

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

*Financial Statements
For the Fiscal Year Ended
June 30, 2015*

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Chapel Hill-Carrboro City Board of Education, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Chapel Hill-Carrboro City Board of Education as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School and Federal Grants funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 9 and the Schedule of the Board's Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 44 and 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chapel Hill-Carrboro City Board of Education's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, budgetary schedules and other schedules, and the accompanying schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, budgetary schedules and other schedules, and the schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chapel Hill-Carrboro City Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

October 16, 2015
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, 2015. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- As discussed in Note 5 to the financial statements, the Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. As a result, net position as previously reported at June 30, 2014 for the governmental and business-type activities decreased by \$30.3 million and \$544,000, respectively.
- Orange County Commissioners approved a \$302 per student increase for the district from the ad valorem tax and provided funding for 97 new students which increased General Fund revenues by \$4.1 million. As a result of the increased revenues, the district was able to decrease its assigned fund balance from \$3.2 million to \$1.0 million.
- Construction of a new Science Wing was completed at Culbreth Middle School with a cost of \$2.8 million. It successfully opened in December 2014.
- The district completed the design for a Local compensation model for its teachers and other certified staff. The State requested school districts to submit proposals to establish local programs to provide for differentiated pay for highly effective classroom teachers. Chapel Hill – Carrboro City Schools' new teacher compensation model, entitled Project ADVANCE, will eliminate the current Local supplement which pays according to longevity. Project ADVANCE is a growth model which allows staff to accelerate their Local pay based on training and leadership. The implementation plan is being developed in 2015-16 and the program is expected to be launched in 2016-17. The financial impact on the budget has not yet been determined.
- Financial reporting awards from the Association of School Business Officials International and the Government Finance Officers Association were received for the tenth 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 position and the statement of activities. The statement of net position includes all of the Board's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, deferred outflows of resources, deferred inflows of resources and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The statement of activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

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

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

Government-wide Statements

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

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

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

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

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.

Financial Analysis of the Board as a Whole

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$157.8 million as of June 30, 2015 as compared to \$183.3 million as of June 30, 2014, a decrease of \$25.6 million. As previously discussed, this decrease is primarily due to the implementation of GASB 68 during the year which had the effect of reducing beginning of year net position by \$30.8 million. The largest component of net position is net investment in capital assets of \$180.8 million.

Following is a summary of the Statement of Net Position as of June 30, 2015 and 2014:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Current assets	\$ 16,804,668	\$ 14,992,936	\$ 1,127,718	\$ 1,166,156	\$ 17,932,386	\$ 16,159,092
Capital assets	180,722,006	183,659,592	662,343	595,469	181,384,349	184,255,061
Total assets	197,526,674	198,652,528	1,790,061	1,761,625	199,316,735	200,414,153
Deferred outflows of resources	7,758,860	-	139,549	-	7,898,409	-
Current liabilities	9,434,668	9,982,192	791,377	786,450	10,226,045	10,768,642
Long-term liabilities	12,386,796	6,193,630	197,582	126,842	12,584,378	6,320,472
Total liabilities	21,821,464	16,175,822	988,959	913,292	22,810,423	17,089,114
Deferred inflows of resources	26,159,638	-	470,501	-	26,630,139	-
Net investment in capital assets	180,120,404	182,769,201	662,343	595,469	180,782,747	183,364,670
Restricted net position	3,060,507	3,733,701	-	-	3,060,507	3,733,701
Unrestricted net position (deficit)	(25,876,479)	(4,026,196)	(192,193)	252,864	(26,068,672)	(3,773,332)
Total net position	\$ 157,304,432	\$ 182,476,706	\$ 470,150	\$ 848,333	\$ 157,774,582	\$ 183,325,039

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MANAGEMENT'S DISCUSSION AND ANALYSIS**

The net position of the Board's governmental activities decreased \$25.2 million during the year from \$182.5 million at June 30, 2014 to \$157.3 million at June 30, 2015, indicating a decline in the financial condition of the Board. The GASB 68 restatement accounted for all of this decrease, reducing beginning of year governmental activities net position by \$30.3 million.

Net of a reduction of \$544,000 to beginning of year net position for implementation of GASB 68, the net position of the Board's business-type activities increased \$166,000 during the year. This increase is the amount of net profit (including transfers) generated by the Board's School Food Service and Child Care programs during the year. 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, 2015 and 2014**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Revenues:						
Program revenues:						
Charges for services	\$ 3,189,843	\$ 3,352,177	\$ 3,594,404	\$ 3,558,835	\$ 6,784,247	\$ 6,911,012
Operating grants and contributions	68,179,662	63,995,592	2,154,519	2,177,773	70,334,181	66,173,365
Capital grants and contributions	102,730	61,675	-	-	102,730	61,675
General revenues:						
Other revenues	77,709,880	75,214,557	-	-	77,709,880	75,214,557
Total revenues	<u>149,182,115</u>	<u>142,624,001</u>	<u>5,748,923</u>	<u>5,736,608</u>	<u>154,931,038</u>	<u>148,360,609</u>
Expenses:						
Governmental activities:						
Instructional services	108,968,591	109,586,544	-	-	108,968,591	109,586,544
System-wide support services	27,034,498	26,114,404	-	-	27,034,498	26,114,404
Ancillary services	61,433	90,470	-	-	61,433	90,470
Payments to other governments	819,752	649,613	-	-	819,752	649,613
Interest on long-term debt	24,695	32,455	-	-	24,695	32,455
Unallocated depreciation	6,996,814	5,358,748	-	-	6,996,814	5,358,748
Business-type activities:						
School food service	-	-	4,170,678	4,265,306	4,170,678	4,265,306
Child care	-	-	1,605,549	1,629,050	1,605,549	1,629,050
Total expenses	<u>143,905,783</u>	<u>141,832,234</u>	<u>5,776,227</u>	<u>5,894,356</u>	<u>149,682,010</u>	<u>147,726,590</u>
Excess (deficiency) before transfers	5,276,332	791,767	(27,304)	(157,748)	5,249,028	634,019
Transfers in (out)	(193,286)	(312,750)	193,286	312,750	-	-
Increase in net position	<u>5,083,046</u>	<u>479,017</u>	<u>165,982</u>	<u>155,002</u>	<u>5,249,028</u>	<u>634,019</u>
Beginning net position,						
as previously reported	182,476,706	181,997,689	848,333	693,331	183,325,039	182,691,020
Restatement	(30,255,320)	-	(544,165)	-	(30,799,485)	-
Beginning net position, restated	<u>152,221,386</u>	<u>181,997,689</u>	<u>304,168</u>	<u>693,331</u>	<u>152,525,554</u>	<u>182,691,020</u>
Ending net position	<u>\$ 157,304,432</u>	<u>\$ 182,476,706</u>	<u>\$ 470,150</u>	<u>\$ 848,333</u>	<u>\$ 157,774,582</u>	<u>\$ 183,325,039</u>

Total governmental activities generated revenues of \$149.2 million while expenses in this category totaled \$143.9 million for the year ended June 30, 2015, resulting in an increase in net position of \$5.1 million (including net transfers to business-type activities of \$193,000). Comparatively, revenues were \$142.6 million, expenses totaled \$141.8 million and net transfers out were \$313,000 for the year ended

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MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2014, resulting in an increase in net position of \$479,000. In comparing the two years, revenues increased by \$6.6 million, or 4.6%, while expenses increased by \$2.1 million, or 1.5%. Overall, expenses remained comparable to the prior year with no significant changes. The increase in revenues was primarily comprised of a \$4.0 million increase in local current expense appropriations from the County and a \$2.8 million increase in funding from the State Public School Fund.

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 41.5%, 35.5%, 15.0% and 4.2% of our total revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 75.7% of our total expenditures during the most recent fiscal year. Of the remaining 24.3% of our total expenditures, 18.8% was attributable to system-wide support services.

Our business-type activities generated revenues of \$5.7 million, while expenses in this category totaled \$5.8 million and net transfers in from governmental activities totaled \$193,000 for the year ended June 30, 2015. For the year, net position increased by \$166,000. Comparatively, revenues were \$5.7 million, expenses were \$5.9 million and transfers in from governmental activities totaled \$313,000 for the year ended June 30, 2014, resulting in an increase in net position of \$155,000. Overall, operating results were fairly consistent for the two years. Transfers decreased primarily due to the purchase of cafeteria equipment by the Capital Outlay Fund for the new elementary school that opened during the 2013-2014 year.

