

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

*Financial Statements For
the Fiscal Year Ended
June 30, 2013*

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
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INDEPENDENT AUDITORS' REPORT

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

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, 2013 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.

Auditor's 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, 2013, 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 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 November 8, 2013 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

November 8, 2013
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, 2013. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- Orange County Commissioners approved a \$65 per student increase for the district and provided funding for 411 new students which increased General Fund revenues by \$2 million.
- The final phase of construction for the 11th elementary school in the district, Northside Elementary, was completed on schedule to prepare for the opening of the new school in August, 2013. The new school construction was completed on time and within budget.
- Significant budget realignments were made in the 2012-13 budget to re-purpose existing funds to support new instructional initiatives. The N.C. Common Core State Standards, adopted by the State in 2010, scheduled to be implemented in the 2013-14 school year, required significant preparation and training for all teachers in the district.
- The 2012-13 budget was balanced using \$2.2 million of fund balance to retain positions and other expenses previously supported by other funds. This was the second of a three-year plan by the Board to bridge the funding gap created by the economic downturn.
- Financial reporting awards from the Association of School Business Officials International and the Government Finance Officers Association were received for the ninth 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 and liabilities. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The statement of activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

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

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

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 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

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

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 \$182.7 million as of June 30, 2013 as compared to \$172.7 million as of June 30, 2012, an increase of \$10.0 million. The largest component of net position is net investment in capital assets of \$180.9 million, which comprises 99.0% of the total net position.

Following is a summary of the Statement of Net Position as of June 30, 2013 and 2012:

**Table 1
Condensed Statement of Net Position
As of June 30, 2013 and 2012**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/13	6/30/12	6/30/13	6/30/12	6/30/13	6/30/12
Current assets	\$ 17,997,207	\$ 19,849,907	\$ 842,560	\$ 808,468	\$ 18,839,767	\$ 20,658,375
Capital assets	<u>181,774,926</u>	<u>165,285,293</u>	<u>329,853</u>	<u>340,873</u>	<u>182,104,779</u>	<u>165,626,166</u>
Total assets	<u>199,772,133</u>	<u>185,135,200</u>	<u>1,172,413</u>	<u>1,149,341</u>	<u>200,944,546</u>	<u>186,284,541</u>
Current liabilities	11,217,151	9,836,498	360,472	371,776	11,577,623	10,208,274
Long-term liabilities	<u>6,557,293</u>	<u>3,293,755</u>	<u>118,610</u>	<u>100,081</u>	<u>6,675,903</u>	<u>3,393,836</u>
Total liabilities	<u>17,774,444</u>	<u>13,130,253</u>	<u>479,082</u>	<u>471,857</u>	<u>18,253,526</u>	<u>13,602,110</u>
Net investment in capital assets	180,562,451	165,245,825	329,853	340,873	180,892,304	165,586,698
Restricted net position	2,943,181	3,403,894	-	-	2,943,181	3,403,894
Unrestricted net position (deficit)	<u>(1,507,943)</u>	<u>3,355,228</u>	<u>363,478</u>	<u>336,611</u>	<u>(1,144,465)</u>	<u>3,691,839</u>
Total net position	<u>\$ 181,997,689</u>	<u>\$ 172,004,947</u>	<u>\$ 693,331</u>	<u>\$ 677,484</u>	<u>\$ 182,691,020</u>	<u>\$ 172,682,431</u>

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

The net position of the Board's governmental activities increased \$10.0 million during the year from \$172.0 million at June 30, 2012 to \$182.0 million at June 30, 2013, indicating an improvement in the financial condition of the Board. This improvement is primarily attributable to an increase of \$15.3 million in net investment in capital assets. Unrestricted net position decreased by \$4.9 million primarily as a result of a \$4.4 million decrease in cash balances.

The net position of the Board's business-type activities increased \$16,000 from \$677,000 at June 30, 2012 to \$693,000 at June 30, 2013. This increase of \$16,000 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, 2013 and 2012**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/13	6/30/12	6/30/13	6/30/12	6/30/13	6/30/12
Revenues:						
Program revenues:						
Charges for services	\$ 3,394,702	\$ 3,227,716	\$ 3,657,770	\$ 3,610,850	\$ 7,052,472	\$ 6,838,566
Operating grants and contributions	64,250,067	64,339,584	2,055,701	1,863,465	66,305,768	66,203,049
Capital grants and contributions	162,818	39,470	-	-	162,818	39,470
General revenues:						
Other revenues	84,789,047	68,373,493	-	-	84,789,047	68,373,493
Total revenues	152,596,634	135,980,263	5,713,471	5,474,315	158,310,105	141,454,578
Expenses:						
Governmental activities:						
Instructional services	109,512,140	104,948,573	-	-	109,512,140	104,948,573
System-wide support services	26,104,923	23,529,956	-	-	26,104,923	23,529,956
Ancillary services	106,706	136,883	-	-	106,706	136,883
Payments to other governments	508,313	527,076	-	-	508,313	527,076
Interest on long-term debt	20,142	675	-	-	20,142	675
Unallocated depreciation	6,284,193	5,757,524	-	-	6,284,193	5,757,524
Business-type activities:						
School food service	-	-	4,174,046	4,009,913	4,174,046	4,009,913
Child care	-	-	1,591,053	1,484,031	1,591,053	1,484,031
Total expenses	142,536,417	134,900,687	5,765,099	5,493,944	148,301,516	140,394,631
Excess (deficiency)						
before transfers	10,060,217	1,079,576	(51,628)	(19,629)	10,008,589	1,059,947
Transfers in (out)	(67,475)	(141,654)	67,475	141,654	-	-
Increase in net position	9,992,742	937,922	15,847	122,025	10,008,589	1,059,947
Beginning net position	172,004,947	171,067,025	677,484	555,459	172,682,431	171,622,484
Ending net position	\$ 181,997,689	\$ 172,004,947	\$ 693,331	\$ 677,484	\$ 182,691,020	\$ 172,682,431

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

Total governmental activities generated revenues of \$152.6 million while expenses in this category totaled \$142.5 million for the year ended June 30, 2013, resulting in the aforementioned increase in net position of \$10.0 million (including net transfers to business-type activities of \$67,000). Comparatively, revenues were \$136.0 million, expenses totaled \$134.9 million and transfers out were \$142,000 for the year ended June 30, 2012, resulting in an increase in net position of \$938,000. In comparing the two years, revenues increased by \$16.6 million, while expenses increased over the prior year by \$7.6 million. The increase in revenues was primarily comprised of a \$14.3 million increase in capital outlay funding from the County. Most of this increase was used for construction of the new elementary school. The increase in expenses was primarily for instructional and system-wide support services.

The Board's primary sources of revenues were funding from the State of North Carolina, Orange County, Chapel Hill and Carrboro townships and the United States Government, which respectively comprised 38.6%, 41.4%, 12.9% and 3.6% of our total revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 76.8% of our total expenditures during the most recent fiscal year. Of the remaining 23.2% of our total expenditures, 18.3% 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 \$67,000 for the year ended June 30, 2013. For the year, net position increased by \$16,000. Comparatively, revenues were \$5.5 million, expenses were \$5.5 million and transfers in from governmental activities totaled \$142,000 for the year ended June 30, 2012, resulting in an increase in net position of \$122,000. Overall, operating results were fairly consistent for the two years.

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.

