

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

*Financial Statements
For the Fiscal Year Ended
June 30, 2011*

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
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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, 2011, 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, 2011, 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 7, 2011 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Chapel Hill-Carrboro City Board of Education, North Carolina. The combining and individual fund statements, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Anderson Smith & Wike PLLC

November 7, 2011
Rockingham, North Carolina
(910) 997-1418

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

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, 2011. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The district applied for and received Federal Qualified School Construction Bonds in the amount of \$4.6 million for roof replacements and repairs throughout the district.
- The district received Federal Education Jobs funds in the amount of \$2.4 million and made the decision to expend all of the funds during the 2010-11 school year. This saved the district the equivalent amount of Local funds and allowed the district to earn a small amount of interest on those funds.
- For the second year, the district took advantage of budget flexibility provided by the State and exchanged positions to intentionally increase and hold the Local fund balance for future use.
- The district completed the addition of an Arts Wing to its newest high school using Federal Qualified School Construction bonds received in 2009-10.
- The district converted to an online pay stub system saving the district money and processing time in the Budget and Finance Office.
- Financial reporting awards from Association of School Business Officials International and the Government Finance Officers Association were received for the seventh 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 of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of

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

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**

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 \$171.6 million as of June 30, 2011 as compared to \$167.6 million as of June 30, 2010, an increase of \$4.0 million. The largest component of net assets is invested in capital assets, net of related debt of \$164.3 million, which comprises 95.7% of the total net assets.

Following is a summary of the Statement of Net Assets as of June 30, 2011 and 2010:

**Table 1
Condensed Statement of Net Assets
As of June 30, 2011 and 2010**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/11	6/30/10	6/30/11	6/30/10	6/30/11	6/30/10
Current assets	\$ 20,481,685	\$ 16,003,222	\$ 977,503	\$ 947,918	\$ 21,459,188	\$ 16,951,140
Capital assets	164,099,688	164,455,021	351,474	42,980	164,451,162	164,498,001
Total assets	<u>184,581,373</u>	<u>180,458,243</u>	<u>1,328,977</u>	<u>990,898</u>	<u>185,910,350</u>	<u>181,449,141</u>
Current liabilities	9,616,107	9,531,242	635,399	589,158	10,251,506	10,120,400
Long-term liabilities	3,898,241	3,690,565	138,119	76,557	4,036,360	3,767,122
Total liabilities	<u>13,514,348</u>	<u>13,221,807</u>	<u>773,518</u>	<u>665,715</u>	<u>14,287,866</u>	<u>13,887,522</u>
Invested in capital assets, net of related debt	163,961,928	163,949,217	351,474	42,980	164,313,402	163,992,197
Restricted net assets	3,023,739	1,496,810	-	-	3,023,739	1,496,810
Unrestricted net assets	4,081,358	1,790,409	203,985	282,203	4,285,343	2,072,612
Total net assets	<u>\$ 171,067,025</u>	<u>\$ 167,236,436</u>	<u>\$ 555,459</u>	<u>\$ 325,183</u>	<u>\$ 171,622,484</u>	<u>\$ 167,561,619</u>

The net assets of the Board's governmental activities increased \$3.8 million during the year from \$167.3 million at June 30, 2010 to \$171.1 million at June 30, 2011, indicating an improvement in the financial condition of the Board. This improvement is primarily attributable to increases of \$1.5 million and \$2.3 million, respectively, in restricted and unrestricted net assets. Current assets also increased over the prior year by \$4.5 million, largely due to a \$4.2 million increase in cash and cash equivalents.

The net assets of the Board's business-type activities increased \$230,000 from \$325,000 at June 30, 2010 to \$555,000 at June 30, 2011. This increase of \$230,000 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, 2011 and 2010**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/11	6/30/10	6/30/11	6/30/10	6/30/11	6/30/10
Revenues:						
Program revenues:						
Charges for services	\$ 3,126,314	\$ 3,157,212	\$ 3,558,523	\$ 3,750,578	\$ 6,684,837	\$ 6,907,790
Operating grants and contributions	67,177,842	65,210,618	1,648,292	1,685,927	68,826,134	66,896,545
Capital grants and contributions	157,678	129,328	-	31,955	157,678	161,283
General revenues:						
Other revenues	66,854,211	63,044,998	3,713	625	66,857,924	63,045,623
Total revenues	137,316,045	131,542,156	5,210,528	5,469,085	142,526,573	137,011,241
Expenses:						
Governmental activities:						
Instructional services	103,809,475	102,846,003	-	-	103,809,475	102,846,003
System-wide support services	22,689,231	23,148,094	-	-	22,689,231	23,148,094
Ancillary services	237,408	34,044	-	-	237,408	34,044
Non-programmed charges	575,187	492,838	-	-	575,187	492,838
Interest on long-term debt	16,154	31,171	-	-	16,154	31,171
Unallocated depreciation	5,657,984	5,470,036	-	-	5,657,984	5,470,036
Business-type activities:						
School food service	-	-	3,957,877	4,218,982	3,957,877	4,218,982
Child care	-	-	1,522,392	1,616,225	1,522,392	1,616,225
Total expenses	132,985,439	132,022,186	5,480,269	5,835,207	138,465,708	137,857,393
Excess (deficiency)						
before transfers	4,330,606	(480,030)	(269,741)	(366,122)	4,060,865	(846,152)
Transfers in (out)	(500,017)	(577,192)	500,017	577,192	-	-
Increase(decrease) in						
net assets	3,830,589	(1,057,222)	230,276	211,070	4,060,865	(846,152)
Beginning net assets	167,236,436	168,293,658	325,183	114,113	167,561,619	168,407,771
Ending net assets	<u>\$ 171,067,025</u>	<u>\$ 167,236,436</u>	<u>\$ 555,459</u>	<u>\$ 325,183</u>	<u>\$ 171,622,484</u>	<u>\$ 167,561,619</u>

Total governmental activities generated revenues of \$137.3 million while expenses in this category totaled \$133.0 million for the year ended June 30, 2011, resulting in the aforementioned increase in net assets of \$3.8 million (including net transfers to business-type activities of \$500,000). Comparatively, revenues were \$131.5 million, expenses totaled \$132.0 million and transfers out were \$577,000 for the year ended June 30, 2010, resulting in a decrease in net assets of \$1.1 million. In comparing the two years, revenues increased by \$5.8 million, while expenses increased over the prior year by \$963,000. The increase in revenues was primarily comprised of a \$2.0 million increase in operating grants and contributions and

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

\$3.8 million increase in other revenues. Governmental activities reported an increase of \$1.9 million in federal revenues which accounts for the majority of the increase in operating grants and contributions. The increase in other revenues is mostly attributable to a \$2.8 million increase in local bond revenues from Orange County for school construction and renovation projects.

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 40.4%, 33.2%, 14.0% and 8.6% of our total revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 78.1% of our total expenditures during the most recent fiscal year. Of the remaining 21.9% of our total expenditures, 17.1% was attributable to system-wide support services.