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.

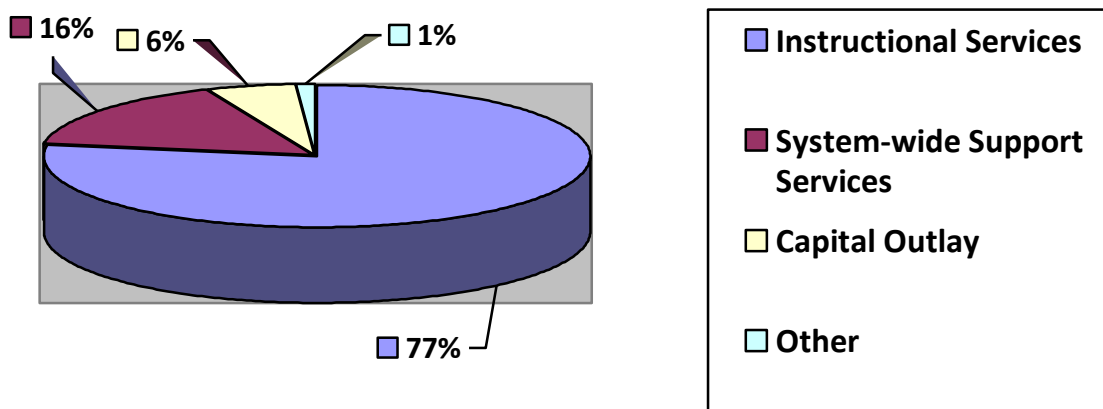
The Board's governmental funds reported a combined fund balance of \$11.9 million at June 30, 2015, an increase of \$2.8 million over the \$9.1 million reported at June 30, 2014.

The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues in these two funds are expended in the year received. Combined revenues (and expenditures) in these funds totaled \$66.2 million in the year ended June 30, 2015 compared to \$62.4 million in the year ended June 30, 2014, an increase of 6.1%. The district received increased funding due to its rising ADM. Overall, activity in these funds was very comparable when comparing the two years.

The Capital Outlay Fund reported a decrease in fund balance for the 2015 year of \$308,000 compared to a \$22,000 decrease in the prior year. Total revenues were \$8.6 million in 2015 compared to \$11.2 million in the prior year. The district received more revenues from the County in the prior year primarily due to completion of Northside Elementary School which opened at the start of the 2013-2014 school year. Virtually all of the Board's capital outlay funding is provided by the County.

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

Categorization of Expenditures for Governmental Funds



Expenditures presented on modified accrual basis of accounting.

Proprietary Funds: The Board's business-type funds, the School Food Service and Child Care funds, generated a combined increase in net position of \$166,000 for the year compared to a \$155,000 increase for the year ended June 30, 2014. The School Food Service Fund reported an increase in net position of \$46,000 in the current year compared to an increase of \$189,000 in the prior fiscal year. The fund received \$147,000 more in capital contributions from the Capital Outlay Fund in the prior year due to purchasing equipment for the new Northside Elementary School which opened in 2013-2014.

The Child Care Fund reported an increase in net position for the 2015 year of \$120,000 compared to a decrease of \$34,000 in the prior year. The year-over-year improvement is primarily attributable to an increase of \$101,000 in operating revenues due to increased student enrollment in the program.

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. Revisions were approved during the year to increase the original budget for total expenditures by \$343,000, or 0.5%. Overall, there were no significant budgetary variations as revenues and expenditures were in line with final budgeted amounts.

For the year, the Board's General Fund reported an increase in fund balance of \$3.0 million compared to a decrease of \$1.1 million reported in the prior year. The year-over-year improvement of \$4.1 million is primarily attributable to a \$4.0 million increase in local current expense appropriations from Orange County. Overall, total General Fund revenues increased over the prior year by \$5.1 million, or 7.8%, while expenditures increased \$1.0 million, or 1.6%. Expenditures for the year ended June 30, 2015 were comparable to the prior year with no significant changes in any functional categories.

Capital Assets

Total primary government capital assets were \$181.4 million at June 30, 2015, a decrease of 1.6% from the \$184.3 million reported at June 30, 2014. More detailed information about the Board's capital assets is contained in Note 3 to the financial statements.

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

The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2015 and 2014:

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/15</u>	<u>6/30/14</u>	<u>6/30/15</u>	<u>6/30/14</u>	<u>6/30/15</u>	<u>6/30/14</u>
Land	\$ 6,485,407	\$ 6,485,407	\$ -	\$ -	\$ 6,485,407	\$ 6,485,407
Construction in progress	-	2,707,104	-	-	-	2,707,104
Buildings and improvements	168,013,669	167,833,139	-	-	168,013,669	167,833,139
Land improvements	1,295,390	1,100,717	-	-	1,295,390	1,100,717
Equipment and furniture	3,246,211	3,991,213	662,343	595,469	3,908,554	4,586,682
Vehicles	1,681,329	1,542,012	-	-	1,681,329	1,542,012
Total	<u>\$ 180,722,006</u>	<u>\$ 183,659,592</u>	<u>\$ 662,343</u>	<u>\$ 595,469</u>	<u>\$ 181,384,349</u>	<u>\$ 184,255,061</u>

Debt Outstanding

During the year, the Board's long-term debt decreased from \$890,000 at June 30, 2014 to \$602,000 at June 30, 2015. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. More detailed information about the Board's outstanding debt is contained in Note 3 to the financial statements.

Economic Factors

- The State of North Carolina implemented a new teacher pay schedule in 2014-15 after a long period of little or no pay increases for teachers. The new model provided pay increases ranging from 1% to almost 20%. The new pay schedule eliminated longevity pay for teachers as a separate once-a-year payment and built the longevity into the base pay rate. Compensation changes made by the State must be mirrored in the district's Local budget.
- The 2014-15 State budget reduced teacher assistant allotments by 22 percent which was a loss of 16 teacher assistant positions. Class sizes were reduced in elementary grades which resulted in additional teaching positions.
- The Orange County Government raised the ad valorem property taxes in 2014-15 for the first time in five consecutive years.

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 POSITION
June 30, 2015

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 12,541,059	\$ 1,005,644	\$ 13,546,703
Due from other governments	3,002,784	106,233	3,109,017
Receivables	209,135	15,841	224,976
Prepaid expenses	1,051,690	-	1,051,690
Capital assets:			
Land	6,485,407	-	6,485,407
Other capital assets, net of depreciation	174,236,599	662,343	174,898,942
Total capital assets	180,722,006	662,343	181,384,349
Total assets	197,526,674	1,790,061	199,316,735
Deferred Outflows of Resources	7,758,860	139,549	7,898,409
Liabilities			
Accounts payable and accrued expenses	1,220,216	444,718	1,664,934
Accrued salaries and wages payable	3,673,756	-	3,673,756
Unearned revenue	844,955	270,091	1,115,046
Long-term liabilities:			
Net pension liability	7,242,968	130,271	7,373,239
Due within one year	3,695,741	76,568	3,772,309
Due in more than one year	5,143,828	67,311	5,211,139
Total liabilities	21,821,464	988,959	22,810,423
Deferred Inflows of Resources	26,159,638	470,501	26,630,139
Net position			
Net investment in capital assets	180,120,404	662,343	180,782,747
Restricted for:			
Stabilization by State statute	854,208	-	854,208
School capital outlay	347,345	-	347,345
Instructional services	744,449	-	744,449
Individual schools activities	1,114,505	-	1,114,505
Unrestricted (deficit)	(25,876,479)	(192,193)	(26,068,672)
Total net position	\$ 157,304,432	\$ 470,150	\$ 157,774,582