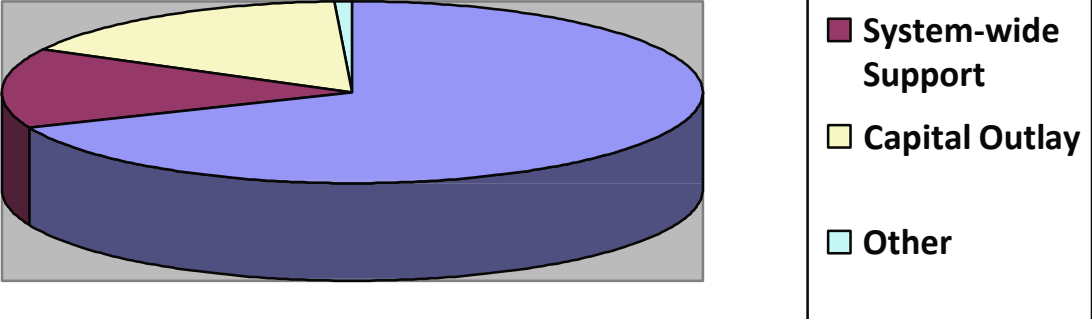
The Board's governmental funds reported a combined fund balance of \$9.9 million at June 30, 2013, a decrease of \$3.9 million from the amount reported at June 30, 2012. Governmental funds reported a decrease in fund balance of \$726,000 in the prior year.

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 \$62.6 million in the year ended June 30, 2013 and also totaled \$62.6 million in the year ended June 30, 2012. 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 2013 year of \$664,000. Expenditures related to construction of a new elementary school totaled \$16.4 million during the year. These expenditures were funded by bond proceeds from Orange County. The General Fund transferred \$604,000 to the Capital Outlay Fund during the year to help cover the cost of various capital improvements needed throughout the district.

**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 Fund and the Child Care Fund, generated a combined increase in net position of \$16,000 for the year compared to a \$122,000 increase for the year ended June 30, 2012. The School Food Service Fund reported a decrease in net position of \$63,000 in the current year compared to an increase of \$20,000 for the prior fiscal year, a year-over year decline of \$83,000. The decline is primarily attributable to an increase in management fee expenses.

The Child Care Fund reported an increase in revenues for the year of \$123,000 while expenditures increased by \$107,000 compared to the prior year. After transfers of \$203,000 to the General Fund, the Child Care Fund reported an increase in net position of \$79,000 for the 2012-2013 year compared to an increase of \$102,000 in the prior year.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and program allocations. Revisions were approved during the year to increase the original budget for total expenditures by \$704,000 and increase the budget for transfers to other funds by \$856,000. The majority of these increases were budgeted to be paid from appropriated fund balance which increased by \$1.2 million. 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 a decrease in fund balance of \$3.1 million compared to a decrease of \$1.0 million reported in the prior year. Revenues from Orange County for the local operating budget increased \$2.1 million over the prior year, while supplemental school tax revenues from the Chapel Hill and Carrboro townships increased \$180,000 to \$19.7 million in 2013. Overall, total General Fund revenues increased over the prior year by \$2.3 million, or 3.9%, while expenditures increased \$4.5 million, or 7.7%. The General Fund budget had a total fund balance appropriation of \$4.5 million in 2013. The Board intentionally retained positions in the General Fund that were previously paid from other funding sources, as those other funding sources have decreased in recent years. The Board also approved some one-time needed expenditures from fund balance in the 2013 year. In addition, budget flexibility used in the 2012 year to realign State funds was not available in the 2012-13 year. This budget flexibility helped to shift a significant amount of expenditures from the General Fund to the State Public School Fund in 2012.

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

Capital Assets

Total primary government capital assets were \$182.1 million at June 30, 2013, an increase of 10.0% over the \$165.6 million reported at June 30, 2012. More detailed information about the Board's capital assets is contained in Note 2 to the financial statements.

The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2013 and 2012.

**Table 3
Summary of Capital Assets
As of June 30, 2013 and 2012**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/13</u>	<u>6/30/12</u>	<u>6/30/13</u>	<u>6/30/12</u>	<u>6/30/13</u>	<u>6/30/12</u>
Land	\$ 6,485,407	\$ 6,485,407	\$ -	\$ -	\$ 6,485,407	\$ 6,485,407
Construction in progress	20,679,066	4,579,341	-	-	20,679,066	4,579,341
Buildings and improvements	148,924,956	149,933,814	-	-	148,924,956	149,933,814
Land improvements	1,211,924	1,357,449	-	-	1,211,924	1,357,449
Equipment and furniture	3,214,143	1,746,270	329,853	340,873	3,543,996	2,087,143
Vehicles	1,259,430	1,183,012	-	-	1,259,430	1,183,012
Total	\$ 181,774,926	\$ 165,285,293	\$ 329,853	\$ 340,873	\$ 182,104,779	\$ 165,626,166

Debt Outstanding

During the year, the Board's long-term debt increased from \$39,000 at June 30, 2012 to \$1.2 million at June 30, 2013. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. More detailed information about the Board's outstanding debt is contained in Note 2 to the financial statements.

Economic Factors

- The 2012-13 State budget included a mandatory discretionary reduction of \$2.9 million. The Board made the decision on the specific program areas to apply the reduction. The district reduced a total of 47 teaching positions and 10 teacher assistant positions.
- Federally grant budgets experienced small reductions in 2012-13. Federal sequestration is expected to further reduce federal grant budgets for 2013-14. Anticipated reductions in program areas such as Title I, Exceptional Children, and the PreK/Head Start Program will negatively impact student services in the district.
- The district has budgeted to use \$3.2 million of Local fund balance for the 2013-2014 fiscal year in an effort to bridge the budget shortfall and protect jobs.

Requests for Information

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

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2013

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 10,996,435	\$ 719,125	\$ 11,715,560
Due from other governments	5,962,539	47,875	6,010,414
Receivables	96,962	75,560	172,522
Prepaid expenses	941,271	-	941,271
Capital assets:			
Land and construction in progress	27,164,473	-	27,164,473
Other capital assets, net of depreciation	<u>154,610,453</u>	<u>329,853</u>	<u>154,940,306</u>
Total capital assets	<u>181,774,926</u>	<u>329,853</u>	<u>182,104,779</u>
 Total assets	 <u>199,772,133</u>	 <u>1,172,413</u>	 <u>200,944,546</u>
Liabilities			
Accounts payable and accrued expenses	4,442,954	77,286	4,520,240
Accrued salaries and wages payable	3,529,205	-	3,529,205
Unavailable revenue	929,189	224,161	1,153,350
Long-term liabilities:			
Due within one year	2,315,803	59,025	2,374,828
Due in more than one year	<u>6,557,293</u>	<u>118,610</u>	<u>6,675,903</u>
 Total liabilities	 <u>17,774,444</u>	 <u>479,082</u>	 <u>18,253,526</u>
Net position			
Net investment in capital assets	180,562,451	329,853	180,892,304
Restricted for:			
Stabilization by State statute	884,997	-	884,997
School capital outlay	676,970	-	676,970
Instructional services	331,026	-	331,026
Individual schools activities	1,050,188	-	1,050,188
Unrestricted (deficit)	<u>(1,507,943)</u>	<u>363,478</u>	<u>(1,144,465)</u>
 Total net position	 <u>\$ 181,997,689</u>	 <u>\$ 693,331</u>	 <u>\$ 182,691,020</u>