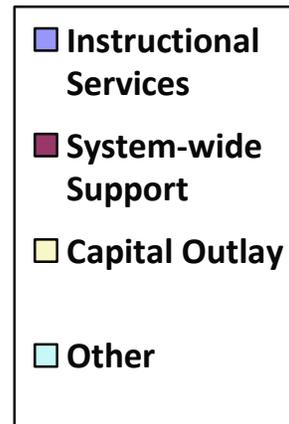
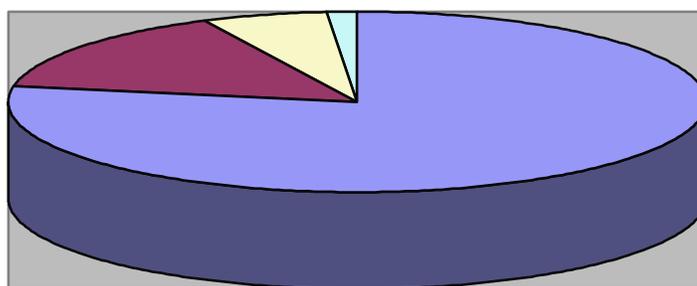
Our business-type activities generated revenues of \$5.2 million, while expenses in this category totaled \$5.5 million and net transfers in from governmental activities totaled \$500,000 for the year ended June 30, 2011. For the year, net assets increased by \$230,000. Comparatively, revenues were \$5.5 million, expenses were \$5.8 million and transfers in from governmental activities totaled \$577,000 for the year ended June 30, 2010, resulting in an increase in net assets of \$211,000.

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 \$14.5 million at June 30, 2011, an increase of \$4.1 million over the \$10.4 million reported at June 30, 2010. The Board's General, Capital Outlay and Individual Schools funds each reported increases in fund balance for the year of \$3.7 million, \$439,000 and \$90,000, respectively, while the Other Special Revenue Fund reported a decrease of \$85,000. Revenues increased \$6.1 million during the year from \$131.5 million for the fiscal year ended June 30, 2010 to \$137.6 million in the current year. Revenues from the U.S. Government increased \$1.9 million during the year, largely due to federal ARRA funds received and expended during the year. Expenditures increased from \$128.8 million in 2010 to \$133.6 million in 2011. Capital outlay expenditures increased \$3.0 million which accounted for the majority of the overall increase in expenditures. Increased construction, renovation and repairs activity contributed to the increase in capital outlay expenditures which were funded by a \$2.8 million increase in related bond revenues 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 \$230,000 for the year compared to a \$211,000 increase for the year ended June 30, 2010. The School Food Service Fund reported an increase in net assets of \$206,000 in the current year compared to an increase of \$81,000 for the prior fiscal year, an improvement of \$125,000. The improvement is attributable to several factors: 1) The program reported a \$119,000 writedown of inventory in the 2009-2010 year as part of a change in management companies. There was no writedown reported in the 2010-2011 year. 2) Food costs, materials and supplies and management fees combined for a decrease of \$183,000 compared to the prior year. Food and related supplies and materials are all purchased by the new management company and included in the fee they charge to the Board. 3) The Capital Outlay Fund contributed \$350,000 of capital assets to the School Food Service Fund during the year. 4) These cost savings and capital contributions by the Capital Outlay Fund helped enable the Board to reduce the amount of subsidy paid by the General Fund to the School Food Service Fund by \$418,000 from the prior year.

The Child Care Fund reported a decrease in revenues for the year of \$192,000 while expenditures decreased by \$94,000 compared to the prior year. The decrease in revenues is primarily due to a \$193,000 decrease in child care fees attributable to reduced enrollment. The decrease in expenses was primarily due to a \$67,000 decrease in salaries and benefits. After transfers of \$99,000 to the General Fund, the Child Care Fund reported an increase in net assets of \$24,000 for the 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 by \$1.0 million during the year. 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 an increase in fund balance of \$3.7 million. Revenues from Orange County for the local operating budget increased \$291,000 over the prior year, while supplemental school tax revenues from the Chapel Hill and Carrboro townships increased \$165,000. Overall, total General Fund revenues increased by \$715,000, or 1.2%, over the prior year, while expenditures decreased \$866,000, or 1.6%. As discussed previously in the *Financial Highlights* section, the Board chose to expend federal Education Jobs funds in the current year in order to preserve its Local funds and maximize interest earnings.

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

Capital Assets

Total primary government capital assets were \$164.5 million at June 30, 2011, resulting in no change from the \$164.5 million also reported at June 30, 2010. 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, 2011 and 2010.

**Table 3
Summary of Capital Assets
As of June 30, 2011 and 2010**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/11</u>	<u>6/30/10</u>	<u>6/30/11</u>	<u>6/30/10</u>	<u>6/30/11</u>	<u>6/30/10</u>
Land	\$ 6,485,407	\$ 6,485,407	\$ -	\$ -	\$ 6,485,407	\$ 6,485,407
Construction in progress	1,765,674	1,726,768	-	-	1,765,674	1,726,768
Buildings and improvements	151,295,187	151,988,291	-	-	151,295,187	151,988,291
Land improvements	1,473,153	1,384,159	-	-	1,473,153	1,384,159
Equipment and furniture	1,620,144	1,210,161	351,474	42,980	1,971,618	1,253,141
Vehicles	1,460,123	1,660,235	-	-	1,460,123	1,660,235
Total	<u>\$ 164,099,688</u>	<u>\$ 164,455,021</u>	<u>\$ 351,474</u>	<u>\$ 42,980</u>	<u>\$ 164,451,162</u>	<u>\$ 164,498,001</u>

Debt Outstanding

During the year, the Board's long-term debt decreased by \$368,000 from \$506,000 at June 30, 2010 to \$138,000 at June 30, 2011. 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 Local budget experienced a modest increase of \$234,000 based on the state's projected enrollment increase.
- The district's State budget was reduced by \$3.5 million due to economic conditions impacting the State's overall budget and a decline in student enrollment. The district reported an actual student enrollment which was 168 students below the State's projection which accounted for \$300,000 of lost revenue.
- The architectural design for elementary #11 was completed. County funding for the total project has yet to be approved due to limitations on debt issuance.

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, 2011

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 16,058,980	\$ 731,139	\$ 16,790,119
Due from other governments	3,406,508	63,651	3,470,159
Receivables	47,056	71,521	118,577
Internal balances	(111,192)	111,192	-
Prepaid expenses	1,080,333	-	1,080,333
Capital assets:			
Land and construction in progress	8,251,081	-	8,251,081
Other capital assets, net of depreciation	155,848,607	351,474	156,200,081
Total capital assets	<u>164,099,688</u>	<u>351,474</u>	<u>164,451,162</u>
 Total assets	 <u>184,581,373</u>	 <u>1,328,977</u>	 <u>185,910,350</u>
Liabilities			
Accounts payable and accrued expenses	2,001,489	369,517	2,371,006
Accrued salaries and wages payable	3,624,296	-	3,624,296
Unearned revenue	1,008,167	211,668	1,219,835
Long-term liabilities:			
Due within one year	2,982,155	54,214	3,036,369
Due in more than one year	<u>3,898,241</u>	<u>138,119</u>	<u>4,036,360</u>
 Total liabilities	 <u>13,514,348</u>	 <u>773,518</u>	 <u>14,287,866</u>
Net assets			
Invested in capital assets, net of related debt	163,961,928	351,474	164,313,402
Restricted for:			
Stabilization by State statute	550,908	-	550,908
School capital outlay	1,107,545	-	1,107,545
Instructional services	287,738	-	287,738
Individual schools activities	1,077,548	-	1,077,548
Unrestricted	<u>4,081,358</u>	<u>203,985</u>	<u>4,285,343</u>
 Total net assets	 <u>\$ 171,067,025</u>	 <u>\$ 555,459</u>	 <u>\$ 171,622,484</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, 2011