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 60,283,907	\$ -	\$ 41,970,053	\$ -	\$ (18,313,854)	\$ -	\$ (18,313,854)
Special populations	20,427,832	-	8,956,686	-	(11,471,146)	-	(11,471,146)
Alternative programs	6,948,983	-	5,322,582	-	(1,626,401)	-	(1,626,401)
School leadership	6,214,494	-	2,652,087	-	(3,562,407)	-	(3,562,407)
Co-curricular	4,670,394	2,434,363	-	-	(2,236,031)	-	(2,236,031)
School-based support	10,422,981	-	3,624,991	-	(6,797,990)	-	(6,797,990)
System-wide support services:							
Support and development	1,570,047	-	203,721	-	(1,366,326)	-	(1,366,326)
Special population support and development	850,451	-	711,952	-	(138,499)	-	(138,499)
Alternative programs and services support and development	97,550	-	22,360	-	(75,190)	-	(75,190)
Technology support	2,375,224	-	67,881	-	(2,307,343)	-	(2,307,343)
Operational support	16,881,364	755,480	4,107,524	102,730	(11,915,630)	-	(11,915,630)
Financial and human resource services	1,883,991	-	-	-	(1,883,991)	-	(1,883,991)
Accountability	430,176	-	-	-	(430,176)	-	(430,176)
Policy, leadership and public relations	2,945,695	-	386,466	-	(2,559,229)	-	(2,559,229)
Ancillary services	61,433	-	-	-	(61,433)	-	(61,433)
Payments to other governments	819,752	-	153,359	-	(666,393)	-	(666,393)
Interest on long-term debt	24,695	-	-	-	(24,695)	-	(24,695)
Unallocated depreciation expense**	6,996,814	-	-	-	(6,996,814)	-	(6,996,814)
Total governmental activities	<u>143,905,783</u>	<u>3,189,843</u>	<u>68,179,662</u>	<u>102,730</u>	<u>(72,433,548)</u>	<u>-</u>	<u>(72,433,548)</u>
Business-type activities:							
School food service	4,170,678	1,652,723	2,154,519	-	-	(363,436)	(363,436)
Child care	1,605,549	1,941,681	-	-	-	336,132	336,132
Total business-type activities	<u>5,776,227</u>	<u>3,594,404</u>	<u>2,154,519</u>	<u>-</u>	<u>-</u>	<u>(27,304)</u>	<u>(27,304)</u>
Total primary government	<u>\$ 149,682,010</u>	<u>\$ 6,784,247</u>	<u>\$ 70,334,181</u>	<u>\$ 102,730</u>	<u>(72,433,548)</u>	<u>(27,304)</u>	<u>(72,460,852)</u>
General revenues:							
Unrestricted county and city appropriations - operating					66,966,712	-	66,966,712
Unrestricted county appropriations - capital					8,504,463	-	8,504,463
Investment earnings, unrestricted					23,785	-	23,785
Miscellaneous, unrestricted					2,214,920	-	2,214,920
Transfers					(193,286)	193,286	-
Total general revenues and transfers					<u>77,516,594</u>	<u>193,286</u>	<u>77,709,880</u>
Change in net position					<u>5,083,046</u>	<u>165,982</u>	<u>5,249,028</u>
Net position - beginning, as previously reported					182,476,706	848,333	183,325,039
Restatement					(30,255,320)	(544,165)	(30,799,485)
Net position - beginning, as restated					<u>152,221,386</u>	<u>304,168</u>	<u>152,525,554</u>
Net position - ending					<u>\$ 157,304,432</u>	<u>\$ 470,150</u>	<u>\$ 157,774,582</u>

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

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

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	\$ 10,378,457	\$ -	\$ -	\$ 276,017	\$ 1,886,585	\$ 12,541,059
Due from other governments	496,846	2,191,186	94,021	220,731	-	3,002,784
Accounts receivable	169,060	-	-	-	40,075	209,135
Prepaid expenditures	1,051,690	-	-	-	-	1,051,690
Total assets	\$ 12,096,053	\$ 2,191,186	\$ 94,021	\$ 496,748	\$ 1,926,660	\$ 16,804,668
Liabilities and fund balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,065,727	\$ -	\$ -	\$ 149,403	\$ 5,086	\$ 1,220,216
Accrued salaries and wages payable	1,358,291	2,191,186	94,021	-	30,258	3,673,756
Unearned revenue	12,122	-	-	-	-	12,122
Total liabilities	2,436,140	2,191,186	94,021	149,403	35,344	4,906,094
Fund balances:						
Nonspendable:						
Prepaid expenditures	1,051,690	-	-	-	-	1,051,690
Restricted:						
Stabilization by State statute	792,982	-	-	-	61,226	854,208
School capital outlay	-	-	-	347,345	-	347,345
Instructional services	-	-	-	-	744,449	744,449
Individual schools	-	-	-	-	1,114,505	1,114,505
Assigned:						
Subsequent year's expenditures	1,868,000	-	-	-	-	1,868,000
Unassigned	5,947,241	-	-	-	(28,864)	5,918,377
Total fund balances	9,659,913	-	-	347,345	1,891,316	11,898,574
Total liabilities and fund balances	\$ 12,096,053	\$ 2,191,186	\$ 94,021	\$ 496,748	\$ 1,926,660	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	180,722,006
Deferred outflows of resources related to pensions	7,758,860
Difference in unearned lease revenue attributable to difference in income recognition periods for governmental funds and governmental activities.	(832,833)
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.	(8,839,569)
Net pension liability	(7,242,968)
Deferred inflows of resources related to pensions	(26,159,638)
Net position of governmental activities	\$ 157,304,432

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, 2015

Exhibit 4

	Major Funds				Non-major Funds	Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Special Revenue	
Revenues:						
State of North Carolina	\$ -	\$ 61,233,884	\$ -	\$ 102,730	\$ 662,982	\$ 61,999,596
Orange County:						
Local current expense	44,066,106	-	-	-	-	44,066,106
Other	494,000	-	-	8,504,463	-	8,998,463
U.S. Government	-	-	4,992,403	-	1,290,393	6,282,796
Other	25,007,377	-	-	33,750	2,936,748	27,977,875
Total revenues	69,567,483	61,233,884	4,992,403	8,640,943	4,890,123	149,324,836
Expenditures:						
Current:						
Instructional services:						
Regular instructional	20,506,891	41,510,489	459,564	126,165	264,100	62,867,209
Special populations	12,279,259	6,655,601	2,301,085	-	41,075	21,277,020
Alternative programs	2,141,361	2,079,725	1,289,482	-	1,687,565	7,198,133
School leadership	3,828,945	2,652,087	-	-	-	6,481,032
Co-curricular	2,215,700	-	-	-	2,527,306	4,743,006
School-based support	7,228,900	3,454,470	170,521	-	-	10,853,891
System-wide support services:						
Support and development	1,437,672	200,721	3,000	-	-	1,641,393
Special population support and development	169,926	198,612	513,340	-	-	881,878
Alternative programs and services support and development	37,004	-	22,360	-	42,746	102,110
Technology support	2,008,321	67,881	-	371,137	-	2,447,339
Operational support	8,988,337	3,992,045	70,362	92,752	7,488	13,150,984
Financial and human resource services	1,911,005	-	-	-	546	1,911,551
Accountability	440,978	-	-	-	-	440,978
Policy, leadership and public relations	2,594,934	377,136	9,330	37,674	-	3,019,074
Ancillary services	17,573	-	-	15,738	29,853	63,164
Non-programmed charges	819,753	-	153,359	-	33,195	1,006,307
Debt service:						
Principal retirement	-	-	-	370,899	-	370,899
Interest and fees	-	-	-	24,695	-	24,695
Capital outlay	-	-	-	8,116,798	-	8,116,798
Total expenditures	66,626,559	61,188,767	4,992,403	9,155,858	4,633,874	146,597,461
Revenues over (under) expenditures	2,940,924	45,117	-	(514,915)	256,249	2,727,375
Other financing sources (uses):						
Transfers from other funds	216,610	-	-	125,000	-	341,610
Transfers to other funds	(207,427)	(45,117)	-	-	(125,000)	(377,544)
Installment purchase obligations issued	-	-	-	82,110	-	82,110
Total other financing sources (uses)	9,183	(45,117)	-	207,110	(125,000)	46,176
Net change in fund balance	2,950,107	-	-	(307,805)	131,249	2,773,551
Fund balances:						
Beginning of year	6,709,806	-	-	655,150	1,760,067	9,125,023
End of year	\$ 9,659,913	\$ -	\$ -	\$ 347,345	\$ 1,891,316	\$ 11,898,574