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, 2013

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	\$ 61,677,457	\$ -	\$ 39,995,473	\$ -	\$ (21,681,984)	\$ -	\$ (21,681,984)
Special populations	18,913,162	-	7,953,305	-	(10,959,857)	-	(10,959,857)
Alternative programs	7,311,502	-	5,237,344	-	(2,074,158)	-	(2,074,158)
School leadership	6,205,586	-	2,440,650	-	(3,764,936)	-	(3,764,936)
Co-curricular	5,138,917	2,900,197	-	-	(2,238,720)	-	(2,238,720)
School-based support	10,265,516	-	3,746,467	-	(6,519,049)	-	(6,519,049)
System-wide support services:							
Support and development	1,488,715	-	158,222	-	(1,330,493)	-	(1,330,493)
Special population support and development	703,083	-	410,240	-	(292,843)	-	(292,843)
Alternative programs and services support and development	97,998	-	-	-	(97,998)	-	(97,998)
Technology support	2,437,852	-	72,535	-	(2,365,317)	-	(2,365,317)
Operational support	16,153,439	494,505	3,322,086	162,818	(12,174,030)	-	(12,174,030)
Financial and human resource services	1,903,103	-	445,774	-	(1,457,329)	-	(1,457,329)
Accountability	360,599	-	-	-	(360,599)	-	(360,599)
Policy, leadership and public relations	2,960,134	-	370,901	-	(2,589,233)	-	(2,589,233)
Ancillary services	106,706	-	-	-	(106,706)	-	(106,706)
Payments to other governments	508,313	-	97,070	-	(411,243)	-	(411,243)
Interest on long-term debt	20,142	-	-	-	(20,142)	-	(20,142)
Unallocated depreciation expense**	6,284,193	-	-	-	(6,284,193)	-	(6,284,193)
Total governmental activities	142,536,417	3,394,702	64,250,067	162,818	(74,728,830)	-	(74,728,830)
Business-type activities:							
School food service	4,174,046	1,785,164	2,055,701	-	-	(333,181)	(333,181)
Child care	1,591,053	1,872,606	-	-	-	281,553	281,553
Total business-type activities	5,765,099	3,657,770	2,055,701	-	-	(51,628)	(51,628)
Total primary government	\$ 148,301,516	\$ 7,052,472	\$ 66,305,768	\$ 162,818	(74,728,830)	(51,628)	(74,780,458)
General revenues:							
Unrestricted county and city appropriations - operating					58,563,905	-	58,563,905
Unrestricted county appropriations - capital					24,379,684	-	24,379,684
Investment earnings, unrestricted					42,140	-	42,140
Miscellaneous, unrestricted					1,803,318	-	1,803,318
Transfers					(67,475)	67,475	-
Total general revenues and transfers					84,721,572	67,475	84,789,047
Change in net position					9,992,742	15,847	10,008,589
Net position - beginning					172,004,947	677,484	172,682,431
Net position - ending					\$ 181,997,689	\$ 693,331	\$ 182,691,020

**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, 2013

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	\$ 8,786,540	\$ -	\$ -	\$ 808,470	\$ 1,401,425	\$ 10,996,435
Due from other governments	350,992	1,947,810	100,518	3,459,999	103,220	5,962,539
Accounts receivable	94,307	-	-	-	2,655	96,962
Due from other funds	29,901	-	-	-	-	29,901
Prepaid expenditures	941,271	-	-	-	-	941,271
Total assets	\$ 10,203,011	\$ 1,947,810	\$ 100,518	\$ 4,268,469	\$ 1,507,300	\$ 18,027,108
Liabilities and fund balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 981,929	\$ -	\$ -	\$ 3,459,999	\$ 1,026	\$ 4,442,954
Accrued salaries and wages payable	1,448,332	1,947,810	100,518	-	32,545	3,529,205
Due to other funds	-	-	-	-	29,901	29,901
Unavailable revenue	8,689	-	-	131,500	-	140,189
Total liabilities	2,438,950	1,947,810	100,518	3,591,499	63,472	8,142,249
Fund balances:						
Nonspendable:						
Prepaid expenditures	941,271	-	-	-	-	941,271
Restricted:						
Stabilization by State statute	758,515	-	-	-	126,482	884,997
School capital outlay	-	-	-	676,970	-	676,970
Instructional services	-	-	-	-	331,026	331,026
Individual schools	-	-	-	-	1,050,188	1,050,188
Assigned:						
Subsequent year's expenditures	3,222,913	-	-	-	-	3,222,913
Unassigned	2,841,362	-	-	-	(63,868)	2,777,494
Total fund balances	7,764,061	-	-	676,970	1,443,828	9,884,859
Total liabilities and fund balances	\$ 10,203,011	\$ 1,947,810	\$ 100,518	\$ 4,268,469	\$ 1,507,300	

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.

181,774,926

Difference in unavailable lease revenue attributable to difference in income recognition periods for governmental funds and governmental activities.

(789,000)

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.

(8,873,096)

Net position of governmental activities

\$ 181,997,689

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, 2013

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	\$ -	\$ 58,294,480	\$ -	\$ 162,818	\$ 453,880	\$ 58,911,178
Orange County	38,862,205	-	-	24,379,684	-	63,241,889
U.S. Government	-	-	4,311,623	-	1,190,084	5,501,707
Other	21,740,438	-	-	162,582	3,254,509	25,157,529
Total revenues	60,602,643	58,294,480	4,311,623	24,705,084	4,898,473	152,812,303
Expenditures:						
Current:						
Instructional services:						
Regular instructional	20,960,886	39,426,934	568,539	161,536	72,646	61,190,541
Special populations	10,761,531	6,121,903	1,831,402	-	-	18,714,836
Alternative programs	1,681,464	2,168,912	1,424,468	-	1,959,989	7,234,833
School leadership	3,699,863	2,440,650	-	-	-	6,140,513
Co-curricular	2,190,782	-	-	-	2,894,248	5,085,030
School-based support	6,411,403	3,678,677	67,790	-	-	10,157,870
System-wide support services:						
Support and development	1,270,469	158,222	-	-	44,413	1,473,104
Special population support and development	285,470	129,070	281,170	-	-	695,710
Alternative programs and services support and development	29,325	-	-	-	67,645	96,970
Technology support	2,039,311	72,535	-	300,442	-	2,412,288
Operational support	8,823,098	3,240,885	41,184	307,710	-	12,412,877
Financial and human resource services	1,432,310	445,774	-	-	5,063	1,883,147
Accountability	356,818	-	-	-	-	356,818
Policy, leadership and public relations	2,524,406	370,901	-	33,787	-	2,929,094
Ancillary services	42,994	-	-	63,712	-	106,706
Non-programmed charges	539,245	-	97,070	-	-	636,315
Debt service:						
Principal retirement	-	-	-	435,540	-	435,540
Interest and fees	-	-	-	20,142	-	20,142
Capital outlay	-	-	-	26,258,936	-	26,258,936
Total expenditures	63,049,375	58,254,463	4,311,623	27,581,805	5,044,004	158,241,270
Revenues over (under) expenditures	(2,446,732)	40,017	-	(2,876,721)	(145,531)	(5,428,967)
Other financing sources (uses):						
Transfers from other funds	202,586	-	-	604,000	43,839	850,425
Transfers to other funds	(840,256)	(40,017)	-	-	-	(880,273)
Installment purchase obligations issued	-	-	-	1,608,547	-	1,608,547
Total other financing sources (uses)	(637,670)	(40,017)	-	2,212,547	43,839	1,578,699
Net change in fund balance	(3,084,402)	-	-	(664,174)	(101,692)	(3,850,268)
Fund balances:						
Beginning of year	10,848,463	-	-	1,341,144	1,545,520	13,735,127
End of year	\$ 7,764,061	\$ -	\$ -	\$ 676,970	\$ 1,443,828	\$ 9,884,859

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, 2013

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ (3,850,268)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	16,489,633
Difference in lease income recognized from deferred revenue due to difference between income recognition periods for governmental funds and governmental activities.	(87,667)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net 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.	(1,173,007)
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	
Compensated absences	<u>(1,385,949)</u>
Total changes in net position of governmental activities	<u>\$ 9,992,742</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, 2013