Exhibit 3

	Major Funds				Non-major Funds	Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Special Revenue	
Assets						
Cash and cash equivalents	\$ 12,934,154	\$ -	\$ -	\$ 1,670,774	\$ 1,454,052	\$ 16,058,980
Due from other governments	113,394	2,065,334	220,857	919,373	87,550	3,406,508
Accounts receivable	45,061	-	-	-	1,995	47,056
Due from other funds	7,235	-	-	-	-	7,235
Prepaid expenditures	1,080,333	-	-	-	-	1,080,333
Total assets	<u>\$ 14,180,177</u>	<u>\$ 2,065,334</u>	<u>\$ 220,857</u>	<u>\$ 2,590,147</u>	<u>\$ 1,543,597</u>	<u>\$ 20,600,112</u>
Liabilities and fund balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 905,668	\$ -	\$ -	\$ 1,088,102	\$ 7,719	\$ 2,001,489
Accrued salaries and wages payable	1,311,001	2,065,334	220,857	-	27,104	3,624,296
Due to other funds	111,192	-	-	-	7,235	118,427
Deferred revenue	-	-	-	394,500	-	394,500
Total liabilities	<u>2,327,861</u>	<u>2,065,334</u>	<u>220,857</u>	<u>1,482,602</u>	<u>42,058</u>	<u>6,138,712</u>
Fund balances:						
Nonspendable:						
Prepaid expenditures	1,080,333	-	-	-	-	1,080,333
Restricted:						
Stabilization by State statute	443,625	-	-	-	107,283	550,908
School capital outlay	-	-	-	1,107,545	-	1,107,545
Instructional services	-	-	-	-	287,738	287,738
Individual schools	-	-	-	-	1,077,548	1,077,548
Assigned:						
Subsequent year's expenditures	3,652,913	-	-	-	-	3,652,913
Special revenues	-	-	-	-	28,970	28,970
Unassigned	6,675,445	-	-	-	-	6,675,445
Total fund balances	<u>11,852,316</u>	<u>-</u>	<u>-</u>	<u>1,107,545</u>	<u>1,501,539</u>	<u>14,461,400</u>
Total liabilities and fund balances	<u>\$ 14,180,177</u>	<u>\$ 2,065,334</u>	<u>\$ 220,857</u>	<u>\$ 2,590,147</u>	<u>\$ 1,543,597</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.	164,099,688
Difference in deferred lease revenue attributable to difference in income recognition periods for governmental funds and governmental activities.	(613,667)
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>(6,880,396)</u>
Net assets of governmental activities	<u>\$ 171,067,025</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, 2011

Exhibit 4

	Major Funds				Non-major Funds	Total
	General	State Public School	Federal Grants	Capital Outlay	Special Revenue	Governmental Funds
Revenues:						
State of North Carolina	\$ -	\$ 54,941,061	\$ -	\$ 157,678	\$ 445,089	\$ 55,543,828
Orange County	37,088,720	-	-	8,615,211	-	45,703,931
U.S. Government	-	-	10,386,082	-	1,405,610	11,791,692
Other	21,080,544	-	-	322,003	3,149,078	24,551,625
Total revenues	<u>58,169,264</u>	<u>54,941,061</u>	<u>10,386,082</u>	<u>9,094,892</u>	<u>4,999,777</u>	<u>137,591,076</u>
Expenditures:						
Current:						
Instructional services:						
Regular instructional	19,646,264	35,668,860	3,331,389	146,619	217,076	59,010,208
Special populations	9,359,074	5,762,759	2,503,446	-	-	17,625,279
Alternative programs	1,679,288	2,068,434	1,220,973	-	1,840,386	6,809,081
School leadership	1,861,503	3,298,932	964,459	-	-	6,124,894
Co-curricular	2,058,105	-	-	-	2,566,066	4,624,171
School-based support	4,547,313	4,883,885	146,870	-	-	9,578,068
System-wide support services:						
Support and development	613,650	245,377	31,737	-	8,214	898,978
Special population support and development	109,446	104,805	350,403	-	-	564,654
Alternative programs and services support and development	31,185	-	36,030	-	134,510	201,725
Technology support	1,424,066	180,015	1,696	304,998	15,047	1,925,822
Operational support	8,240,269	1,500,771	1,654,408	176,868	-	11,572,316
Financial and human resource services	991,103	726,912	-	-	-	1,718,015
Accountability	369,130	-	-	-	-	369,130
Policy, leadership and public relations	2,381,149	401,432	-	54,579	-	2,837,160
Ancillary services	-	-	-	237,408	-	237,408
Non-programmed charges	617,135	-	144,671	-	745	762,551
Debt service:						
Principal retirement	-	52,384	-	648,538	-	700,922
Interest and fees	-	2,817	-	13,337	-	16,154
Capital outlay	-	-	-	8,071,720	-	8,071,720
Total expenditures	<u>53,928,680</u>	<u>54,897,383</u>	<u>10,386,082</u>	<u>9,654,067</u>	<u>4,782,044</u>	<u>133,648,256</u>
Revenues over (under) expenditures	<u>4,240,584</u>	<u>43,678</u>	<u>-</u>	<u>(559,175)</u>	<u>217,733</u>	<u>3,942,820</u>
Other financing sources (uses):						
Transfers from other funds	98,781	-	-	665,060	6,996	770,837
Transfers to other funds	(657,226)	(43,678)	-	-	(220,000)	(920,904)
Installment purchase obligations issued	-	-	-	332,878	-	332,878
Total other financing sources (uses)	<u>(558,445)</u>	<u>(43,678)</u>	<u>-</u>	<u>997,938</u>	<u>(213,004)</u>	<u>182,811</u>
Net change in fund balance	3,682,139	-	-	438,763	4,729	4,125,631
Fund balances:						
Beginning of year, as restated	<u>8,170,177</u>	<u>-</u>	<u>-</u>	<u>668,782</u>	<u>1,496,810</u>	<u>10,335,769</u>
End of year	<u>\$ 11,852,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,107,545</u>	<u>\$ 1,501,539</u>	<u>\$ 14,461,400</u>

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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, 2011

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 4,125,631
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(355,333)
Difference in lease income recognized from deferred revenue due to difference between income recognition periods for governmental funds and governmental activities.	(87,667)
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.	368,044
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>(220,086)</u>
Total changes in net assets of governmental activities	<u>\$ 3,830,589</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, 2011

Exhibit 6

	General Fund			Variance with final budget over (under)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Orange County	37,088,720	37,088,720	37,088,720	-
U.S. Government	-	-	-	-
Other	<u>20,529,984</u>	<u>20,600,552</u>	<u>21,080,544</u>	<u>479,992</u>
Total revenues	<u>57,618,704</u>	<u>57,689,272</u>	<u>58,169,264</u>	<u>479,992</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	21,989,404	20,945,294	19,646,264	1,299,030
Special populations	8,572,397	9,401,232	9,359,074	42,158
Alternative programs	1,556,308	1,669,408	1,679,288	(9,880)
School leadership	2,982,798	2,979,664	1,861,503	1,118,161
Co-curricular	1,896,458	2,062,345	2,058,105	4,240
School-based support	<u>5,223,718</u>	<u>5,608,545</u>	<u>4,547,313</u>	<u>1,061,232</u>
Total instructional services	<u>42,221,083</u>	<u>42,666,488</u>	<u>39,151,547</u>	<u>3,514,941</u>
System-wide support services				
Support and development	941,315	788,951	613,650	175,301
Special population support and development	117,094	129,239	109,446	19,793
Alternative programs and services support and development	28,023	31,186	31,185	1
Technology support	1,376,851	1,425,756	1,424,066	1,690
Operational support	8,673,822	8,967,955	8,240,269	727,686
Financial and human resource services	1,570,450	1,491,487	991,103	500,384
Accountability	367,704	369,190	369,130	60
Policy, leadership and public relations	<u>2,620,921</u>	<u>2,596,180</u>	<u>2,381,149</u>	<u>215,031</u>
Total system-wide support services	<u>15,696,180</u>	<u>15,799,944</u>	<u>14,159,998</u>	<u>1,639,946</u>
Nonprogrammed charges	<u>791,441</u>	<u>617,135</u>	<u>617,135</u>	<u>-</u>
Debt service				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>58,708,704</u>	<u>59,083,567</u>	<u>53,928,680</u>	<u>5,154,887</u>
Revenues over (under) expenditures	<u>(1,090,000)</u>	<u>(1,394,295)</u>	<u>4,240,584</u>	<u>5,634,879</u>
Other financing sources (uses):				
Transfers from other funds	-	98,781	98,781	-
Transfers to other funds	-	(650,230)	(657,226)	(6,996)
Fund balance appropriated	<u>1,090,000</u>	<u>1,945,744</u>	<u>-</u>	<u>(1,945,744)</u>
Total other financing sources (uses)	<u>1,090,000</u>	<u>1,394,295</u>	<u>(558,445)</u>	<u>(1,952,740)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,682,139</u>	<u>\$ 3,682,139</u>
Fund balances:				
Beginning of year			<u>8,170,177</u>	
End of year			<u>\$ 11,852,316</u>	