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, 2015

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 2,773,551
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.	(2,903,298)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	7,721,731
Difference in lease income recognized from unearned revenue due to difference between income recognition periods for governmental funds and governmental	43,834
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of 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.	288,789
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	
Pension expense	(3,110,157)
Compensated absences	302,884
Loss on disposal of capital assets	<u>(34,288)</u>
Total changes in net position of governmental activities	<u>\$ 5,083,046</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, 2015

Exhibit 6

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Orange County	44,066,106	44,560,106	44,560,106	-
U.S. Government	-	-	-	-
Other	24,284,780	24,028,608	25,007,377	978,769
Total revenues	68,350,886	68,588,714	69,567,483	978,769
Expenditures:				
Current:				
Instructional services				
Regular instructional	24,762,780	21,888,046	20,506,891	1,381,155
Special populations	10,394,568	12,309,412	12,279,259	30,153
Alternative programs	1,911,732	2,360,873	2,141,361	219,512
School leadership	3,366,740	4,013,744	3,828,945	184,799
Co-curricular	2,086,729	2,247,363	2,215,700	31,663
School-based support	6,835,162	7,760,628	7,228,900	531,728
Total instructional services	49,357,711	50,580,066	48,201,056	2,379,010
System-wide support services				
Support and development	1,200,753	1,488,084	1,437,672	50,412
Special population support and development	219,432	171,060	169,926	1,134
Alternative programs and services support and development	32,508	37,005	37,004	1
Technology support	2,046,097	2,050,799	2,008,321	42,478
Operational support	9,630,337	9,329,144	8,988,337	340,807
Financial and human resource services	2,031,088	2,014,809	1,911,005	103,804
Accountability	464,681	440,979	440,978	1
Policy, leadership and public relations	3,388,599	2,742,272	2,594,934	147,338
Total system-wide support services	19,013,495	18,274,152	17,588,177	685,975
Ancillary services				
Nutrition	-	17,573	17,573	-
Nonprogrammed charges	979,680	821,739	819,753	1,986
Total expenditures	69,350,886	69,693,530	66,626,559	3,066,971
Revenues over (under) expenditures	(1,000,000)	(1,104,816)	2,940,924	4,045,740
Other financing sources (uses):				
Transfers from other funds	-	216,610	216,610	-
Transfers to other funds	-	(207,427)	(207,427)	-
Total other financing sources (uses)	-	9,183	9,183	-
Fund balance appropriated	1,000,000	1,095,633	-	(1,095,633)
Net change in fund balance	\$ -	\$ -	2,950,107	\$ 2,950,107
Fund balances:				
Beginning of year			6,709,806	
End of year			\$ 9,659,913	

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, 2015

Exhibit 6 (continued)

	State Public School Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 59,064,223	\$ 64,225,173	\$ 61,233,884	\$ (2,991,289)
Orange County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>59,064,223</u>	<u>64,225,173</u>	<u>61,233,884</u>	<u>(2,991,289)</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	40,380,618	43,445,618	41,510,489	1,935,129
Special populations	6,015,343	6,744,065	6,655,601	88,464
Alternative programs	2,484,921	2,926,488	2,079,725	846,763
School leadership	2,393,293	2,652,088	2,652,087	1
Co-curricular	-	-	-	-
School-based support	3,392,729	3,545,647	3,454,470	91,177
Total instructional services	<u>54,666,904</u>	<u>59,313,906</u>	<u>56,352,372</u>	<u>2,961,534</u>
System-wide support services				
Support and development	267,403	230,341	200,721	29,620
Special population support and development	147,462	198,612	198,612	-
Alternative programs and services support and development	-	-	-	-
Technology support	-	68,015	67,881	134
Operational support	3,544,279	3,992,046	3,992,045	1
Financial and human resource services	-	-	-	-
Accountability	-	-	-	-
Policy, leadership and public relations	393,101	377,136	377,136	-
Total system-wide support services	<u>4,352,245</u>	<u>4,866,150</u>	<u>4,836,395</u>	<u>29,755</u>
Ancillary services				
Nutrition	-	-	-	-
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>59,019,149</u>	<u>64,180,056</u>	<u>61,188,767</u>	<u>2,991,289</u>
Revenues over (under) expenditures	<u>45,074</u>	<u>45,117</u>	<u>45,117</u>	<u>-</u>
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	(45,074)	(45,117)	(45,117)	-
Total other financing sources (uses)	<u>(45,074)</u>	<u>(45,117)</u>	<u>(45,117)</u>	<u>-</u>
Fund balance appropriated	-	-	-	-
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, 2015

	Federal Grants Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Orange County	-	-	-	-
U.S. Government	5,624,802	6,077,341	4,992,403	(1,084,938)
Other	-	-	-	-
Total revenues	<u>5,624,802</u>	<u>6,077,341</u>	<u>4,992,403</u>	<u>(1,084,938)</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	684,209	503,789	459,564	44,225
Special populations	2,303,556	2,687,997	2,301,085	386,912
Alternative programs	1,508,256	1,530,026	1,289,482	240,544
School leadership	-	-	-	-
Co-curricular	-	-	-	-
School-based support	75,800	228,505	170,521	57,984
Total instructional services	<u>4,571,821</u>	<u>4,950,317</u>	<u>4,220,652</u>	<u>729,665</u>
System-wide support services				
Support and development	3,000	3,000	3,000	-
Special population support and development	619,131	630,694	513,340	117,354
Alternative programs and services support and development	-	54,517	22,360	32,157
Technology support	-	-	-	-
Operational support	20,000	81,007	70,362	10,645
Financial and human resource services	-	-	-	-
Accountability	-	-	-	-
Policy, leadership and public relations	-	12,556	9,330	3,226
Total system-wide support services	<u>642,131</u>	<u>781,774</u>	<u>618,392</u>	<u>163,382</u>
Ancillary services				
Nutrition	-	-	-	-
Nonprogrammed charges	<u>410,850</u>	<u>345,250</u>	<u>153,359</u>	<u>191,891</u>
Total expenditures	<u>5,624,802</u>	<u>6,077,341</u>	<u>4,992,403</u>	<u>1,084,938</u>
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<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 POSITION
PROPRIETARY FUND TYPES
June 30, 2015

Exhibit 7

	Enterprise		
	Major Funds		
	School Food Service	Child Care	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 223,079	\$ 782,565	\$ 1,005,644
Due from other governments	106,233	-	106,233
Receivables	290	15,551	15,841
Total current assets	<u>329,602</u>	<u>798,116</u>	<u>1,127,718</u>
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	662,343	-	662,343
Total assets	<u>991,945</u>	<u>798,116</u>	<u>1,790,061</u>
Deferred Outflows of Resources	<u>64,814</u>	<u>74,735</u>	<u>139,549</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	440,855	3,863	444,718
Compensated absences	39,695	36,873	76,568
Unearned revenue	102,540	167,551	270,091
Total current liabilities	<u>583,090</u>	<u>208,287</u>	<u>791,377</u>
Noncurrent liabilities:			
Net pension liability	60,505	69,766	130,271
Compensated absences	45,778	21,533	67,311
Total noncurrent liabilities	<u>106,283</u>	<u>91,299</u>	<u>197,582</u>
Total liabilities	<u>689,373</u>	<u>299,586</u>	<u>988,959</u>
Deferred Inflows of Resources	<u>218,527</u>	<u>251,974</u>	<u>470,501</u>
Net position			
Investment in capital assets	662,343	-	662,343
Unrestricted (deficit)	<u>(513,484)</u>	<u>321,291</u>	<u>(192,193)</u>
Total net position	<u>\$ 148,859</u>	<u>\$ 321,291</u>	<u>\$ 470,150</u>