Exhibit 6

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Orange County	38,862,205	38,862,205	38,862,205	-
U.S. Government	-	-	-	-
Other		21,194,593	21,304,546	21,740,438
<u>435,892</u>	<u>60,056,798</u>	<u>60,166,751</u>	<u>60,602,643</u>	<u>435,892</u>
Total revenues				
Expenditures:				
Current:				
Instructional services				
Regular instructional	22,652,775	21,255,715	20,960,886	294,829
Special populations	9,811,480	10,798,227	10,761,531	36,696
Alternative programs	1,652,872	1,776,583	1,681,464	95,119
School leadership	3,401,005	3,710,466	3,699,863	10,603
Co-curricular	2,155,823	2,190,784	2,190,782	2
School-based support	5,892,638	6,565,302	6,411,403	153,899
Total instructional services	45,566,593	46,297,077	45,705,929	591,148
System-wide support services				
Support and development	1,260,641	1,289,414	1,270,469	18,945
Special population support and development	148,336	285,470	285,470	-
Alternative programs and services support and development	30,171	30,171	29,325	846
Technology support	1,825,930	2,039,972	2,039,311	661
Operational support	8,929,564	8,968,807	8,823,098	145,709
Financial and human resource services	1,614,740	1,450,733	1,432,310	18,423
Accountability	375,169	374,780	356,818	17,962
Policy, leadership and public relations	2,537,126	2,652,905	2,524,406	128,499
Total system-wide support services	16,721,677	17,092,252	16,761,207	331,045
Ancillary services				
Nutrition	-	-	42,994	42,994
- Nonprogrammed charges		979,680	539,245	539,245
- Total expenditures	63,267,950	63,971,568	63,049,375	922,193
Revenues over (under) expenditures	(3,211,152)	(3,804,817)	(2,446,732)	1,358,085
Other financing sources (uses):				
Transfers from other funds	-	203,227	202,586	(641)
Transfers to other funds	(11,761)	(867,623)	(840,256)	27,367
Fund balance appropriated	3,222,913	4,469,213	-	(4,469,213)
Total other financing sources (uses)	3,211,152	3,804,817	(637,670)	(4,442,487)
Net change in fund balance	\$ -	\$ -	(3,084,402)	\$ (3,084,402)
Fund balances:				
Beginning of year			10,848,463	
End of year			<u>\$ 7,764,061</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, 2013

	State Public School Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 61,871,240	\$ 61,942,827	\$ 58,294,480	\$ (3,648,347)
Orange County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>61,871,240</u>	<u>61,942,827</u>	<u>58,294,480</u>	<u>(3,648,347)</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	43,339,492	41,967,914	39,426,934	2,540,980
Special populations	5,732,204	6,256,876	6,121,903	134,973
Alternative programs	2,350,530	2,725,633	2,168,912	556,721
School leadership	2,975,147	2,555,310	2,440,650	114,660
Co-curricular	-	-	-	-
School-based support	<u>4,260,049</u>	<u>3,961,962</u>	<u>3,678,677</u>	<u>283,285</u>
Total instructional services	<u>58,657,422</u>	<u>57,467,695</u>	<u>53,837,076</u>	<u>3,630,619</u>
System-wide support services				
Support and development	158,706	160,763	158,222	2,541
Special population support and development	109,282	129,071	129,070	1
Alternative programs and services support and development	-	-	-	-
Technology support	-	72,535	72,535	-
Operational support	2,057,492	3,256,062	3,240,885	15,177
Financial and human resource services	469,451	445,778	445,774	4
Accountability	-	-	-	-
Policy, leadership and public relations	<u>371,619</u>	<u>370,903</u>	<u>370,901</u>	<u>2</u>
Total system-wide support services	<u>3,166,550</u>	<u>4,435,112</u>	<u>4,417,387</u>	<u>17,725</u>
Ancillary services				
Nutrition	-	-	-	-
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>61,823,972</u>	<u>61,902,807</u>	<u>58,254,463</u>	<u>3,648,344</u>
Revenues over (under) expenditures	<u>47,268</u>	<u>40,020</u>	<u>40,017</u>	<u>(3)</u>
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	(47,268)	(40,020)	(40,017)	3
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, 2013

	(47,268)	(40,020)	(40,017)	3
--	----------	----------	----------	---

Net change in fund balance	\$ _____ -	\$ _____ -	-	\$ _____ -
Fund balances:				
Beginning of year			_____ -	
End of year			\$ _____ -	

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, 2013

	Federal Grants Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Orange County	-	-	-	-
U.S. Government	3,986,672	5,883,169	4,311,623	(1,571,546)
Other	-	-	-	-
Total revenues	<u>3,986,672</u>	<u>5,883,169</u>	<u>4,311,623</u>	<u>(1,571,546)</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	725,987	744,485	568,539	175,946
Special populations	1,915,708	2,385,425	1,831,402	554,023
Alternative programs	88,995	1,525,614	1,424,468	101,146
School leadership	-	-	-	-
Co-curricular	-	-	-	-
School-based support	<u>65,020</u>	<u>77,735</u>	<u>67,790</u>	<u>9,945</u>
Total instructional services	<u>2,795,710</u>	<u>4,733,259</u>	<u>3,892,199</u>	<u>841,060</u>
System-wide support services				
Support and development	-	200	-	200
Special population support and development	330,850	343,880	281,170	62,710
Alternative programs and services support and development	-	33,005	-	33,005
Technology support	-	-	-	-
Operational support	20,000	43,760	41,184	2,576
Financial and human resource services	-	-	-	-
Accountability	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Total system-wide support services	<u>350,850</u>	<u>420,845</u>	<u>322,354</u>	<u>98,491</u>
Ancillary services				
Nutrition	-	-	-	-
Nonprogrammed charges	<u>840,112</u>	<u>729,065</u>	<u>97,070</u>	<u>631,995</u>
Total expenditures	<u>1,571,546</u>	<u>3,986,672</u>	<u>5,883,169</u>	<u>4,311,623</u>
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
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, 2013

Exhibit 7

	Enterprise		Totals
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
Assets			
Current assets:			
Cash and cash equivalents	\$ 9,595	\$ 709,530	\$ 719,125
Due from other governments	47,875	-	47,875
Receivables	<u>41,370</u>	<u>34,190</u>	<u>75,560</u>
Total current assets	<u>98,840</u>	<u>743,720</u>	<u>842,560</u>
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	<u>329,853</u>	<u>-</u>	<u>329,853</u>
Total assets	<u>428,693</u>	<u>743,720</u>	<u>1,172,413</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	74,927	2,359	77,286
Compensated absences	32,923	26,102	59,025
Unavailable revenue	<u>85,543</u>	<u>138,618</u>	<u>224,161</u>
Total current liabilities	<u>193,393</u>	<u>167,079</u>	<u>360,472</u>
Noncurrent liabilities:			
Compensated absences	<u>69,470</u>	<u>49,140</u>	<u>118,610</u>
Total liabilities	<u>262,863</u>	<u>216,219</u>	<u>479,082</u>
Net position			
Net investment in capital assets	329,853	-	329,853
Unrestricted (deficit)	<u>(164,023)</u>	<u>527,501</u>	<u>363,478</u>
Total net position	<u>\$ 165,830</u>	<u>\$ 527,501</u>	<u>\$ 693,331</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, 2013