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, 2011

	State Public School Fund			Variance with final budget over (under)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 56,447,018	\$ 56,022,587	\$ 54,941,061	\$ (1,081,526)
Orange County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>56,447,018</u>	<u>56,022,587</u>	<u>54,941,061</u>	<u>(1,081,526)</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	40,487,286	36,058,927	35,668,860	390,067
Special populations	6,181,457	5,806,987	5,762,759	44,228
Alternative programs	2,081,252	2,407,434	2,068,434	339,000
School leadership	2,445,401	3,408,955	3,298,932	110,023
Co-curricular	-	-	-	-
School-based support	3,060,106	5,067,082	4,883,885	183,197
Total instructional services	<u>54,255,502</u>	<u>52,749,385</u>	<u>51,682,870</u>	<u>1,066,515</u>
System-wide support services				
Support and development	273,037	249,082	245,377	3,705
Special population support and development	100,648	104,806	104,805	1
Alternative programs and services support and development	-	-	-	-
Technology support	-	180,029	180,015	14
Operational support	1,264,895	1,512,053	1,500,771	11,282
Financial and human resource services	85,111	726,914	726,912	2
Accountability	-	-	-	-
Policy, leadership and public relations	366,272	401,439	401,432	7
Total system-wide support services	<u>2,089,963</u>	<u>3,174,323</u>	<u>3,159,312</u>	<u>15,011</u>
Nonprogrammed charges	-	-	-	-
Debt service				
Principal retirement	52,384	52,384	52,384	-
Interest and fees	2,817	2,817	2,817	-
Total debt service	<u>55,201</u>	<u>55,201</u>	<u>55,201</u>	<u>-</u>
Total expenditures	<u>56,400,666</u>	<u>55,978,909</u>	<u>54,897,383</u>	<u>1,081,526</u>
Revenues over (under) expenditures	<u>46,352</u>	<u>43,678</u>	<u>43,678</u>	<u>-</u>
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	(46,352)	(43,678)	(43,678)	-
Fund balance appropriated	-	-	-	-
Total other financing sources (uses)	<u>(46,352)</u>	<u>(43,678)</u>	<u>(43,678)</u>	<u>-</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.

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, 2011

	Federal Grants Fund			Variance with final budget over (under)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Orange County	-	-	-	-
U.S. Government	8,836,705	13,006,551	10,386,082	(2,620,469)
Other	-	-	-	-
Total revenues	<u>8,836,705</u>	<u>13,006,551</u>	<u>10,386,082</u>	<u>(2,620,469)</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	941,271	3,433,028	3,331,389	101,639
Special populations	2,588,044	3,195,711	2,503,446	692,265
Alternative programs	825,803	1,413,625	1,220,973	192,652
School leadership	973,886	967,556	964,459	3,097
Co-curricular	-	-	-	-
School-based support	11,355	180,551	146,870	33,681
Total instructional services	<u>5,340,359</u>	<u>9,190,471</u>	<u>8,167,137</u>	<u>1,023,334</u>
System-wide support services				
Support and development	68,418	31,737	31,737	-
Special population support and development	308,939	461,700	350,403	111,297
Alternative programs and services support and development	111,376	115,578	36,030	79,548
Technology support	-	1,700	1,696	4
Operational support	1,618,221	1,663,104	1,654,408	8,696
Financial and human resource services	-	-	-	-
Accountability	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Total system-wide support services	<u>2,106,954</u>	<u>2,273,819</u>	<u>2,074,274</u>	<u>199,545</u>
Nonprogrammed charges	<u>1,389,392</u>	<u>1,542,261</u>	<u>144,671</u>	<u>1,397,590</u>
Debt service				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>8,836,705</u>	<u>13,006,551</u>	<u>10,386,082</u>	<u>2,620,469</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
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, 2011

Exhibit 7

	Enterprise		Totals
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
Assets			
Current assets:			
Cash and cash equivalents	\$ 184,026	\$ 547,113	\$ 731,139
Due from other governments	63,651	-	63,651
Receivables	45,805	25,716	71,521
Due from other funds	111,192	-	111,192
Total current assets	404,674	572,829	977,503
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	351,474	-	351,474
Total assets	756,148	572,829	1,328,977
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	365,982	3,535	369,517
Compensated absences	37,431	16,783	54,214
Unearned revenue	63,152	148,516	211,668
Total current liabilities	466,565	168,834	635,399
Noncurrent liabilities:			
Compensated absences	80,515	57,604	138,119
Total liabilities	547,080	226,438	773,518
Net assets			
Invested in capital assets	351,474	-	351,474
Unrestricted (deficit)	(142,406)	346,391	203,985
Total net assets	\$ 209,068	\$ 346,391	\$ 555,459

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, 2011

Exhibit 8

	Enterprise		Totals
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
Operating revenues:			
Food sales	\$ 1,913,273	\$ -	\$ 1,913,273
Child care fees	-	1,357,309	1,357,309
Rental of school property	-	287,941	287,941
Total operating revenues	<u>1,913,273</u>	<u>1,645,250</u>	<u>3,558,523</u>
Operating expenses:			
Purchase of food	26,124	126,965	153,089
Salaries and benefits	1,482,891	1,339,068	2,821,959
Indirect costs	216,307	-	216,307
Materials and supplies	12,253	35,891	48,144
Repairs and maintenance	25,125	-	25,125
Depreciation	41,456	-	41,456
Non-capitalized equipment	-	3,132	3,132
Chartwells management fees	2,360,167	-	2,360,167
Other	9,861	17,336	27,197
Total operating expenses	<u>4,174,184</u>	<u>1,522,392</u>	<u>5,696,576</u>
Operating income (loss)	<u>(2,260,911)</u>	<u>122,858</u>	<u>(2,138,053)</u>
Nonoperating revenues:			
Federal reimbursements	1,489,132	-	1,489,132
Federal commodities	159,160	-	159,160
Indirect costs not paid	216,307	-	216,307
Other	3,713	-	3,713
Total nonoperating revenues	<u>1,868,312</u>	<u>-</u>	<u>1,868,312</u>
Income (loss) before transfers and contributions	(392,599)	122,858	(269,741)
Transfers to other funds	-	(98,781)	(98,781)
Transfers from other funds	248,848	-	248,848
Contributions:			
Capital contributions	<u>349,950</u>	<u>-</u>	<u>349,950</u>
Change in net assets	206,199	24,077	230,276
Net assets, beginning of year	<u>2,869</u>	<u>322,314</u>	<u>325,183</u>
Net assets, end of year	<u>\$ 209,068</u>	<u>\$ 346,391</u>	<u>\$ 555,459</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, 2011