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2015

Exhibit 8

	Enterprise		Totals
	Major Funds		
	School Food Service	Child Care	
Operating revenues:			
Food sales	\$ 1,652,723	\$ -	\$ 1,652,723
Child care fees	-	1,497,354	1,497,354
Rental of school property	-	444,327	444,327
Total operating revenues	<u>1,652,723</u>	<u>1,941,681</u>	<u>3,594,404</u>
Operating expenses:			
Purchase of food	-	114,360	114,360
Salaries and benefits	1,043,464	1,392,359	2,435,823
Indirect costs	141,479	-	141,479
Materials and supplies	12,096	41,150	53,246
Repairs and maintenance	27,691	-	27,691
Depreciation	90,478	-	90,478
Non-capitalized equipment	14,608	1,319	15,927
Chartwells management fees	2,964,019	-	2,964,019
Contracted services	-	36,709	36,709
Other	18,322	19,652	37,974
Total operating expenses	<u>4,312,157</u>	<u>1,605,549</u>	<u>5,917,706</u>
Operating income (loss)	<u>(2,659,434)</u>	<u>336,132</u>	<u>(2,323,302)</u>
Nonoperating revenues:			
Federal reimbursements	1,927,898	-	1,927,898
Federal commodities	220,602	-	220,602
State reimbursements	6,019	-	6,019
Indirect costs not paid	141,479	-	141,479
Total nonoperating revenues	<u>2,295,998</u>	<u>-</u>	<u>2,295,998</u>
Income (loss) before transfers and contributions	(363,436)	336,132	(27,304)
Transfers to other funds	-	(216,610)	(216,610)
Transfers from other funds	252,544	-	252,544
Capital contributions	157,352	-	157,352
Change in net position	<u>46,460</u>	<u>119,522</u>	<u>165,982</u>
Net position, beginning of year, as previously reported	355,140	493,193	848,333
Restatement	<u>(252,741)</u>	<u>(291,424)</u>	<u>(544,165)</u>
Net position, beginning of year, as restated	<u>102,399</u>	<u>201,769</u>	<u>304,168</u>
Net position, end of year	<u>\$ 148,859</u>	<u>\$ 321,291</u>	<u>\$ 470,150</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, 2015

Exhibit 9

	Enterprise		Totals
	Major Funds		
	School Food Service	Child Care	
Cash flows from operating activities:			
Cash received from customers	\$ 1,656,836	\$ 1,990,957	\$ 3,647,793
Cash paid for goods and services	(2,859,059)	(211,416)	(3,070,475)
Cash paid to employees for services	(1,052,602)	(1,472,171)	(2,524,773)
Net cash provided (used) by operating activities	<u>(2,254,825)</u>	<u>307,370</u>	<u>(1,947,455)</u>
Cash flows from noncapital financing activities:			
Transfers from (to) other funds	207,427	(216,610)	(9,183)
Due from other funds	17,033	-	17,033
Federal and State reimbursements	<u>1,924,932</u>	<u>-</u>	<u>1,924,932</u>
Net cash provided (used) by noncapital financing activities	<u>2,149,392</u>	<u>(216,610)</u>	<u>1,932,782</u>
Net increase (decrease) in cash and cash equivalents	(105,433)	90,760	(14,673)
Cash and cash equivalents, beginning of year	<u>328,512</u>	<u>691,805</u>	<u>1,020,317</u>
Cash and cash equivalents, end of year	<u>\$ 223,079</u>	<u>\$ 782,565</u>	<u>\$ 1,005,644</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (2,659,434)	\$ 336,132	\$ (2,323,302)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	90,478	-	90,478
Pension expense	25,981	29,958	55,939
Donated commodities	220,602	-	220,602
Salaries paid by special revenue fund	45,117	-	45,117
Indirect costs not paid	141,479	-	141,479
Changes in assets and liabilities:			
Decrease in accounts receivable	342	15,375	15,717
Increase (decrease) in accounts payable and accrued liabilities	(42,925)	1,774	(41,151)
Increase in unearned revenue	3,771	33,901	37,672
Increase in deferred outflows of resources for pension plan contributions in current fiscal year	(64,504)	(74,377)	(138,881)
Increase (decrease) in compensated absences payable	<u>(15,732)</u>	<u>(35,393)</u>	<u>(51,125)</u>
Total adjustments	<u>404,609</u>	<u>(28,762)</u>	<u>375,847</u>
Net cash provided (used) by operating activities	<u>\$ (2,254,825)</u>	<u>\$ 307,370</u>	<u>\$ (1,947,455)</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 (continued)
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2015

Exhibit 9 (continued)

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$220,602 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund paid salaries and benefits of \$45,117 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 \$157,352 were purchased by the Capital Outlay Fund during the year. The value of these assets is reflected as a capital contribution on Exhibit 8.

Indirect costs of \$141,479 that would be due to the General Fund were not paid. These unpaid costs are reflected as a non-operating revenue and an operating expense on Exhibit 8.

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

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2015**

Exhibit 10

	<u>Employee Flexible Spending Account</u>
Assets	
Cash	<u>\$ 149,950</u>
Liabilities	
Accounts payable and accrued liabilities	<u>\$ 149,950</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, 2015

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 position and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The Board reports the following major governmental funds:

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

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

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 funds:

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

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 and proprietary 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. The Board's fiduciary fund is an agency fund. Agency funds have no measurement focus.

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

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

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the 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. Amounts may be transferred between functions of the same purpose of the same fund with a monthly report of such transfers provided to the Board of Education and entered in the Board's minutes. Amendments are required for any revisions that alter total expenditures of any fund or that change appropriations at the purpose level. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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.

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

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. Deferred outflows and inflows of resources

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has one item that meet this criterion – pension related deferrals.

6. Long-term Obligations

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

7. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2015 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

8. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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]

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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.

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

The Board of Education has a management policy for revenue spending that provides guidance for programs with multiple revenue sources. The Finance Officer will pay expenditures from restricted revenue sources first and then from general unrestricted revenues.

9. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$145,405,858 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)	\$278,529,486
Less accumulated depreciation	<u>(97,807,480)</u>
Net capital assets	180,722,006
Pension related deferred outflows of resources:	
Contributions made to the pension plan in the current fiscal year	7,721,731
Changes in proportion and differences between Board contributions and proportionate share of contributions	37,129
Difference in unearned lease revenue attributable to difference in income recognition periods for governmental funds and governmental activities	(832,833)
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	(601,602)
Compensated absences	(8,237,967)
Net pension liability	(7,242,968)

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

Deferred inflows of resources related to pensions:	
Differences between expected and actual experience	(1,688,297)
Difference between projected and actual earnings on plan investments	<u>(24,471,341)</u>
Total adjustment	<u>\$145,405,858</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$2,309,495 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	\$ 4,384,558
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	(7,287,856)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities – it only affects the government-wide statement of net position	(82,110)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	370,899
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	7,721,731
Difference in lease income recognized from unavailable revenue due to difference between income recognition periods for governmental funds and governmental activities.	43,834
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Pension expense	(3,110,157)
Loss on disposal of capital assets	(34,288)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	<u>302,884</u>
Total adjustment	<u>\$ 2,309,495</u>

10. Defined Benefit Pension Plans

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2015, the Board reported expenditures that violated State law [G.S. 115C-441] because they exceeded the amount appropriated in the budget ordinance within the Other Special Revenue Fund by \$100 for operational support services and \$546 for financial and human resource services. Management will monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2015, the Board had deposits with banks and savings and loans with a carrying amount of \$9,203,278 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$8,314,632 and \$50,360, respectively. Of these balances, \$1,343,328 was covered by federal depository insurance and \$8,364,992 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2015, the Board had \$4,493,375 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2015. The Board has no policy for managing interest rate risk or credit risk.

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3. Accounts Receivable

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

	Due from other governments	Other	Total
Governmental activities:			
General Fund	\$ 496,846	\$ 169,060	\$ 665,906
Other governmental activities	<u>2,505,938</u>	<u>40,075</u>	<u>2,546,013</u>
Total governmental activities	<u>\$ 3,002,784</u>	<u>\$ 209,135</u>	<u>\$ 3,211,919</u>
Business-type activities:			
School Food Service Fund	\$ 106,233	\$ 290	\$ 106,523
Child Care Fund	<u>-</u>	<u>15,551</u>	<u>15,551</u>
Total business-type activities	<u>\$ 106,233</u>	<u>\$ 15,841</u>	<u>\$ 122,074</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 496,846	Amounts due from County
State Public School Fund	2,191,186	Operating funds from DPI
Capital Outlay Fund	220,731	Amounts due from County
Federal Grants Fund	<u>94,021</u>	Federal grant funds
Total	<u>\$ 3,002,784</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 106,233</u>	Federal grant funds

