances	<u>\$ 617,183</u>	<u>\$ 1,044,239</u>	<u>\$ 1,661,422</u>

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Special Revenue Funds		Totals
	Other Special Revenue	Individual Schools	
Revenues:			
State of North Carolina	\$ 513,450	\$ -	\$ 513,450
U.S. Government	1,180,622	-	1,180,622
Other	<u>492,094</u>	<u>2,712,319</u>	<u>3,204,413</u>
Total revenues	<u>2,186,166</u>	<u>2,712,319</u>	<u>4,898,485</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	65,603	-	65,603
Alternative programs	1,916,253	-	1,916,253
Co-curricular	-	<u>2,745,628</u>	<u>2,745,628</u>
Total instructional services	<u>1,981,856</u>	<u>2,745,628</u>	<u>4,727,484</u>
System-wide support services:			
Support and development	20,217	-	20,217
Alternative programs and services support and development	117,803	-	117,803
Technology support	<u>32,839</u>	-	<u>32,839</u>
Total system-wide support services	<u>170,859</u>	-	<u>170,859</u>
Total expenditures	<u>2,152,715</u>	<u>2,745,628</u>	<u>4,898,343</u>
Revenues over (under) expenditures	<u>33,451</u>	<u>(33,309)</u>	<u>142</u>
Other financing sources:			
Transfers from other funds	<u>43,839</u>	-	<u>43,839</u>
Net change in fund balance	77,290	(33,309)	43,981
Fund balances:			
Beginning of year	<u>423,991</u>	<u>1,077,548</u>	<u>1,501,539</u>
End of year	<u>\$ 501,281</u>	<u>\$ 1,044,239</u>	<u>\$ 1,545,520</u>

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**OTHER SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
NC Pre-Kindergarten Program	\$ 439,713	\$ 513,450	\$ 73,737
U.S. Government:			
Headstart	1,545,662	1,180,622	(365,040)
Other:			
Miscellaneous	120,377	492,094	371,717
Total revenues	<u>2,105,752</u>	<u>2,186,166</u>	<u>80,414</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	59,485	65,603	(6,118)
Alternative programs	2,008,202	1,916,253	91,949
Total instructional services	<u>2,067,687</u>	<u>1,981,856</u>	<u>85,831</u>
System-wide support services:			
Support and development	30,317	20,217	10,100
Alternative programs and services support and development	118,445	117,803	642
Technology support	32,839	32,839	-
Total system-wide support services	<u>181,601</u>	<u>170,859</u>	<u>10,742</u>
Total expenditures	<u>2,249,288</u>	<u>2,152,715</u>	<u>96,573</u>
Revenues over (under) expenditures	<u>(143,536)</u>	<u>33,451</u>	<u>176,987</u>
Other financing sources:			
Transfers from other funds	43,839	43,839	-
Fund balance appropriated	99,697	-	(99,697)
Total other financing sources (uses)	<u>143,536</u>	<u>43,839</u>	<u>(99,697)</u>
Net change in fund balance	<u>\$ -</u>	77,290	<u>\$ 77,290</u>
Fund balance:			
Beginning of year		<u>423,991</u>	
End of year		<u>\$ 501,281</u>	

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**INDIVIDUAL SCHOOLS FUND**  
**For the Fiscal Year Ended June 30, 2012**

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	<u>Elementary Schools</u>	<u>Middle Schools</u>	<u>High Schools</u>	<u>Totals</u>
Revenues	\$ 493,923	\$ 470,287	\$ 1,748,109	\$ 2,712,319
Expenditures	<u>465,791</u>	<u>472,149</u>	<u>1,807,688</u>	<u>2,745,628</u>
Net change in fund balance	28,132	(1,862)	(59,579)	(33,309)
Fund balances:				
Beginning of year	<u>116,019</u>	<u>168,015</u>	<u>793,514</u>	<u>1,077,548</u>
End of year	<u>\$ 144,151</u>	<u>\$ 166,153</u>	<u>\$ 733,935</u>	<u>\$ 1,044,239</u>