Exhibit 9

	Enterprise		Totals
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
Cash flows from operating activities:			
Cash received from customers	\$ 1,904,568	\$ 1,623,818	\$ 3,528,386
Cash paid for goods and services	(2,205,922)	(182,692)	(2,388,614)
Cash paid to employees for services	(1,426,935)	(1,315,129)	(2,742,064)
Net cash provided (used) by operating activities	<u>(1,728,289)</u>	<u>125,997</u>	<u>(1,602,292)</u>
Cash flows from noncapital financing activities:			
Transfers from (to) other funds	205,170	(98,781)	106,389
Due from other funds	8,808	-	8,808
Federal reimbursements	1,494,121	-	1,494,121
Proceeds from liquidation of inventory	133,905	-	133,905
Other	3,713	-	3,713
Net cash provided (used) by noncapital financing activities	<u>1,845,717</u>	<u>(98,781)</u>	<u>1,746,936</u>
Net increase in cash and cash equivalents	117,428	27,216	144,644
Cash and cash equivalents, beginning of year	66,598	519,897	586,495
Cash and cash equivalents, end of year	<u>\$ 184,026</u>	<u>\$ 547,113</u>	<u>\$ 731,139</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ (2,260,911)</u>	<u>\$ 122,858</u>	<u>\$ (2,138,053)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	41,456	-	41,456
Donated commodities	159,160	-	159,160
Salaries paid by special revenue fund	43,678	-	43,678
Indirect costs not paid	216,307	-	216,307
Changes in assets and liabilities:			
Increase in accounts receivable	(10,527)	(22,116)	(32,643)
Increase in accounts payable and accrued liabilities	68,448	632	69,080
Increase in unearned revenue	1,822	684	2,506
Increase in compensated absences payable	12,278	23,939	36,217
Total adjustments	<u>532,622</u>	<u>3,139</u>	<u>535,761</u>
Net cash provided (used) by operating activities	<u>\$ (1,728,289)</u>	<u>\$ 125,997</u>	<u>\$ (1,602,292)</u>

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$159,160 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 \$43,678 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 \$349,950 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 NET ASSETS
AGENCY FUND
June 30, 2011

Exhibit 10

	<u>Employee Flexible Spending Account</u>
Assets	
Cash	<u>\$ 54,145</u>
Liabilities	
Accounts payable and accrued liabilities	<u>\$ 54,145</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, 2011

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.

Federal Grants Fund. The Federal Grants Fund includes appropriations from the U.S. Government 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, 2011

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 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.

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 functional level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to \$100,000) between functions within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$100,000. 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.

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.

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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, 2011 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

The sick leave policy of the Board provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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. 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.

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 \$156,605,625 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)	\$237,199,941
Less accumulated depreciation	<u>(73,100,253)</u>
Net capital assets	164,099,688
Difference in deferred lease revenue attributable to difference in income recognition periods for governmental funds and governmental activities	(613,667)
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	(137,760)
Compensated absences	<u>(6,742,636)</u>
Total adjustment	<u>\$156,605,625</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 (\$295,042) 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	\$ 5,617,325
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	(5,972,658)
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	700,922

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

New debt issued during the year is recorded as a source of funds on the fund Statements; it has no effect on the statement of activities – it only affects the Government-wide statement of net assets	(332,878)
Difference in lease income recognized from deferred revenue due to difference between income recognition periods for governmental funds and governmental activities.	(87,667)
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	<u>(220,086)</u>
Total adjustment	<u>\$ (295,042)</u>

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2011, the Board reported expenditures within the General and Other Special Revenue funds that violated State law [G.S. 115C-441] because they exceeded the amount appropriated in the budget ordinance, as summarized below:

	<u>Violation Amount</u>
General Fund:	
Alternative programs instructional services	\$ 9,880
Transfers to other funds	<u>6,996</u>
Total	<u>\$ 16,876</u>
Other Special Revenue Fund:	
Technology support services	\$ 15,047
Payments to other governments	<u>745</u>
Total	<u>\$ 15,792</u>

Management will monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations.

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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.

At June 30, 2011, the Board had deposits with banks and savings and loans with a carrying amount of \$4,791,556 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$5,055,635 and \$1,111,587, respectively. Of these balances, \$1,202,692 was covered by federal depository insurance and \$4,964,530 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2011, the Board had \$12,052,708 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.9 years at June 30, 2011. The Board has no policy for managing interest rate risk or credit risk.

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2011 are as follows:

	Due from (to) other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ (103,957)	\$ 113,394	\$ 45,061	\$ 54,498
Other governmental activities	<u>(7,235)</u>	<u>3,293,114</u>	<u>1,995</u>	<u>3,287,874</u>
Total governmental activities	<u>\$ (111,192)</u>	<u>\$ 3,406,508</u>	<u>\$ 47,056</u>	<u>\$ 3,342,372</u>
Business-type activities:				
School Food Service Fund	\$ 111,192	\$ 63,651	\$ 45,805	\$ 220,648
Child Care Fund	<u>-</u>	<u>-</u>	<u>25,716</u>	<u>25,716</u>
Total business-type activities	<u>\$ 111,192</u>	<u>\$ 63,651</u>	<u>\$ 71,521</u>	<u>\$ 246,364</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 113,394	Amounts due from County
State Public School Fund	2,065,334	Operating funds from DPI
Capital Outlay Fund	919,373	Amounts due from County
Federal Grants Fund	220,857	Federal grant funds
Other Special Revenue Fund	<u>87,550</u>	State grant funds
Total	<u>\$ 3,406,508</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 63,651</u>	Federal grant funds

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

4. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 6,485,407	\$ -	\$ -	\$ -	\$ 6,485,407
Construction in progress	<u>1,726,768</u>	<u>4,536,368</u>	<u>-</u>	<u>(4,497,462)</u>	<u>1,765,674</u>
Total capital assets not being depreciated	<u>8,212,175</u>	<u>4,536,368</u>	<u>-</u>	<u>(4,497,462)</u>	<u>8,251,081</u>
Capital assets being depreciated:					
Buildings and improvements	211,133,246	151,129	-	4,206,554	215,490,929
Land improvements	4,580,239	-	-	290,908	4,871,147
Equipment and furniture	3,169,569	815,266	-	-	3,984,835
Vehicles	<u>4,487,387</u>	<u>114,562</u>	<u>-</u>	<u>-</u>	<u>4,601,949</u>
Total capital assets being depreciated	<u>223,370,441</u>	<u>1,080,957</u>	<u>-</u>	<u>4,497,462</u>	<u>228,948,860</u>
Less accumulated depreciation for:					
Buildings and improvements	59,144,955	5,050,787	-	-	64,195,742
Land improvements	3,196,080	201,914	-	-	3,397,994
Equipment and furniture	1,959,408	405,283	-	-	2,364,691
Vehicles	<u>2,827,152</u>	<u>314,674</u>	<u>-</u>	<u>-</u>	<u>3,141,826</u>
Total accumulated depreciation	<u>67,127,595</u>	<u>5,972,658</u>	<u>-</u>	<u>-</u>	<u>73,100,253</u>
Total capital assets being depreciated, net	<u>156,242,846</u>				<u>155,848,607</u>
Governmental activity capital assets, net	<u>\$ 164,455,021</u>				<u>\$ 164,099,688</u>
Business-type activities:					
School Food Service Fund:					
Capital assets being depreciated:					
Equipment and furniture	\$ 587,442	\$ 349,950	\$ -	\$ -	\$ 937,392
Less accumulated depreciation for:					
Equipment and furniture	<u>544,462</u>	<u>41,456</u>	<u>-</u>	<u>-</u>	<u>585,918</u>
School Food Service capital assets, net	<u>42,980</u>				<u>351,474</u>
Child Care Fund:					
Capital assets being depreciated:					
Equipment and furniture	37,339	-	-	-	37,339
Less accumulated depreciation for:					
Equipment and furniture	<u>37,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,339</u>
Child Care Fund capital assets, net	<u>-</u>				<u>-</u>
Business-type activities capital assets, net	<u>\$ 42,980</u>				<u>\$ 351,474</u>

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

Depreciation was charged to governmental functions as follows:

System-wide support services	\$ 314,674
Unallocated depreciation	<u>5,657,984</u>
Total	<u>\$ 5,972,658</u>

5. Construction and Other Significant Commitments

As of June 30, 2011, the Board had various construction, renovation and repair projects in progress throughout the district. At year-end, the Board's commitments with contractors for these projects are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Construction, renovations and repairs	<u>\$ 480,393</u>	<u>\$ 2,934,190</u>

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 4.93% 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, 2011, 2010, and 2009 were \$4,009,432, \$2,910,965, and \$2,805,187, 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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
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For the Fiscal Year Ended June 30, 2011

contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

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

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible 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, 2011, 2010, and 2009, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$3,985,033, \$3,669,284, and \$3,422,996, respectively. These contributions represented 4.90%, 4.50%, and 4.10% of covered payroll, respectively.