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4. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,485,407	\$ -	\$ -	\$ 6,485,407
Construction in progress	<u>2,707,104</u>	<u>3,819,557</u>	<u>6,526,661</u>	<u>-</u>
Total capital assets not being depreciated	<u>9,192,511</u>	<u>3,819,557</u>	<u>6,526,661</u>	<u>6,485,407</u>
Capital assets being depreciated:				
Buildings and improvements	247,299,482	6,060,421	-	253,359,903
Land improvements	4,907,492	327,193	-	5,234,685
Equipment and furniture	8,076,987	239,401	-	8,316,388
Vehicles	<u>5,648,279</u>	<u>464,647</u>	<u>979,823</u>	<u>5,133,103</u>
Total capital assets being depreciated	<u>265,932,240</u>	<u>7,091,662</u>	<u>979,823</u>	<u>272,044,079</u>
Less accumulated depreciation for:				
Buildings and improvements	79,466,343	5,879,891	-	85,346,234
Land improvements	3,806,775	132,520	-	3,939,295
Equipment and furniture	4,085,774	984,403	-	5,070,177
Vehicles	<u>4,106,267</u>	<u>291,042</u>	<u>945,535</u>	<u>3,451,774</u>
Total accumulated depreciation	<u>91,465,159</u>	<u>7,287,856</u>	<u>945,535</u>	<u>97,807,480</u>
Total capital assets being depreciated, net	<u>174,467,081</u>			<u>174,236,599</u>
Governmental activity capital assets, net	<u>\$ 183,659,592</u>			<u>\$ 180,722,006</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 1,313,387	\$ 157,352	\$ -	\$ 1,470,739
Less accumulated depreciation for:				
Equipment and furniture	<u>717,918</u>	<u>90,478</u>	<u>-</u>	<u>808,396</u>
School Food Service capital assets, net	<u>595,469</u>			<u>662,343</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>37,339</u>
Child Care Fund capital assets, net	<u>-</u>			<u>-</u>
Business-type activities capital assets, net	<u>\$ 595,469</u>			<u>\$ 662,343</u>

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Depreciation was charged to governmental functions as follows:

System-wide support services	\$ 291,042
Unallocated depreciation	<u>6,996,814</u>
Total	<u>\$ 7,287,856</u>

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. The Board is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed

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15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2015, was 9.15% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$7,860,612 for the year ended June 30, 2015.

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

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

At June 30, 2015, the Board reported a liability of \$7,373,239 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2014 and at June 30, 2013, the Board's proportion was .63% and .62%, respectively.

For the year ended June 30, 2015, the Board recognized pension expense of \$3,166,096. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,718,662
Net difference between projected and actual earnings on pension plan investments	-	24,911,477
Changes in proportion and differences between Board contributions and proportionate share of contributions	37,797	-
Board contributions subsequent to the measurement date	<u>7,860,612</u>	<u>-</u>
Total	<u>\$ 7,898,409</u>	<u>\$ 26,630,139</u>

\$7,860,612 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:	
2016	\$ (6,671,370)
2017	(6,671,370)
2018	(6,671,370)
2019	(6,578,232)
2020	-
Thereafter	-
Total	<u>\$ (26,592,342)</u>

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Board's proportionate share of the net pension liability (asset)	\$ 52,930,211	\$ 7,373,239	\$ (31,092,990)

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

b. Other Postemployment Benefits

Healthcare Benefits

Plan Description. The postemployment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly

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in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

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

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2015, 2014 and 2013, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$4,693,298, \$4,408,641 and \$4,324,982, respectively. These contributions represented 5.49%, 5.40% and 5.30% of covered payroll, respectively.

Long-term Disability Benefits

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

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the DIPNC. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/>

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and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Funding Policy. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

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

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2015, 2014 and 2013, the Board paid all annual required contributions to the DIPNC for disability benefits of \$350,501, \$359,223 and \$359,055, respectively. These contributions represented 0.41%, 0.44% and 0.44% of covered payroll, respectively.

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2. Accounts Payable

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

	<u>Vendors and Other</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 1,065,727	\$ 1,358,291	\$ 2,424,018
Other governmental activities	<u>154,489</u>	<u>2,315,465</u>	<u>2,469,954</u>
Total governmental activities	<u>\$ 1,220,216</u>	<u>\$ 3,673,756</u>	<u>\$ 4,893,972</u>
Business-type activities:			
School Food Service Fund	\$ 440,855	\$ -	\$ 440,855
Child Care Fund	<u>3,863</u>	<u>-</u>	<u>3,863</u>
Total business-type activities	<u>\$ 444,718</u>	<u>\$ -</u>	<u>\$ 444,718</u>

3. Unearned Revenues

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

Governmental activities:		
Prepayment of pre-k tuition (General Fund)		\$ 12,122
Prepaid use fee (Capital Outlay Fund - see below)		<u>832,833</u>
Total governmental activities		<u>\$ 844,955</u>
Business-type activities:		
Prepayments of meals (School Food Service Fund)		\$ 102,540
Prepayments of tuition (Child Care Fund)		<u>167,551</u>
Total business-type activities		<u>\$ 270,091</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, 2015 the fee had been fully recognized as revenue in the fund statements while unearned revenue reported in the Statement of Net Assets for governmental activities totaled \$832,833.

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4. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,718,662
Net difference between projected and actual earnings on pension plan investments	-	24,911,477
Changes in proportion and differences between Board contributions and proportionate share of contributions	37,797	-
Board contributions subsequent to the measurement date	7,860,612	-
Total	\$ 7,898,409	\$ 26,630,139

5. Risk Management

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

6. Contingent Liabilities

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

7. Long-Term Obligations

a. Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot 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, 2015, the Board entered into such a contract for the purchase of school buses. The contract 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 networking equipment during the fiscal year ended June 30, 2013. The contract requires payments of principal and interest at 2.92% due annually on November 1st through 2016. The future minimum payments of the installment purchases as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u> <u>Principal</u>
2016	\$ 313,392
2017	<u>313,389</u>
	626,781
Less portion representing interest	<u>(25,179)</u>
Total principal obligation	<u>\$ 601,602</u>

b. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2015:

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ 890,391	\$ 82,110	\$ 370,899	\$ 601,602	\$ 296,688
Net pension liability	37,237,694	-	29,994,726	7,242,968	-
Compensated absences	8,540,851	5,483,804	5,786,688	8,237,967	3,399,053
Total	<u>\$ 46,668,936</u>	<u>\$ 5,565,914</u>	<u>\$ 36,152,313</u>	<u>\$ 16,082,537</u>	<u>\$ 3,695,741</u>
Business-type activities:					
Net pension liability	\$ 669,748	-	\$ 539,477	\$ 130,271	-
Compensated absences	195,004	123,006	174,131	143,879	76,568
Total	<u>\$ 864,752</u>	<u>\$ 123,006</u>	<u>\$ 713,608</u>	<u>\$ 274,150</u>	<u>\$ 76,568</u>

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2015**

C. Interfund Balances and Activity

Transfers to/from other Funds

Transfers to/from other funds during the year ended June 30, 2015 consisted of the following:

From the General Fund to the School Food Service Fund for the payment of operating expenses	<u>\$ 207,426</u>
From the Other Special Revenue Fund to the Capital Outlay Fund for school capital improvement needs	<u>\$ 125,000</u>
From the State Public School Fund to the School Food Service Fund for the payment of administrative salaries	<u>\$ 45,117</u>
From the Child Care Fund to the General Fund for the payment of operating expenditures	<u>\$ 216,610</u>

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	\$ 9,659,913
Less:	
Prepaid expenditures	(1,051,690)
Stabilization by State statute	(792,982)
Appropriated fund balance in the fiscal year 2015-2016 budget	<u>(1,868,000)</u>
Unassigned fund balance at June 30, 2015	<u>\$ 5,947,241</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, 2015 are as follows:

General Fund	\$ 127,076
Capital Outlay Fund	455,965
School Food Service Fund	5,466
Child Care Fund	2,356
Non-Major Governmental Funds	21,151

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 5 – CHANGE IN ACCOUNTING PRINCIPLES / RESTATEMENT

The Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Board to record beginning net pension liability and the effects on net position of contributions made by the Board during the measurement period (fiscal year 2014). As a result, net position for the governmental and business-type activities decreased by \$30,255,320 and \$544,165, respectively.