**CHAPEL HILL-CARRBORO CITY 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, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 286,169	\$ 39,470	\$ (246,699)
Orange County:			
Local bond revenues	32,014,593	8,281,016	(23,733,577)
General county appropriations	1,834,500	1,834,500	-
Total Orange County	<u>33,849,093</u>	<u>10,115,516</u>	<u>(23,733,577)</u>
Other:			
Sales tax refund	-	37,170	37,170
Miscellaneous	2,403	133,903	131,500
Total other	<u>2,403</u>	<u>171,073</u>	<u>168,670</u>
Total revenues	<u>34,137,665</u>	<u>10,326,059</u>	<u>(23,811,606)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	159,322	157,904	1,418
System-wide support services:			
Technology support	305,000	244,068	60,932
Operational support	306,107	19,492	286,615
Policy, leadership and public relations	49,899	29,731	20,168
Total system-wide support services	<u>661,006</u>	<u>293,291</u>	<u>367,715</u>
Ancillary services:			
Nutrition	156,518	134,807	21,711
Debt service:			
Principal retirement	-	98,292	(98,292)
Interest and fees	-	675	(675)
Total debt service	<u>-</u>	<u>98,967</u>	<u>(98,967)</u>
Capital outlay	34,955,349	10,097,491	24,857,858
Total expenditures	<u>35,932,195</u>	<u>10,782,460</u>	<u>25,149,735</u>
Revenues under expenditures	<u>(1,794,530)</u>	<u>(456,401)</u>	<u>1,338,129</u>
Other financing sources:			
Transfers from other funds	690,000	690,000	-
Fund balance appropriated	1,104,530	-	(1,104,530)
Total other financing sources	<u>1,794,530</u>	<u>690,000</u>	<u>(1,104,530)</u>
Net change in fund balance	<u>\$ -</u>	233,599	<u>\$ 233,599</u>
Fund balance:			
Beginning of year		1,107,545	
End of year		<u>\$ 1,341,144</u>	

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**SCHOOL FOOD SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Food sales	\$ 2,137,104	\$ 1,861,576	\$ (275,528)
Operating expenditures:			
Business support services:			
Salaries and benefits	-	1,297,561	-
Materials and supplies	-	8,296	-
Repairs and maintenance	-	79,119	-
Chartwells management fees	-	2,590,338	-
Other	-	2,292	-
Total operating expenditures	4,060,662	3,977,606	83,056
Operating loss	(1,923,558)	(2,116,030)	(192,472)
Nonoperating revenues:			
Federal reimbursements	-	1,697,467	-
Federal commodities	-	161,631	-
State reimbursements	-	4,367	-
Total nonoperating revenues	1,698,558	1,863,465	164,907
Excess of expenditures over revenues before other financing sources	(225,000)	(252,565)	(27,565)
Other financing sources:			
Transfers from other funds	225,000	270,470	45,470
Net change in fund balance	\$ -	17,905	\$ 17,905
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(44,885)	
Capital contributions		34,284	
Indirect costs		(142,613)	
Indirect costs not paid		142,613	
Decrease in compensated absences payable		12,578	
Change in net assets (full accrual)		\$ 19,882	

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**CHILD CARE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Child care fees	\$ 1,463,797	\$ 1,404,226	\$ (59,571)
Rental of school property	<u>250,000</u>	<u>345,048</u>	<u>95,048</u>
 Total operating revenue	 <u>1,713,797</u>	 <u>1,749,274</u>	 <u>35,477</u>
Operating expenditures:			
Regular community services:			
Purchase of food	-	117,773	-
Salaries and benefits	-	1,284,343	-
Materials and supplies	-	30,586	-
Non-capitalized equipment	-	482	-
Contracted services	-	41,895	-
Other	-	<u>18,683</u>	-
 Total operating expenditures	 <u>1,642,873</u>	 <u>1,493,762</u>	 <u>149,111</u>
Operating income	<u>70,924</u>	<u>255,512</u>	<u>184,588</u>
Nonoperating revenues:			
Interest earned	<u>100</u>	<u>-</u>	<u>(100)</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>71,024</u>	<u>255,512</u>	<u>184,488</u>
Other financing sources (uses):			
Transfers to other funds	(163,130)	(163,100)	30
Fund balance appropriated	<u>92,106</u>	<u>-</u>	<u>(92,106)</u>
Total other financing sources (uses)	<u>(71,024)</u>	<u>(163,100)</u>	<u>(92,076)</u>
Net change in fund balance	<u>\$ -</u>	<u>92,412</u>	<u>\$ 92,412</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Decrease in compensated absences payable		<u>9,731</u>	
Change in net assets (full accrual)		<u>\$ 102,143</u>	