Exhibit 8

	Enterprise		Totals
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
Operating revenues:			
Food sales	\$ 1,785,164	\$ -	\$ 1,785,164
Child care fees	-	1,452,491	1,452,491
Rental of school property	-	420,115	420,115
Total operating revenues	<u>1,785,164</u>	<u>1,872,606</u>	<u>3,657,770</u>
Operating expenses:			
Purchase of food	-	115,008	115,008
Salaries and benefits	1,211,722	1,373,647	2,585,369
Indirect costs	136,847	-	136,847
Materials and supplies	13,924	40,004	53,928
Repairs and maintenance	33,051	-	33,051
Depreciation	48,647	-	48,647
Non-capitalized equipment	-	7,528	7,528
Chartwells management fees	2,837,669	-	2,837,669
Contracted services	-	37,835	37,835
Other	29,033	17,031	46,064
Total operating expenses	<u>4,310,893</u>	<u>1,591,053</u>	<u>5,901,946</u>
Operating income (loss)	<u>(2,525,729)</u>	<u>281,553</u>	<u>(2,244,176)</u>
Nonoperating revenues:			
Federal reimbursements	1,863,739	-	1,863,739
Federal commodities	187,786	-	187,786
State reimbursements	4,176	-	4,176
Indirect costs not paid	136,847	-	136,847
Total nonoperating revenues	<u>2,192,548</u>	<u>-</u>	<u>2,192,548</u>
Income (loss) before transfers and contributions	(333,181)	281,553	(51,628)
Transfers to other funds	-	(202,586)	(202,586)
Transfers from other funds	232,434	-	232,434
Capital contributions	37,627	-	37,627
Change in net position	(63,120)	78,967	15,847
Net position, beginning of year	<u>228,950</u>	<u>448,534</u>	<u>677,484</u>
Net position, end of year	<u>\$ 165,830</u>	<u>\$ 527,501</u>	<u>\$ 693,331</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, 2013

Exhibit 9

	Enterprise		Totals
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
Cash flows from operating activities:			
Cash received from customers	\$ 1,789,741	\$ 1,842,285	\$ 3,632,026
Cash paid for goods and services	(2,721,667)	(221,328)	(2,942,995)
Cash paid to employees for services	(1,174,680)	(1,363,061)	(2,537,741)
Net cash provided (used) by operating activities	(2,106,606)	257,896	(1,848,710)
Cash flows from noncapital financing activities:			
Transfers from (to) other funds	192,417	(202,586)	(10,169)
Federal and State reimbursements	1,873,264	-	1,873,264
Net cash provided (used) by noncapital financing activities	2,065,681	(202,586)	1,863,095
Net increase (decrease) in cash and cash equivalents	(40,925)	55,310	14,385
Cash and cash equivalents, beginning of year	50,520	654,220	704,740
Cash and cash equivalents, end of year	\$ 9,595	\$ 709,530	\$ 719,125
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (2,525,729)	\$ 281,553	\$ (2,244,176)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	48,647	-	48,647
Donated commodities	187,786	-	187,786
Salaries paid by special revenue fund	40,017	-	40,017
Indirect costs not paid	136,847	-	136,847
Changes in assets and liabilities:			
Increase in accounts receivable	(5,482)	(19,574)	(25,056)
Increase (decrease) in accounts payable and accrued liabilities	4,224	(3,922)	302
Increase (decrease) in unavailable revenue	10,059	(10,747)	(688)
Increase (decrease) in compensated absences payable	(2,975)	10,586	7,611
Total adjustments	419,123	(23,657)	395,466
Net cash provided (used) by operating activities	\$ (2,106,606)	\$ 257,896	\$ (1,848,710)

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$187,786 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 \$40,017 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 \$37,627 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 \$136,847 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, 2013**

Exhibit 10

	<u>Employee Flexible Spending Account</u>
Assets	
Cash	<u>\$ 87,849</u>
Liabilities	
Accounts payable and accrued liabilities	<u>\$ 87,849</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, 2013

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, 2013

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

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

The Board reports the following nonmajor governmental funds:

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

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

The Board reports the following major enterprise fund:

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

The Board reports the following nonmajor enterprise fund:

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

The Board reports the following fiduciary fund:

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

C. Measurement Focus and Basis of Accounting

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is 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 purpose level for all annually budgeted funds. The budget is presented in the accompanying financial statements at the function level for informational purposes only. Amendments are required for any revisions that alter total expenditures of any fund or that change appropriations at the purpose level. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

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

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, 2013

2. Cash and Cash Equivalents

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

3. Prepaid Expenditures

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

4. Capital Assets

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

For capital assets utilized in both governmental and business-type activities, it is the policy of the Board to capitalize those assets costing more than \$5,000 with an estimated useful life of two or more years. The cost of normal repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

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

	<u>Years</u>
Buildings and improvements	50
Land improvements	15
Equipment and furniture	3 - 10
Vehicles	6

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

5. Long-term Obligations

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

6. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2013 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

7. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

Special revenues – portion of fund balance that represents the residual amount of revenues from certain grants, reimbursements, indirect costs and other financial resources in excess of related expenditures that the Board of Education has assigned to be expended for educational services. This amount can be expended on instructional services, system-wide support services, ancillary services or non-programmed charges.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

8. Reconciliation of Government-wide and Fund Financial Statements

a. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net 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 \$172,112,830 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)	\$267,572,731
Less accumulated depreciation	<u>(85,797,805)</u>
Net capital assets	181,774,926
Difference in unavailable lease revenue attributable to difference in income recognition periods for governmental funds and governmental activities	(789,000)
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	(1,212,475)
Compensated absences	<u>(7,660,621)</u>
Total adjustment	<u>\$172,112,830</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 \$13,843,010 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	\$ 23,119,307
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(6,629,674)
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	(1,608,547)

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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	435,540
Difference in lease income recognized from unavailable revenue due to difference between income recognition periods for governmental funds and governmental activities.	(87,667)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	<u>(1,385,949)</u>
Total adjustment	<u>\$ 13,843,010</u>

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling 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, 2013, the Board had deposits with banks and savings and loans with a carrying amount of \$5,372,132 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$5,539,567 and \$1,358,265, respectively. Of these balances, \$1,309,427 was covered by federal depository insurance and \$5,588,405 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2013, the Board had \$6,431,277 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.6 years at June 30, 2013. The Board has no policy for managing interest rate risk or credit risk.

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2013 are as follows:

	Due from (to) other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ 29,901	\$ 350,992	\$ 94,307	\$ 475,200
Other governmental activities	<u>(29,901)</u>	<u>5,611,547</u>	<u>2,655</u>	<u>5,584,301</u>
Total governmental activities	<u>\$ -</u>	<u>\$ 5,962,539</u>	<u>\$ 96,962</u>	<u>\$ 6,059,501</u>
Business-type activities:				
School Food Service Fund	\$ -	\$ 47,875	\$ 41,370	\$ 89,245
Child Care Fund	<u>-</u>	<u>-</u>	<u>34,190</u>	<u>34,190</u>
Total business-type activities	<u>\$ -</u>	<u>\$ 47,875</u>	<u>\$ 75,560</u>	<u>\$ 123,435</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 350,992	Amounts due from County
State Public School Fund	1,947,810	Operating funds from DPI
Capital Outlay Fund	3,459,999	Amounts due from County
Federal Grants Fund	100,518	Federal grant funds
Other Special Revenue Fund	<u>103,220</u>	State grant funds
Total	<u>\$ 5,962,539</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 47,875</u>	Federal grant funds