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS***

	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.629%	0.624%
Board's proportionate share of the net pension liability (asset)	\$ 7,373,239	\$ 37,907,443
Board's covered-employee payroll	\$ 81,794,672	\$ 81,543,352
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.01%	46.49%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	90.60%

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

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 7,860,612	\$ 7,107,957
Contributions in relation to the contractually required contribution	<u>7,860,612</u>	<u>7,107,957</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 85,908,323	\$ 81,794,672
Contributions as a percentage of covered-employee payroll	9.15%	8.69%

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, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Orange County:			
Local current expense	\$ 44,066,106	\$ 44,066,106	\$ -
Other	494,000	494,000	-
Total Orange County	<u>44,560,106</u>	<u>44,560,106</u>	<u>-</u>
Other:			
Fines and forfeitures	375,000	333,101	(41,899)
Supplemental school taxes	22,067,826	22,406,606	338,780
Interest earned on investment	50,000	23,785	(26,215)
Indirect costs allocated	110,000	186,555	76,555
Medicaid reimbursement program	325,000	1,157,422	832,422
Tuition and fees	682,311	711,646	29,335
ABC revenues	45,300	45,300	-
Sales and use tax refund	75,000	-	(75,000)
Miscellaneous	298,171	142,962	(155,209)
Total other	<u>24,028,608</u>	<u>25,007,377</u>	<u>978,769</u>
Total revenues	<u>68,588,714</u>	<u>69,567,483</u>	<u>978,769</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	21,888,046	20,506,891	1,381,155
Special populations	12,309,412	12,279,259	30,153
Alternative programs	2,360,873	2,141,361	219,512
School leadership	4,013,744	3,828,945	184,799
Co-curricular	2,247,363	2,215,700	31,663
School-based support	7,760,628	7,228,900	531,728
Total instructional services	<u>50,580,066</u>	<u>48,201,056</u>	<u>2,379,010</u>
System-wide support services:			
Support and development	1,488,084	1,437,672	50,412
Special population support and development	171,060	169,926	1,134
Alternative programs and services support and development	37,005	37,004	1
Technology support	2,050,799	2,008,321	42,478
Operational support	9,329,144	8,988,337	340,807
Financial and human resource services	2,014,809	1,911,005	103,804
Accountability	440,979	440,978	1
Policy, leadership and public relations	2,742,272	2,594,934	147,338
Total system-wide support services	<u>18,274,152</u>	<u>17,588,177</u>	<u>685,975</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, 2015

	Final Budget	Actual	Variance Positive (Negative)
Expenditures (Continued):			
Current:			
Ancillary services:			
Nutrition	17,573	17,573	-
Non-programmed charges:			
Payments to other governments	821,739	819,753	1,986
Total expenditures	69,693,530	66,626,559	3,066,971
Revenues over (under) expenditures	(1,104,816)	2,940,924	4,045,740
Other financing sources (uses):			
Transfers from other funds	216,610	216,610	-
Transfers to other funds	(207,427)	(207,427)	-
Total other financing sources (uses)	9,183	9,183	-
Fund balance appropriated	1,095,633	-	(1,095,633)
Net change in fund balance	\$ -	2,950,107	\$ 2,950,107
Fund balance:			
Beginning of year		6,709,806	
End of year		\$ 9,659,913	

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2015**

	Special Revenue Funds		Totals
	Other Special Revenue	Individual Schools	
Assets			
Cash and cash equivalents	\$ 772,080	\$ 1,114,505	\$ 1,886,585
Accounts receivable	<u>40,075</u>	<u>-</u>	<u>40,075</u>
Total assets	<u>\$ 812,155</u>	<u>\$ 1,114,505</u>	<u>\$ 1,926,660</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 5,086	\$ -	\$ 5,086
Accrued salaries and wages payable	<u>30,258</u>	<u>-</u>	<u>30,258</u>
Total liabilities	<u>35,344</u>	<u>-</u>	<u>35,344</u>
Fund balances			
Restricted:			
Stabilization by State statute	61,226	-	61,226
Instructional services	744,449	-	744,449
Individual schools	-	1,114,505	1,114,505
Unassigned	<u>(28,864)</u>	<u>-</u>	<u>(28,864)</u>
Total fund balances	<u>776,811</u>	<u>1,114,505</u>	<u>1,891,316</u>
Total liabilities and fund balances	<u>\$ 812,155</u>	<u>\$ 1,114,505</u>	<u>\$ 1,926,660</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, 2015

	Special Revenue Funds		Totals
	Other Special Revenue	Individual Schools	
Revenues:			
State of North Carolina	\$ 662,982	\$ -	\$ 662,982
U.S. Government	1,290,393	-	1,290,393
Other	502,385	2,434,363	2,936,748
Total revenues	<u>2,455,760</u>	<u>2,434,363</u>	<u>4,890,123</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	264,100	-	264,100
Special populations	41,075	-	41,075
Alternative programs	1,687,565	-	1,687,565
Co-curricular	-	2,527,306	2,527,306
Total instructional services	<u>1,992,740</u>	<u>2,527,306</u>	<u>4,520,046</u>
System-wide support services:			
Alternative programs and services support and development	42,746	-	42,746
Operational support	7,488	-	7,488
Financial and human resource services	546	-	546
Total system-wide support services	<u>50,780</u>	<u>-</u>	<u>50,780</u>
Ancillary services:			
Nutrition	29,853	-	29,853
Non-programmed charges	33,195	-	33,195
Total expenditures	<u>2,106,568</u>	<u>2,527,306</u>	<u>4,633,874</u>
Revenues over expenditures	349,192	(92,943)	256,249
Other financing uses:			
Transfers to other funds	(125,000)	-	(125,000)
Net change in fund balance	224,192	(92,943)	131,249
Fund balances:			
Beginning of year	552,619	1,207,448	1,760,067
End of year	<u>\$ 776,811</u>	<u>\$ 1,114,505</u>	<u>\$ 1,891,316</u>

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
OTHER SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
NC Pre-Kindergarten Program	\$ 662,982	\$ 662,982	\$ -
U.S. Government:			
Headstart	1,566,428	1,290,393	(276,035)
Other:			
Miscellaneous	514,792	502,385	(12,407)
Total revenues	<u>2,744,202</u>	<u>2,455,760</u>	<u>(288,442)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	282,939	264,100	18,839
Special populations	46,862	41,075	5,787
Alternative programs	<u>2,245,128</u>	<u>1,687,565</u>	<u>557,563</u>
Total instructional services	<u>2,574,929</u>	<u>1,992,740</u>	<u>582,189</u>
System-wide support services:			
Alternative programs and services support and development	55,549	42,746	12,803
Operational support	7,388	7,488	(100)
Financial and human resource services	-	546	(546)
Total system-wide support services	<u>62,937</u>	<u>50,780</u>	<u>12,157</u>
Ancillary services:			
Nutrition	<u>71,561</u>	<u>29,853</u>	<u>41,708</u>
Non-programmed charges:			
Payments to other governments	<u>42,136</u>	<u>33,195</u>	<u>8,941</u>
Total expenditures	<u>2,751,563</u>	<u>2,106,568</u>	<u>644,995</u>
Revenues over (under) expenditures	(7,361)	349,192	356,553
Other financing uses:			
Transfers to other funds	(125,000)	(125,000)	-
Fund balance appropriated	<u>132,361</u>	<u>-</u>	<u>(132,361)</u>
Net change in fund balance	<u>\$ -</u>	224,192	<u>\$ 224,192</u>
Fund balance:			
Beginning of year		<u>552,619</u>	
End of year		<u>\$ 776,811</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, 2015