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
EMPLOYEE FLEXIBLE SPENDING ACCOUNT AGENCY FUND  
For the Fiscal Year Ended June 30, 2012**

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	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<b>Assets</b>				
Cash and cash equivalents	<u>\$ 54,145</u>	<u>\$ 662,230</u>	<u>\$ 613,966</u>	<u>\$ 102,409</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	<u>\$ 54,145</u>	<u>\$ 662,230</u>	<u>\$ 613,966</u>	<u>\$ 102,409</u>

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 Chapel Hill-Carrboro City Board of Education  
Chapel Hill, North Carolina

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chapel Hill-Carrboro City Board of Education, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Chapel Hill-Carrboro City Board of Education, North Carolina's basic financial statements and have issued our report thereon dated November 13, 2012. 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.

***Internal Control Over Financial Reporting***

Management of the Chapel Hill-Carrboro City Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Chapel Hill-Carrboro City Board of Education's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Chapel Hill-Carrboro City 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*.

We noted certain matters that we reported to management of the Board in a separate letter dated November 13, 2012.

This report is intended solely for the information and use of management, others within the entity, members of the Board, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Smith & Wike PLLC*

*November 13, 2012  
Rockingham, North Carolina*

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

To the Chapel Hill-Carrboro City Board of Education  
Chapel Hill, North Carolina

**Compliance**

We have audited Chapel Hill-Carrboro City Board of Education, North Carolina's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2012. The Chapel Hill-Carrboro City Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Chapel Hill-Carrboro City Board of Education, North Carolina's management. Our responsibility is to express an opinion on the Chapel Hill-Carrboro City Board of Education's compliance based on our audit.

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

In our opinion, the Chapel Hill-Carrboro City Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, and which is described in the accompanying schedule of findings and questioned costs as item 12-01.

The Board's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Board's response and, accordingly, we express no opinion on the response.

### ***Internal Control Over Compliance***

Management of the Chapel Hill-Carrboro City Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Chapel Hill-Carrboro City 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 Chapel Hill-Carrboro City 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.

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, as defined above.

This report is intended solely for the information and use of management, others within the entity, members of the Board, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Smith & Wike PLLC*

*November 13, 2012  
Rockingham, North Carolina*

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

To the Chapel Hill-Carrboro City Board of Education  
Chapel Hill, North Carolina

**Compliance**

We have audited Chapel Hill-Carrboro City 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 programs for the year ended June 30, 2012. The Chapel Hill-Carrboro City Board of Education's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State programs is the responsibility of the Chapel Hill-Carrboro City Board of Education, North Carolina's management. Our responsibility is to express an opinion on the Chapel Hill-Carrboro City Board of Education's compliance based on our audit.

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

In our opinion, the Chapel Hill-Carrboro City Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012.

**Internal Control Over Compliance**

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

Audit Implementation Act, 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 Chapel Hill-Carrboro City 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.

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, as defined above.

This report is intended solely for the information and use of management, others within the entity, members of the Board, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Smith & Wike PLLC*

*November 13, 2012  
Rockingham, North Carolina*

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2012**

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**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:	<i>Unqualified</i>
Internal control over financial reporting:	
• Material weakness(es) identified?	<i>No</i>
• Significant deficiency(ies) identified that are not considered to be material weaknesses	<i>None Reported</i>
Noncompliance material to financial statements noted	<i>No</i>

***Federal Awards***

Internal control over major federal programs:	
• Material weakness(es) identified?	<i>No</i>
• Significant deficiency(ies) identified that are not considered to be material weaknesses	<i>No</i>
Type of auditors' report issued on compliance for major federal programs	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	<i>Yes</i>

Identification of major federal programs:

<b>CFDA Numbers</b>	<b>Names of Federal Program or Cluster</b>
	Special Education Cluster:
84.027	Grants to States
84.391	Grants to States - ARRA
84.173	Preschool Grants
84.365	Language Acquisition Grant
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B Programs	<u><i>\$ 300,000</i></u>
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Auditee qualified as low-risk auditee?	<i>Yes</i>
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**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2012**

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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 *Unqualified*

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

Identification of major State programs:

Program Name

- State Public School Fund
- Vocational Education – State Months of Employment
- Vocational Education – Program Support Funds
- NC Pre-Kindergarten Program

**Section II - Financial Statement Findings**

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

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2012**

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**Section III - Federal Award Findings and Questioned Costs**

**Finding 12-01**

U.S. Department of Education  
Passed Through the N.C. Department of Public Instruction  
Program Name: Special Education Cluster  
CFDA#: 84.027, 84.391 and 84.173

**NONCOMPLIANCE**

Eligibility

Criteria: IDEA, Part B CEIS (PRC 070) funds can only be used for the education of children not currently receiving special education services.