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,485,407	\$ -	\$ -	\$ 6,485,407
Construction in progress	<u>4,579,341</u>	<u>20,713,297</u>	<u>4,613,572</u>	<u>20,679,066</u>
Total capital assets not being depreciated	<u>11,064,748</u>	<u>20,713,297</u>	<u>4,613,572</u>	<u>27,164,473</u>
Capital assets being depreciated:				
Buildings and improvements	219,302,244	4,270,595	-	223,572,839
Land improvements	4,907,492	-	-	4,907,492
Equipment and furniture	4,543,748	2,327,088	-	6,870,836
Vehicles	<u>4,635,192</u>	<u>421,899</u>	-	<u>5,057,091</u>
Total capital assets being depreciated	<u>233,388,676</u>	<u>7,019,582</u>	<u>-</u>	<u>240,408,258</u>
Less accumulated depreciation for:				
Buildings and improvements	69,368,430	5,279,453	-	74,647,883
Land improvements	3,550,043	145,525	-	3,695,568
Equipment and furniture	2,797,478	859,215	-	3,656,693
Vehicles	<u>3,452,180</u>	<u>345,481</u>	-	<u>3,797,661</u>
Total accumulated depreciation	<u>79,168,131</u>	<u>6,629,674</u>	<u>-</u>	<u>85,797,805</u>
Total capital assets being depreciated, net	<u>154,220,545</u>			<u>154,610,453</u>
Governmental activity capital assets, net	<u>\$ 165,285,293</u>			<u>\$ 181,774,926</u>
	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 971,676	\$ 37,627	\$ -	\$ 1,009,303
Less accumulated depreciation for:				
Equipment and furniture	<u>630,803</u>	<u>48,647</u>	-	<u>679,450</u>
School Food Service capital assets, net	<u>340,873</u>			<u>329,853</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>37,339</u>
Child Care Fund capital assets, net	<u>-</u>			<u>-</u>
Business-type activities capital assets, net	<u>\$ 340,873</u>			<u>\$ 329,853</u>

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2013**

Depreciation was charged to governmental functions as follows:

System-wide support services	\$ 345,481
Unallocated depreciation	<u>6,284,193</u>
Total	<u>\$ 6,629,674</u>

5. Construction and Other Significant Commitments

As of June 30, 2013, the Board had various construction, renovation and repair projects in progress throughout the district, including the construction of a new elementary school. At year-end, the Board's commitments with contractors for the remaining portion of the contracts to complete these projects totaled approximately \$1.6 million.

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 8.33% of annual covered payroll. The contribution requirements of plan members and Chapel Hill-Carrboro City Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2013, 2012 and 2011 were \$6,797,565, \$6,016,874, and \$4,009,432, respectively, equal to the required contributions for each year.

b. Other Postemployment Benefits

Healthcare Benefits

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013, 2012, and 2011, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$4,324,982, \$4,043,598 and \$3,985,033, respectively. These contributions represented 5.30%, 5.00% and 4.90% of covered payroll, respectively.

Long-term Disability Benefits

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

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

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013, 2012 and 2011, the Board paid all annual required contributions to the DIPNC for disability benefits of \$359,055, \$420,534 and \$422,902, respectively. These contributions represented 0.44%, 0.52% and 0.52% of covered payroll, respectively.

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

2. Accounts Payable

Accounts payable as of June 30, 2013 are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 981,929	\$ 1,448,332	\$ 2,430,261
Other governmental activities	<u>3,461,025</u>	<u>2,080,873</u>	<u>5,541,898</u>
Total governmental activities	<u>\$ 4,442,954</u>	<u>\$ 3,529,205</u>	<u>\$ 7,972,159</u>
Business-type activities:			
School Food Service Fund	\$ 74,927	\$ -	\$ 74,927
Child Care Fund	<u>2,359</u>	<u>-</u>	<u>2,359</u>
Total business-type activities	<u>\$ 77,286</u>	<u>\$ -</u>	<u>\$ 77,286</u>

3. Unavailable Revenues

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

Governmental activities:		
Prepayment of pre-k tuition (General Fund)		\$ 8,689
Prepaid use fee (Capital Outlay Fund - see below)		<u>920,500</u>
Total governmental activities		<u>\$ 929,189</u>
Business-type activities:		
Prepayments of meals (School Food Service Fund)		\$ 85,543
Prepayments of tuition (Child Care Fund)		<u>138,618</u>
Total business-type activities		<u>\$ 224,161</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, 2013 unavailable revenue reported in the Capital Outlay Fund amounted to \$131,500 while unavailable revenue reported in the Statement of Net Assets for governmental activities totaled \$920,500.

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit for both general liability and errors and omissions of \$3,150,000 each. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability coverage. Statutory workers' compensation coverage is purchased through a private insurer for employees to the extent they are paid from Federal and local funds. Workers' compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on flood, earthquake, business interruption and extra expense. \$10 million per occurrence is provided on increased cost of construction.

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

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

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

5. Contingent Liabilities

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

6. Long-Term Obligations

a. Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through special third party financing arrangements. During the fiscal year ended June 30, 2013, the Board entered into such a contract for the purchase of school buses. The contract

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u> <u>Principal</u>
2014	\$ 354,539
2015	354,538
2016	292,864
2017	<u>292,863</u>
	1,294,804
Less portion representing interest	<u>(82,329)</u>
Total principal obligation	<u>\$ 1,212,475</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, 2013:

	<u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>	<u>Current</u> <u>Portion</u>
Governmental activities:					
Installment purchases	\$ 39,468	\$ 1,608,547	\$ 435,540	\$ 1,212,475	\$ 322,084
Compensated absences	<u>6,274,672</u>	<u>4,081,095</u>	<u>2,695,146</u>	<u>7,660,621</u>	<u>1,993,719</u>
Total governmental activities	<u>\$ 6,314,140</u>	<u>\$ 5,689,642</u>	<u>\$ 3,130,686</u>	<u>\$ 8,873,096</u>	<u>\$ 2,315,803</u>
Business-type activities:					
Compensated absences	<u>\$ 170,024</u>	<u>\$ 96,103</u>	<u>\$ 88,492</u>	<u>\$ 177,635</u>	<u>\$ 59,025</u>

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

C. Interfund Balances and Activity

1. Transfers to/from other Funds

Transfers to/from other funds during the year ended June 30, 2013 consisted of the following:

From the General Fund to the School Food Service Fund for the payment of operating expenses	<u>\$ 192,417</u>
From the General Fund to the Capital Outlay Fund for school capital improvement needs	<u>\$ 604,000</u>
From the General Fund to the Other Special Revenue Fund for pre-kindergarten program expenditures	<u>\$ 43,839</u>
From the State Public School Fund to the School Food Service Fund for the payment of administrative salaries	<u>\$ 40,017</u>
From the Child Care Fund to the General Fund for the payment of operating expenditures	<u>\$ 202,586</u>

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

2. Interfund Balances

The composition of interfund balances as of June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Special Revenue Fund	<u>\$ 29,901</u>

The amount due to the General Fund from the Other Special Revenue Fund represents repayment of amounts borrowed by the Other Special Revenue Fund for payment of operating expenditures. This balance is expected to be paid prior to June 30, 2014.

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	\$ 7,764,061
Less:	
Prepaid expenditures	(941,271)
Stabilization by State statute	(758,515)
Appropriated fund balance in the fiscal year 2013-2014 budget	<u>(3,222,913)</u>
Remaining fund balance	<u>\$ 2,841,362</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, 2013 are as follows:

General Fund	\$ 283,315
Capital Outlay Fund	2,855,947
School Food Service Fund	46,092
Non-Major Governmental Funds	20,607
Non-Major Proprietary Fund	11,051

NOTE 3 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLES

The Board implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Liabilities, or Net Position.