Long-term Disability Benefits

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

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

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

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For the Fiscal Year Ended June 30, 2011

(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, 2011, 2010, and 2009, the Board paid all annual required contributions to the DIPNC for disability benefits of \$422,902, \$424,006, and \$434,136, 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, 2011

2. Accounts Payable

Accounts payable as of June 30, 2011 are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 905,668	\$ 1,311,001	\$ 2,216,669
Other governmental activities	<u>1,095,821</u>	<u>2,313,295</u>	<u>3,409,116</u>
Total governmental activities	<u>\$ 2,001,489</u>	<u>\$ 3,624,296</u>	<u>\$ 5,625,785</u>
Business-type activities:			
School Food Service Fund	\$ 365,982	\$ -	\$ 365,982
Child Care Fund	<u>3,535</u>	<u>-</u>	<u>3,535</u>
Total business-type activities	<u>\$ 369,517</u>	<u>\$ -</u>	<u>\$ 369,517</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>\$ 1,008,167</u>
Business-type activities:		
Prepayments of meals (School Food Service Fund)		\$ 63,152
Prepayments of tuition (Child Care Fund)		<u>148,516</u>
Total business-type activities		<u>\$ 211,668</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, 2011 deferred revenue reported in the Capital Outlay Fund amounted to \$394,500 while unearned revenue reported in the Statement of Net Assets for governmental activities totaled \$1,008,167.

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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, 2011

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 15th dates.

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 requires payments of principal and interest at 4.75% due monthly through 2013.

The future minimum payments of the installment purchases as of June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u> <u>Principal</u>
2012	\$ 98,967
2013	<u>39,468</u>
	138,435
Less portion representing interest	<u>(675)</u>
Total principal obligation	<u>\$ 137,760</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, 2011:

	<u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ 505,804	\$ 332,878	\$ 700,922	\$ 137,760	\$ 98,292
Compensated absences	<u>6,522,550</u>	<u>5,259,211</u>	<u>5,039,125</u>	<u>6,742,636</u>	<u>2,883,863</u>
Total governmental activities	<u>\$ 7,028,354</u>	<u>\$ 5,592,089</u>	<u>\$ 5,740,047</u>	<u>\$ 6,880,396</u>	<u>\$ 2,982,155</u>
Business-type activities:					
Compensated absences	<u>\$ 156,116</u>	<u>\$ 112,721</u>	<u>\$ 76,504</u>	<u>\$ 192,333</u>	<u>\$ 54,214</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 at June 30, 2011 consist of the following:

From the General Fund to the School Food Service Fund for the payment of operating expenses	<u>\$ 205,170</u>
From the General Fund to the Capital Outlay Fund for school capital improvement needs	<u>\$ 445,060</u>
From the General Fund to the Other Special Revenue Fund for operating expenditures	<u>\$ 6,996</u>

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

From the Other Special Revenue Fund to the Capital Outlay Fund for school capital improvement needs	<u>\$ 220,000</u>
From the State Public School Fund to the School Food Service Fund for the payment of administrative salaries	<u>\$ 43,678</u>
From the Child Care Fund to the General Fund for the payment of operating expenditures	<u>\$ 98,781</u>

2. Interfund Balances

The composition of interfund balances as of June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
School Food Service Fund	General Fund	<u>\$ 111,192</u>
General Fund	Other Special Revenue Fund	<u>\$ 7,235</u>

The amount due to the School Food Service Fund from the General Fund represents amounts owed for meals provided to pre-K children. 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. These balances are expected to be paid prior to June 30, 2012.

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	\$ 11,852,316
Less:	
Prepaid expenditures	(1,080,333)
Stabilization by State statute	(443,625)
Appropriated fund balance in fiscal year 2011-2012 budget	<u>(3,652,913)</u>
Remaining fund balance	<u>\$ 6,675,445</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, 2011 are as follows:

	<u>Encumbrances</u>
General Fund	\$ 277,935
Capital Outlay Fund	788,073
Non-Major Funds	17,738

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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.

NOTE 5 – PRIOR PERIOD RESTATEMENT

During the year, the Board determined that it had been improperly reporting various grant and other revenues in a fiduciary fund rather than in the Other Special Revenue Fund. The Board increased previously reported fund balance for the Other Special Revenue Fund as of June 30, 2010 by \$466,529 to adjust for this restatement.

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, 2011

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Orange County:			
County appropriation	\$ 37,088,720	\$ 37,088,720	\$ -
Other:			
Fines and forfeitures	360,000	407,755	47,755
Supplemental school taxes	18,694,595	19,229,819	535,224
Interest earned on investment	110,000	102,977	(7,023)
Indirect costs allocated	250,000	187,364	(62,636)
Insurance proceeds	-	40,495	40,495
Medicaid reimbursement program	200,000	226,284	26,284
Tuition and fees	540,000	558,154	18,154
ABC revenues	32,000	32,000	-
Sales and use tax refund	75,000	174,085	99,085
Miscellaneous	338,957	121,611	(217,346)
Total other	<u>20,600,552</u>	<u>21,080,544</u>	<u>479,992</u>
Total revenues	<u>57,689,272</u>	<u>58,169,264</u>	<u>479,992</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	20,945,294	19,646,264	1,299,030
Special populations	9,401,232	9,359,074	42,158
Alternative programs	1,669,408	1,679,288	(9,880)
School leadership	2,979,664	1,861,503	1,118,161
Co-curricular	2,062,345	2,058,105	4,240
School-based support	5,608,545	4,547,313	1,061,232
Total instructional services	<u>42,666,488</u>	<u>39,151,547</u>	<u>3,514,941</u>
System-wide support services:			
Support and development	788,951	613,650	175,301
Special population support and development	129,239	109,446	19,793
Alternative programs and services support and development	31,186	31,185	1
Technology support	1,425,756	1,424,066	1,690
Operational support	8,967,955	8,240,269	727,686
Financial and human resource services	1,491,487	991,103	500,384
Accountability	369,190	369,130	60
Policy, leadership and public relations	2,596,180	2,381,149	215,031
Total system-wide support services	<u>15,799,944</u>	<u>14,159,998</u>	<u>1,639,946</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, 2011

	Final Budget	Actual	Variance Over (Under)
Expenditures (Continued):			
Non-programmed charges:			
Payments to other governments	617,135	617,135	-
Total expenditures	59,083,567	53,928,680	5,154,887
Revenues over (under) expenditures	(1,394,295)	4,240,584	5,634,879
Other financing sources (uses):			
Transfers from other funds	98,781	98,781	-
Transfers to other funds	(650,230)	(657,226)	(6,996)
Fund balance appropriated	1,945,744	-	(1,945,744)
Total other financing sources (uses)	1,394,295	(558,445)	(1,952,740)
Net change in fund balance	\$ -	3,682,139	\$ 3,682,139
Fund balance:			
Beginning of year		8,170,177	
End of year		\$ 11,852,316	