Condition: In a sample of 15 children receiving services with PRC 070 funds, we noted 2 that were already receiving special education services.

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

Cause: The Board did not have a process in place to ensure that children served with PRC 070 funds were not already receiving special education services.

Questioned Cost: Amount not determined

Recommendation: We recommend that the Board implement procedures to ensure that children served with PRC 070 funds are not already receiving special education services.

Views of responsible officials and planned corrective actions:

The Board agrees with the finding and will implement the necessary procedures to ensure that children served with PRC 070 funds are not already receiving special education services.

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

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

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION  
CORRECTIVE ACTION PLAN  
For the Fiscal Year Ended June 30, 2012**

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**Finding 12-01**

Name of Contact Person: Lori DeTrude, Executive Director, Exceptional Children

Corrective Action Plan: Management will implement procedures to ensure that children served with PRC 070 funds are not already receiving special education services.

Proposed Completion Date: Immediately

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
*For the Fiscal Year Ended June 30, 2012*

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No findings were reported in the prior year.

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>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	\$ 161,631
Cash Assistance:		
School Breakfast Program	10.553	347,608
National School Lunch Program	10.555	1,342,940
Summer Food Service Program for Children	10.559	6,919
Cash Assistance Subtotal		<u>1,697,467</u>
Total Child Nutrition Cluster		<u>1,859,098</u>
<u>U.S. Department of Education</u>		
Office of Elementary and Secondary Education		
Passed-through the N.C. Department of Public Instruction:		
Education Consolidation and Improvement Act of 1981		
Improving America School Act of 1994 (IASA)		
Title I Cluster:		
Title I, Grants to Local Educational Agencies	84.010	1,348,847
Title I, Grants to Local Educational Agencies - ARRA	84.389	32,468
Total Title I Cluster		<u>1,381,315</u>
School Improvement Cluster:		
School Improvement	84.010	67,108
School Improvement - ARRA	84.389	8,353
Total School Improvement Cluster		<u>75,461</u>
Improving Teacher Quality	84.367	376,100
Language Acquisition Grant	84.365	128,217
Title IV, Part A, Safe and Drug Free Schools and Communities	84.186	267
Education Jobs Fund - ARRA	84.410	20,829
Race to the Top - ARRA	84.395	38,778
Office of Special Education and Rehabilitative Services		
Passed-through the N.C. Department of Public Instruction:		
Special Education Cluster:		
Individuals with Disabilities Education Act		
Special Education - Grants to States	84.027	2,206,472
Special Education - Grants to States - ARRA	84.391	39,178
Special Education - Preschool Grants	84.173	30,935
Total Special Education Cluster		<u>2,276,585</u>

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
Office of Vocational and Adult Education Passed-through the N.C. Department of Public Instruction: Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990 Basic Grants to States Program Development	84.048	<u>92,250</u>
Tech-Prep Education	84.243	<u>350</u>
Total U.S. Department of Education		<u>4,390,152</u>
<u>U.S. Department of Health and Human Services</u> Administration for Youth and Families Head Start	93.600	<u>1,180,622</u>
<b>Total Federal Assistance</b>		<b><u>7,429,872</u></b>
<b>State Grants:</b>		
<u>N.C. Department of Public Instruction</u> State Public School Fund		55,070,444
Vocational Education:		
State Months of Employment		1,981,253
Program Support Funds		823,733
Driver Training		213,918
School Technology Fund		146,290
State appropriations - buses (noncash)		39,470
Textbooks (noncash)		<u>19,722</u>
Total NC Department of Public Instruction		<u>58,294,830</u>
<u>N.C. Department of Agriculture</u> State Reduced Breakfast Program		<u>4,367</u>
<u>N.C. Department of Health and Human Services</u> Division of Child Development: NC Pre-Kindergarten Program		<u>513,450</u>
Total NC Department of Health and Human Services		<u>513,450</u>
<b>Total State Assistance</b>		<b><u>58,812,647</u></b>
<b>Total Federal and State Assistance</b>		<b><u>\$ 66,242,519</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 Chapel Hill-Carrboro City 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.