	<u>Elementary Schools</u>	<u>Middle Schools</u>	<u>High Schools</u>	<u>Totals</u>
Revenues	\$ 477,201	\$ 608,209	\$ 1,348,953	\$ 2,434,363
Expenditures	<u>545,760</u>	<u>597,750</u>	<u>1,383,796</u>	<u>2,527,306</u>
Net change in fund balance	(68,559)	10,459	(34,843)	(92,943)
Fund balances:				
Beginning of year	<u>226,710</u>	<u>201,415</u>	<u>779,323</u>	<u>1,207,448</u>
End of year	<u>\$ 158,151</u>	<u>\$ 211,874</u>	<u>\$ 744,480</u>	<u>\$ 1,114,505</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, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 511,529	\$ 102,730	\$ (408,799)
Orange County:			
Local bond revenues	8,388,016	6,672,063	(1,715,953)
General county appropriations	1,832,400	1,832,400	-
Total Orange County	<u>10,220,416</u>	<u>8,504,463</u>	<u>(1,715,953)</u>
Other:			
Miscellaneous	33,750	33,750	-
Total revenues	<u>10,765,695</u>	<u>8,640,943</u>	<u>(2,124,752)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	126,165	126,165	-
System-wide support services:			
Technology support	373,520	371,137	2,383
Operational support	419,593	92,752	326,841
Policy, leadership and public relations	42,826	37,674	5,152
Total system-wide support services	<u>835,939</u>	<u>501,563</u>	<u>334,376</u>
Ancillary services:			
Nutrition	38,989	15,738	23,251
Debt service:			
Principal retirement	370,899	370,899	-
Interest and fees	24,695	24,695	-
Total debt service	<u>395,594</u>	<u>395,594</u>	<u>-</u>
Capital outlay	<u>9,925,571</u>	<u>8,116,798</u>	<u>1,808,773</u>
Total expenditures	<u>11,322,258</u>	<u>9,155,858</u>	<u>2,166,400</u>
Revenues under expenditures	<u>(556,563)</u>	<u>(514,915)</u>	<u>41,648</u>
Other financing sources:			
Transfers from other funds	125,000	125,000	-
Installment purchase obligations issued	-	82,110	82,110
Total other financing sources	<u>125,000</u>	<u>207,110</u>	<u>82,110</u>
Fund balance appropriated	<u>431,563</u>	-	<u>(431,563)</u>
Net change in fund balance	<u>\$ -</u>	<u>(307,805)</u>	<u>\$ (307,805)</u>
Fund balance:			
Beginning of year		<u>655,150</u>	
End of year		<u>\$ 347,345</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, 2015

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Food sales	\$ 1,961,546	\$ 1,652,723	\$ (308,823)
Operating expenditures:			
Business support services:			
Salaries and benefits	-	1,097,719	-
Materials and supplies	-	12,096	-
Repairs and maintenance	-	27,691	-
Non-capitalized equipment	-	14,608	-
Chartwells management fees	-	2,964,019	-
Other	-	18,322	-
Total operating expenditures	4,479,024	4,134,455	344,569
Operating loss	(2,517,478)	(2,481,732)	35,746
Nonoperating revenues:			
Federal reimbursements	-	1,927,898	-
Federal commodities	-	220,602	-
State reimbursements	-	6,019	-
Total nonoperating revenues	2,292,478	2,154,519	(137,959)
Excess of expenditures over revenues before other financing sources	(225,000)	(327,213)	(102,213)
Other financing sources:			
Transfers from other funds	225,000	252,544	27,544
Net change in fund balance	\$ -	(74,669)	\$ (74,669)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(90,478)	
Contributions to the pension plan in current fiscal year		64,504	
Capital contributions		157,352	
Indirect costs		(141,479)	
Indirect costs not paid		141,479	
Decrease in compensated absences payable		15,732	
Pension expense		(25,981)	
Change in net position (full accrual)		\$ 46,460	

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, 2015

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Child care fees	\$ 1,633,889	\$ 1,497,354	\$ (136,535)
Rental of school property	<u>350,000</u>	<u>444,327</u>	<u>94,327</u>
 Total operating revenue	 <u>1,983,889</u>	 <u>1,941,681</u>	 <u>(42,208)</u>
Operating expenditures:			
Regular community services:			
Purchase of food	-	114,360	-
Salaries and benefits	-	1,472,171	-
Materials and supplies	-	41,150	-
Non-capitalized equipment	-	1,319	-
Contracted services	-	36,709	-
Other	<u>-</u>	<u>19,652</u>	<u>-</u>
 Total operating expenditures	 <u>1,909,389</u>	 <u>1,685,361</u>	 <u>224,028</u>
Excess of revenues over expenditures before other financing uses	 <u>74,500</u>	 <u>256,320</u>	 <u>181,820</u>
Other financing uses:			
Transfers to other funds	(216,610)	(216,610)	-
Fund balance appropriated	<u>142,110</u>	<u>-</u>	<u>(142,110)</u>
Net change in fund balance	<u>\$ -</u>	<u>39,710</u>	<u>\$ 39,710</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Contributions to the pension plan in current fiscal year		74,377	
Increase in compensated absences payable		35,393	
Pension expense		<u>(29,958)</u>	
Change in net position (full accrual)		<u>\$ 119,522</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, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Assets				
Cash and cash equivalents	<u>\$ 133,759</u>	<u>\$ 662,625</u>	<u>\$ 646,434</u>	<u>\$ 149,950</u>
Liabilities				
Accounts payable and accrued liabilities	<u>\$ 133,759</u>	<u>\$ 662,625</u>	<u>\$ 646,434</u>	<u>\$ 149,950</u>



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chapel Hill-Carrboro City Board of Education, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the Chapel Hill-Carrboro City Board of Education, North Carolina's basic financial statements and have issued our report thereon dated October 16, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

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

Anderson Smith & Wike PLLC

*October 16, 2015
Rockingham, North Carolina*



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

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

Report on Compliance for Each Major Federal Program

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, 2015. 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.

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

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, 2015.

Report on 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 types of compliance requirements referred to above. 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Anderson Smith & Wike PLLC

*October 16, 2015
Rockingham, North Carolina*



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

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

Report on Compliance for Each Major State Program

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 each of the Board's major State programs for the year ended June 30, 2015. The Chapel Hill-Carrboro City Board of Education's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major State Program

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

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Chapel Hill-Carrboro City Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Anderson Smith & Wike PLLC

*October 16, 2015
Rockingham, North Carolina*

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2015**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted *No*

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
84.010	Title I, Grants to Local Educational Agencies
84.365	Language Acquisition Grant
93.600	Headstart

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

Auditee qualified as low-risk auditee? *Yes*

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2015**

Section I - Summary of Auditors' Results (Continued)

State Awards

Internal control over major State programs:

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

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

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

Identification of major State programs:

Program Name

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

Section II - Financial Statement Findings

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

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, 2015**

No findings were reported in the prior year.

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2015

<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	\$ <u>220,602</u>
Cash Assistance:		
School Breakfast Program	10.553	382,716
National School Lunch Program	10.555	1,489,644
Seamless Summer Program	10.555	<u>55,538</u>
Cash Assistance Subtotal		<u>1,927,898</u>
Total Child Nutrition Cluster		<u>2,148,500</u>
<u>U.S. Department of Education</u>		
Office of Elementary and Secondary Education		
Passed-through the N.C. Department of Public Instruction:		
Education Consolidation and Improvement Act of 1981		
Improving America School Act of 1994 (IASA)		
Title I, Grants to Local Educational Agencies	84.010	1,089,799
School Improvement	84.010	21,344
Improving Teacher Quality	84.367	243,486
Language Acquisition Grant	84.365	440,258
Race to the Top - ARRA	84.395	179,101
Office of Special Education and Rehabilitative Services		
Passed-through the N.C. Department of Public Instruction:		
Special Education Cluster:		
Grants to States - IDEA, part B (611)	84.027	2,541,314
Coordinated Early Intervening Services	84.027	277,875
Special Needs Targeted Assistance	84.027	22,863
Special Education - Risk Pool	84.027	46,651
Preschool Targeted Assistance	84.173	3,592
Preschool Grants - IDEA, Part B (619)	84.173	<u>38,499</u>
Total Special Education Cluster		<u>2,930,794</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		
CTE - Capacity Building Grants	84.048	3,000
Program Development	84.048	<u>84,621</u>
Total U.S. Department of Education		<u>4,992,403</u>

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2015

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>		
Direct Program:		
Administration for Youth and Families		
Head Start	93.600	1,290,393
Total Federal Assistance		<u>8,431,296</u>
State Grants:		
<u>N.C. Department of Public Instruction</u>		
State Public School Fund		57,453,659
Vocational Education:		
State Months of Employment		2,417,499
Program Support Funds		957,745
Driver Training		199,479
School Technology Fund		205,502
State appropriations - buses (noncash)		102,730
Total NC Department of Public Instruction		<u>61,336,614</u>
<u>N.C. Department of Agriculture</u>		
State Reduced Breakfast Program		6,019
<u>N.C. Department of Health and Human Services</u>		
Division of Child Development:		
NC Pre-Kindergarten Program		413,257
Total State Assistance		<u>61,755,890</u>
Total Federal and State Assistance		<u>\$ 70,187,186</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.