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, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Orange County:			
County appropriation	\$ 38,862,205	\$ 38,862,205	\$ -
Other:			
Fines and forfeitures	375,000	311,457	(63,543)
Supplemental school taxes	19,401,442	19,701,700	300,258
Interest earned on investment	85,000	42,140	(42,860)
Indirect costs allocated	170,000	128,002	(41,998)
Insurance proceeds	-	653	653
Medicaid reimbursement program	300,000	873,840	573,840
Tuition and fees	540,000	450,672	(89,328)
ABC revenues	38,000	38,000	-
Sales and use tax refund	90,000	77,425	(12,575)
Miscellaneous	305,104	116,549	(188,555)
Total other	<u>21,304,546</u>	<u>21,740,438</u>	<u>435,892</u>
Total revenues	<u>60,166,751</u>	<u>60,602,643</u>	<u>435,892</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	21,255,715	20,960,886	294,829
Special populations	10,798,227	10,761,531	36,696
Alternative programs	1,776,583	1,681,464	95,119
School leadership	3,710,466	3,699,863	10,603
Co-curricular	2,190,784	2,190,782	2
School-based support	6,565,302	6,411,403	153,899
Total instructional services	<u>46,297,077</u>	<u>45,705,929</u>	<u>591,148</u>
System-wide support services:			
Support and development	1,289,414	1,270,469	18,945
Special population support and development	285,470	285,470	-
Alternative programs and services support and development	30,171	29,325	846
Technology support	2,039,972	2,039,311	661
Operational support	8,968,807	8,823,098	145,709
Financial and human resource services	1,450,733	1,432,310	18,423
Accountability	374,780	356,818	17,962
Policy, leadership and public relations	2,652,905	2,524,406	128,499
Total system-wide support services	<u>17,092,252</u>	<u>16,761,207</u>	<u>331,045</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, 2013

	Final Budget	Actual	Variance Positive (Negative)
Expenditures (Continued):			
Current:			
Ancillary services:			
Nutrition	42,994	42,994	-
Non-programmed charges:			
Payments to other governments	539,245	539,245	-
Total expenditures	<u>63,971,568</u>	<u>63,049,375</u>	<u>922,193</u>
Revenues under expenditures	<u>(3,804,817)</u>	<u>(2,446,732)</u>	<u>1,358,085</u>
Other financing sources (uses):			
Transfers from other funds	203,227	202,586	(641)
Transfers to other funds	(867,623)	(840,256)	27,367
Fund balance appropriated	<u>4,469,213</u>	<u>-</u>	<u>(4,469,213)</u>
Total other financing sources (uses)	<u>3,804,817</u>	<u>(637,670)</u>	<u>(4,442,487)</u>
Net change in fund balance	<u>\$ -</u>	<u>(3,084,402)</u>	<u>\$ (3,084,402)</u>
Fund balance:			
Beginning of year		<u>10,848,463</u>	
End of year		<u>\$ 7,764,061</u>	

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2013**

	Special Revenue Funds		Totals
	Other Special Revenue	Individual Schools	
Assets			
Cash and cash equivalents	\$ 351,237	\$ 1,050,188	\$ 1,401,425
Due from other governments	103,220	-	103,220
Accounts receivable	<u>2,655</u>	<u>-</u>	<u>2,655</u>
Total assets	<u>\$ 457,112</u>	<u>\$ 1,050,188</u>	<u>\$ 1,507,300</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 1,026	\$ -	\$ 1,026
Accrued salaries and wages payable	32,545	-	32,545
Due to other funds	<u>29,901</u>	<u>-</u>	<u>29,901</u>
Total liabilities	<u>63,472</u>	<u>-</u>	<u>63,472</u>
Fund balances			
Restricted:			
Stabilization by State statute	126,482	-	126,482
Instructional services	331,026	-	331,026
Individual schools	-	1,050,188	1,050,188
Unassigned	<u>(63,868)</u>	<u>-</u>	<u>(63,868)</u>
Total fund balances	<u>393,640</u>	<u>1,050,188</u>	<u>1,443,828</u>
Total liabilities and fund balances	<u>\$ 457,112</u>	<u>\$ 1,050,188</u>	<u>\$ 1,507,300</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, 2013

	Special Revenue Funds		Totals
	Other Special Revenue	Individual Schools	
Revenues:			
State of North Carolina	\$ 453,880	\$ -	\$ 453,880
U.S. Government	1,190,084	-	1,190,084
Other	<u>354,312</u>	<u>2,900,197</u>	<u>3,254,509</u>
Total revenues	<u>1,998,276</u>	<u>2,900,197</u>	<u>4,898,473</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	72,646	-	72,646
Alternative programs	1,959,989	-	1,959,989
Co-curricular	-	<u>2,894,248</u>	<u>2,894,248</u>
Total instructional services	<u>2,032,635</u>	<u>2,894,248</u>	<u>4,926,883</u>
System-wide support services:			
Support and development	44,413	-	44,413
Alternative programs and services support and development	67,645	-	67,645
Financial and human resource services	<u>5,063</u>	-	<u>5,063</u>
Total system-wide support services	<u>117,121</u>	-	<u>117,121</u>
Total expenditures	<u>2,149,756</u>	<u>2,894,248</u>	<u>5,044,004</u>
Revenues over (under) expenditures	<u>(151,480)</u>	<u>5,949</u>	<u>(145,531)</u>
Other financing sources:			
Transfers from other funds	<u>43,839</u>	-	<u>43,839</u>
Net change in fund balance	(107,641)	5,949	(101,692)
Fund balances:			
Beginning of year	<u>501,281</u>	<u>1,044,239</u>	<u>1,545,520</u>
End of year	<u>\$ 393,640</u>	<u>\$ 1,050,188</u>	<u>\$ 1,443,828</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, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
NC Pre-Kindergarten Program	\$ 453,880	\$ 453,880	\$ -
U.S. Government:			
Headstart	1,528,086	1,190,084	(338,002)
Other:			
Miscellaneous	429,435	354,312	(75,123)
Total revenues	<u>2,411,401</u>	<u>1,998,276</u>	<u>(413,125)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	85,770	72,646	13,124
Alternative programs	2,337,987	1,959,989	377,998
Total instructional services	<u>2,423,757</u>	<u>2,032,635</u>	<u>391,122</u>
System-wide support services:			
Support and development	44,413	44,413	-
Alternative programs and services support and development	67,646	67,645	1
Financial and human resource services	5,124	5,063	61
Total system-wide support services	<u>117,183</u>	<u>117,121</u>	<u>62</u>
Total expenditures	<u>2,540,940</u>	<u>2,149,756</u>	<u>391,184</u>
Revenues under expenditures	(129,539)	(151,480)	(21,941)
Other financing sources:			
Transfers from other funds	43,839	43,839	-
Fund balance appropriated	85,700	-	(85,700)
Net change in fund balance	<u>\$ -</u>	(107,641)	<u>\$ (107,641)</u>
Fund balance:			
Beginning of year		<u>501,281</u>	
End of year		<u>\$ 393,640</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, 2013