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2011**

	Special Revenue Funds		Totals
	Other Special Revenue	Individual Schools	
Assets			
Cash and cash equivalents	\$ 376,504	\$ 1,077,548	\$ 1,454,052
Due from other governments	87,550	-	87,550
Accounts receivable	<u>1,995</u>	<u>-</u>	<u>1,995</u>
Total assets	<u>\$ 466,049</u>	<u>\$ 1,077,548</u>	<u>\$ 1,543,597</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 7,719	\$ -	\$ 7,719
Accrued salaries and wages payable	27,104	-	27,104
Due to other funds	<u>7,235</u>	<u>-</u>	<u>7,235</u>
Total liabilities	<u>42,058</u>	<u>-</u>	<u>42,058</u>
Fund balances			
Restricted:			
Stabilization by State statute	107,283	-	107,283
Instructional services	287,738	-	287,738
Individual schools	-	1,077,548	1,077,548
Assigned:			
Special revenues	<u>28,970</u>	<u>-</u>	<u>28,970</u>
Total fund balances	<u>423,991</u>	<u>1,077,548</u>	<u>1,501,539</u>
Total liabilities and fund balances	<u>\$ 466,049</u>	<u>\$ 1,077,548</u>	<u>\$ 1,543,597</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, 2011

	Special Revenue Funds		Totals
	Other Special Revenue	Individual Schools	
Revenues:			
State of North Carolina	\$ 445,089	\$ -	\$ 445,089
U.S. Government	1,405,610	-	1,405,610
Other	493,251	2,655,827	3,149,078
Total revenues	2,343,950	2,655,827	4,999,777
Expenditures:			
Current:			
Instructional services:			
Regular instructional	217,076	-	217,076
Alternative programs	1,840,386	-	1,840,386
Co-curricular	-	2,566,066	2,566,066
Total instructional services	2,057,462	2,566,066	4,623,528
System-wide support services:			
Support and development	8,214	-	8,214
Alternative programs and services support and development	134,510	-	134,510
Technology support	15,047	-	15,047
Total system-wide support services	157,771	-	157,771
Non-programmed charges	745	-	745
Total expenditures	2,215,978	2,566,066	4,782,044
Revenues over expenditures	127,972	89,761	217,733
Other financing sources (uses):			
Transfers from other funds	6,996	-	6,996
Transfers to other funds	(220,000)	-	(220,000)
Total other financing sources (uses)	(213,004)	-	(213,004)
Net change in fund balance	(85,032)	89,761	4,729
Fund balances:			
Beginning of year, as restated	509,023	987,787	1,496,810
End of year	\$ 423,991	\$ 1,077,548	\$ 1,501,539

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, 2011

	Final Budget	Actual	Variance Over (Under)
Revenues:			
State of North Carolina:			
Smart Start	\$ 7,039	\$ 7,039	\$ -
More at Four Grant	<u>437,750</u>	<u>438,050</u>	<u>300</u>
Total State of North Carolina	<u>444,789</u>	<u>445,089</u>	<u>300</u>
U.S. Government:			
Headstart	1,602,472	1,271,323	(331,149)
Carol M. White Physical Education Grant	-	134,287	134,287
Other	<u>147,966</u>	<u>-</u>	<u>(147,966)</u>
Total U.S. Government	<u>1,750,438</u>	<u>1,405,610</u>	<u>(344,828)</u>
Other:			
Miscellaneous	<u>338,887</u>	<u>493,251</u>	<u>154,364</u>
Total revenues	<u>2,534,114</u>	<u>2,343,950</u>	<u>(190,164)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	246,299	217,076	29,223
Alternative programs	<u>2,139,782</u>	<u>1,840,386</u>	<u>299,396</u>
Total instructional services	<u>2,386,081</u>	<u>2,057,462</u>	<u>328,619</u>
System-wide support services:			
Support and development	38,531	8,214	30,317
Alternative programs and services support and development	148,897	134,510	14,387
Technology support	<u>-</u>	<u>15,047</u>	<u>(15,047)</u>
Total system-wide support services	<u>187,428</u>	<u>157,771</u>	<u>29,657</u>
Non-programmed charges:			
Payments to other governments	<u>-</u>	<u>745</u>	<u>(745)</u>
Total expenditures	<u>2,573,509</u>	<u>2,215,978</u>	<u>357,531</u>
Revenues over (under) expenditures	<u>(39,395)</u>	<u>127,972</u>	<u>167,367</u>
Other financing sources (uses)			
Transfers from other funds	-	6,996	6,996
Transfers to other funds	(220,000)	(220,000)	-
Fund balance appropriated	<u>259,395</u>	<u>-</u>	<u>(259,395)</u>
Total other financing sources (uses)	<u>39,395</u>	<u>(213,004)</u>	<u>(252,399)</u>
Net change in fund balance	<u>\$ -</u>	<u>(85,032)</u>	<u>\$ (85,032)</u>
Fund balance:			
Beginning of year, as restated		<u>509,023</u>	
End of year		<u>\$ 423,991</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, 2011

	<u>Elementary Schools</u>	<u>Middle Schools</u>	<u>High Schools</u>	<u>Totals</u>
Revenues	\$ 482,680	\$ 461,178	\$ 1,711,969	\$ 2,655,827
Expenditures	<u>484,427</u>	<u>473,691</u>	<u>1,607,948</u>	<u>2,566,066</u>
Net change in fund balance	(1,747)	(12,513)	104,021	89,761
Fund balances:				
Beginning of year	<u>117,766</u>	<u>180,528</u>	<u>689,493</u>	<u>987,787</u>
End of year	<u>\$ 116,019</u>	<u>\$ 168,015</u>	<u>\$ 793,514</u>	<u>\$ 1,077,548</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, 2011

	Final Budget	Actual	Variance Over (Under)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 157,680	\$ 157,678	\$ (2)
Orange County:			
Local bond revenues	13,075,371	6,766,011	(6,309,360)
General county appropriations	1,849,200	1,849,200	-
Total Orange County	<u>14,924,571</u>	<u>8,615,211</u>	<u>(6,309,360)</u>
Other:			
Sales tax refund	-	64,516	64,516
Miscellaneous	110,000	257,487	147,487
Total other	<u>110,000</u>	<u>322,003</u>	<u>212,003</u>
Total revenues	<u>15,192,251</u>	<u>9,094,892</u>	<u>(6,097,359)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	179,577	146,619	32,958
System-wide support services:			
Technology support	305,000	304,998	2
Operational support	181,180	176,868	4,312
Policy, leadership and public relations	58,283	54,579	3,704
Total system-wide support services	<u>544,463</u>	<u>536,445</u>	<u>8,018</u>
Ancillary services:			
Nutrition	374,575	237,408	137,167
Debt service:			
Principal retirement	648,538	648,538	-
Interest and fees	13,337	13,337	-
Total debt service	<u>661,875</u>	<u>661,875</u>	<u>-</u>
Capital outlay	14,794,918	8,071,720	6,723,198
Total expenditures	<u>16,555,408</u>	<u>9,654,067</u>	<u>6,901,341</u>
Revenues under expenditures	<u>(1,363,157)</u>	<u>(559,175)</u>	<u>803,982</u>
Other financing sources:			
Transfers from other funds	665,060	665,060	-
Installment purchase obligations issued	175,000	332,878	157,878
Fund balance appropriated	523,097	-	(523,097)
Total other financing sources	<u>1,363,157</u>	<u>997,938</u>	<u>(365,219)</u>
Net change in fund balance	<u>\$ -</u>	438,763	<u>\$ 438,763</u>
Fund balance:			
Beginning of year		<u>668,782</u>	
End of year		<u>\$ 1,107,545</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, 2011

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Food sales	\$ 2,242,132	\$ 1,913,273	\$ (328,859)
Operating expenditures:			
Business support services:			
Purchase of food	-	26,124	-
Salaries and benefits	-	1,470,613	-
Indirect costs	-	216,307	-
Materials and supplies	-	12,253	-
Repairs and maintenance	-	25,125	-
Chartwells management fees	-	2,494,072	-
Other	-	9,861	-
Total operating expenditures	4,418,765	4,254,355	164,410
Operating loss	(2,176,633)	(2,341,082)	(164,449)
Nonoperating revenues:			
Federal reimbursements	1,382,933	1,489,132	106,199
Federal commodities	210,000	159,160	(50,840)
Indirect costs not paid	308,700	216,307	(92,393)
Proceeds from liquidation of inventory	-	133,905	133,905
Other	50,000	3,713	(46,287)
Total nonoperating revenues	1,951,633	2,002,217	50,584
Excess of expenditures over revenues before other financing sources	(225,000)	(338,865)	(113,865)
Other financing sources:			
Transfers from other funds	225,000	248,848	23,848
Net change in fund balance	\$ -	(90,017)	\$ (90,017)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(41,456)	
Capital contributions		349,950	
Increase in compensated absences payable		(12,278)	
Change in net assets (full accrual)		\$ 206,199	

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, 2011

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Child care fees	\$ 1,629,536	\$ 1,357,309	\$ (272,227)
Rental of school property	<u>225,000</u>	<u>287,941</u>	<u>62,941</u>
Total operating revenue	<u>1,854,536</u>	<u>1,645,250</u>	<u>(209,286)</u>
Operating expenditures:			
Regular community services:			
Purchase of food	-	126,965	-
Salaries and benefits	-	1,315,129	-
Materials and supplies	-	35,891	-
Non-capitalized equipment	-	3,132	-
Other	-	<u>17,336</u>	-
Total operating expenditures	<u>1,769,045</u>	<u>1,498,453</u>	<u>270,592</u>
Operating income	<u>85,491</u>	<u>146,797</u>	<u>61,306</u>
Nonoperating revenues:			
Interest earned	<u>250</u>	<u>-</u>	<u>(250)</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>85,741</u>	<u>146,797</u>	<u>61,056</u>
Other financing sources (uses):			
Transfers to other funds	(98,781)	(98,781)	-
Fund balance appropriated	<u>13,040</u>	<u>-</u>	<u>(13,040)</u>
Total other financing sources (uses)	<u>(85,741)</u>	<u>(98,781)</u>	<u>(13,040)</u>
Net change in fund balance	<u>\$ -</u>	48,016	<u>\$ 48,016</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Increase in compensated absences payable		<u>(23,939)</u>	
Change in net assets (full accrual)		<u>\$ 24,077</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, 2011**

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Assets				
Cash and cash equivalents	<u>\$ 57,384</u>	<u>\$ 637,539</u>	<u>\$ 640,778</u>	<u>\$ 54,145</u>
Liabilities				
Accounts payable and accrued liabilities	<u>\$ 57,384</u>	<u>\$ 637,539</u>	<u>\$ 640,778</u>	<u>\$ 54,145</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, 2011, 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 7, 2011. 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 7, 2011.

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 7, 2011
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, 2011. 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, 2011.

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 7, 2011
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 program for the year ended June 30, 2011. The Chapel Hill-Carrboro City Board of Education's major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program 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 its major State program for the year ended June 30, 2011.

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 7, 2011
Rockingham, North Carolina*

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011**

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>No</i>

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
	Child Nutrition Cluster:
10.555	National School Lunch Program (Commodities – noncash)
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
84.394	State Fiscal Stabilization Fund – Education State Grants - ARRA
84.410	Education Jobs Fund - ARRA
	Special Education Cluster:
84.027	Grants to States
84.391	Grants to States - ARRA
84.173	Preschool Grants
84.392	Preschool Grants - ARRA

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011**

Section I - Summary of Auditors' Results (Continued)

Identification of major federal programs (continued):

CFDA Numbers	Names of Federal Program or Cluster
	Title I Cluster:
84.010	Title I, Grants to Local Educational Agencies
84.389	Title I, Grants to Local Educational Agencies - ARRA

Dollar threshold used to distinguish between Type A and Type B Programs \$ 403,199

Auditee qualified as low-risk auditee? Yes

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

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011**

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

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

Section IV - State Award Findings and Questioned Costs

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

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2011**

Finding 10-01:

Status: Corrected

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2011

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
Federal Grants:		
<u>U.S. Department of Agriculture</u>		
Passed-through the N.C. Department of Public Instruction:		
Child Nutrition Cluster:		
Noncash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 159,160
Cash Assistance:		
School Breakfast Program	10.553	250,567
National School Lunch Program	10.555	1,218,368
Summer Food Service Program for Children	10.559	20,197
Cash Assistance Subtotal		<u>1,489,132</u>
Total Child Nutrition Cluster		<u>1,648,292</u>
<u>U.S. Department of Education</u>		
Direct Program:		
Carol M. White Physical Education Grant	84.215	134,287
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	890,725
Title I, Grants to Local Educational Agencies - ARRA	84.389	286,581
Total Title I Cluster		<u>1,177,306</u>
School Improvement	84.377	71,068
Improving Teacher Quality	84.367	336,443
Language Acquisition Grant	84.365	131,242
Title IV, Part A, Safe and Drug Free Schools and Communities	84.186	3,075
State Fiscal Stabilization Fund - Education State Grants - ARRA	84.394	3,188,813
Education Jobs Fund - ARRA	84.410	2,366,104
Race to the Top - ARRA	84.395	10,417
Education Technology Cluster:		
Educational Technology	84.318	1,110
Educational Technology - ARRA	84.386	586
Total Education Technology Cluster		<u>1,696</u>

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2011

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
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	1,978,921
Special Education - Grants to States - ARRA	84.391	975,932
Special Education - Preschool Grants	84.173	39,587
Special Education - Preschool Grants - ARRA	84.392	36,556
Total Special Education Cluster		<u>3,030,996</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>67,014</u>
Total U.S. Department of Education		<u>10,518,461</u>
<u>U.S. Department of Health and Human Services</u> Administration for Youth and Families Head Start Cluster:		
Head Start	93.600	1,253,924
Head Start - ARRA	93.708	17,399
Total Head Start Cluster		<u>1,271,323</u>
Total U.S. Department of Health and Human Services		<u>1,271,323</u>
Corporation for National and Community Service Passed-through the N.C. Department of Public Instruction: Learn and Serve America		
	94.004	<u>1,908</u>
Total Federal Assistance		<u>\$ 13,439,984</u>

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2011

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
State Grants:		
<u>N.C. Department of Public Instruction:</u>		
State Public School Fund		\$ 51,499,354
Vocational Education		
State Months of Employment		2,325,195
Program Support Funds		590,026
Driver Training		245,106
School Technology Fund		154,670
State appropriations - buses (noncash)		157,678
Textbooks (noncash)		<u>126,710</u>
Total NC Department of Public Instruction		<u>55,098,739</u>
<u>N.C. Department of Health and Human Services</u>		
Division of Child Development:		
Smart Start		7,039
More at Four		<u>438,050</u>
Total NC Department of Health and Human Services		<u>445,089</u>
Total State Assistance		<u>55,543,828</u>
Total Federal and State Assistance		<u>\$ 68,983,812</u>

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.