	Elementary Schools	Middle Schools	High Schools	Totals
Revenues	\$ 489,772	\$ 629,235	\$ 1,781,190	\$ 2,900,197
Expenditures	<u>479,998</u>	<u>634,193</u>	<u>1,780,057</u>	<u>2,894,248</u>
Net change in fund balance	9,774	(4,958)	1,133	5,949
Fund balances:				
Beginning of year	<u>144,151</u>	<u>166,153</u>	<u>733,935</u>	<u>1,044,239</u>
End of year	<u>\$ 153,925</u>	<u>\$ 161,195</u>	<u>\$ 735,068</u>	<u>\$ 1,050,188</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, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 162,818	\$ 162,818	\$ -
Orange County:			
Local bond revenues	26,976,293	22,534,684	(4,441,609)
General county appropriations	1,845,000	1,845,000	-
Total Orange County	<u>28,821,293</u>	<u>24,379,684</u>	<u>(4,441,609)</u>
Other:			
Sales tax refund	-	31,082	31,082
Miscellaneous	-	131,500	131,500
Total other	<u>-</u>	<u>162,582</u>	<u>162,582</u>
Total revenues	<u>28,984,111</u>	<u>24,705,084</u>	<u>(4,279,027)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	185,957	161,536	24,421
System-wide support services:			
Technology support	305,000	300,442	4,558
Operational support	307,875	307,710	165
Policy, leadership and public relations	33,913	33,787	126
Total system-wide support services	<u>646,788</u>	<u>641,939</u>	<u>4,849</u>
Ancillary services:			
Nutrition	91,420	63,712	27,708
Debt service:			
Principal retirement	435,540	435,540	-
Interest and fees	20,142	20,142	-
Total debt service	<u>455,682</u>	<u>455,682</u>	<u>-</u>
Capital outlay	29,760,989	26,258,936	3,502,053
Total expenditures	<u>31,140,836</u>	<u>27,581,805</u>	<u>3,559,031</u>
Revenues under expenditures	<u>(2,156,725)</u>	<u>(2,876,721)</u>	<u>(719,996)</u>
Other financing sources:			
Transfers from other funds	604,000	604,000	-
Installment purchase obligations issued	246,699	1,608,547	1,361,848
Total other financing sources	<u>850,699</u>	<u>2,212,547</u>	<u>1,361,848</u>
Fund balance appropriated	1,306,026	-	(1,306,026)
Net change in fund balance	<u>\$ -</u>	<u>(664,174)</u>	<u>\$ (664,174)</u>
Fund balance:			
Beginning of year		1,341,144	
End of year		<u>\$ 676,970</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, 2013

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Food sales	\$ 2,079,532	\$ 1,785,164	\$ (294,368)
Operating expenditures:			
Business support services:			
Salaries and benefits	-	1,214,697	-
Materials and supplies	-	13,924	-
Repairs and maintenance	-	33,051	-
Chartwells management fees	-	2,837,669	-
Other	-	29,033	-
Total operating expenditures	4,163,689	4,128,374	35,315
Operating loss	(2,084,157)	(2,343,210)	(259,053)
Nonoperating revenues:			
Federal reimbursements	-	1,863,739	-
Federal commodities	-	187,786	-
State reimbursements	-	4,176	-
Total nonoperating revenues	1,859,157	2,055,701	196,544
Excess of expenditures over revenues before other financing sources	(225,000)	(287,509)	(62,509)
Other financing sources:			
Transfers from other funds	225,000	232,434	7,434
Net change in fund balance	\$ -	(55,075)	\$ (55,075)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(48,647)	
Capital contributions		37,627	
Indirect costs		(136,847)	
Indirect costs not paid		136,847	
Decrease in compensated absences payable		2,975	
Change in net position (full accrual)		\$ (63,120)	

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, 2013

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Child care fees	\$ 1,488,231	\$ 1,452,491	\$ (35,740)
Rental of school property	<u>350,497</u>	<u>420,115</u>	<u>69,618</u>
 Total operating revenue	 <u>1,838,728</u>	 <u>1,872,606</u>	 <u>33,878</u>
Operating expenditures:			
Regular community services:			
Purchase of food	-	115,008	-
Salaries and benefits	-	1,363,061	-
Materials and supplies	-	40,004	-
Non-capitalized equipment	-	7,528	-
Contracted services	-	37,835	-
Other	<u>-</u>	<u>17,031</u>	<u>-</u>
 Total operating expenditures	 <u>1,642,797</u>	 <u>1,580,467</u>	 <u>62,330</u>
Excess of revenues over expenditures before other financing uses	 <u>195,931</u>	 <u>292,139</u>	 <u>96,208</u>
Other financing uses:			
Transfers to other funds	(221,754)	(202,586)	19,168
Fund balance appropriated	<u>25,823</u>	<u>-</u>	<u>(25,823)</u>
Net change in fund balance	<u>\$ -</u>	<u>89,553</u>	<u>\$ 89,553</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Increase in compensated absences payable		<u>(10,586)</u>	
Change in net position (full accrual)		<u>\$ 78,967</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, 2013**

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Cash and cash equivalents	<u>\$ 102,409</u>	<u>\$ 569,625</u>	<u>\$ 584,185</u>	<u>\$ 87,849</u>
Liabilities				
Accounts payable and accrued liabilities	<u>\$ 102,409</u>	<u>\$ 569,625</u>	<u>\$ 584,185</u>	<u>\$ 87,849</u>

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

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

We have audited, 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, 2013, 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 November 8, 2013.

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. We did identify a deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 13-01 that we consider to be a significant deficiency.

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

*November 8, 2013
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, 2013. 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, 2013.

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

*November 8, 2013
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, 2013. 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.

Auditor's 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, 2013.

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

*November 8, 2013
Rockingham, North Carolina*

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2013**

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 *Yes*

Noncompliance material to financial statements noted *No*

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
	Special Education Cluster:
84.027	Grants to States - IDEA, part B (611)
84.027	Coordinated Early Intervening Services
84.027	Special Needs Targeted Assistance
84.027	Special Education - Capacity Building and Improvement
84.173	Preschool Targeted Assistance
84.173	Preschool Grants - IDEA, Part B (619)

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, 2013**

Section I - Summary of Auditors' Results (Continued)

State Awards

Internal control over major State programs:

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

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

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

Identification of major State programs:

Program Name

State Public School Fund

Section II - Financial Statement Findings

Finding 13-01

Significant Deficiency – Purchasing Procedures

Criteria: Board policy code 8600 requires that all requests for goods, services and equipment for which the Board will be responsible for payment must be made utilizing purchase orders / requisitions.

Condition: In our testing of general disbursements, we noted several instances of expenditures that were made for goods and services for which a purchase order was not completed.

Effect: There is a lack of documentation supporting that expenditures have been properly approved and an increased risk of expenditures exceeding amounts appropriated in the budget.

Cause: Lack of oversight.

Recommendation: We recommend that controls and procedures be put in place to ensure that purchase orders are issued before goods are ordered or services are requested.

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding and will ensure that controls and procedures are put in place to issue purchase orders before goods are ordered or services are requested.

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2013**

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
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2013**

Finding 13-01

Name of Contact Person: Ruby Pittman, Executive Director of Budget and Finance

Corrective Action Plan: We recommend that controls and procedures be put in place to ensure that purchase orders are issued before goods are ordered or services are requested.

Proposed Completion Date: Immediately

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2013**

Finding 12-01

Status: Corrected

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2013

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Expenditures
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	\$ 187,786
Cash Assistance:		
School Breakfast Program	10.553	376,141
National School Lunch Program	10.555	1,454,625
Seamless Summer Program	10.555	32,973
Cash Assistance Subtotal		<u>1,863,739</u>
Total Child Nutrition Cluster		<u>2,051,525</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	1,253,415
Improving Teacher Quality	84.367	279,987
Language Acquisition Grant	84.365	246,841
Education Jobs Fund - ARRA	84.410	7,582
Race to the Top - ARRA	84.395	205,576
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	2,057,398
Coordinated Early Intervening Services	84.027	109,837
Special Needs Targeted Assistance	84.027	28,690
Special Education - Capacity Building and Improvement	84.027	760
Preschool Targeted Assistance	84.173	183
Preschool Grants - IDEA, Part B (619)	84.173	31,670
Total Special Education Cluster		<u>2,228,538</u>
Office of Vocational and Adult Education		
Passed-through the N.C. Department of Public Instruction:		
Carl D. Perkins Vocational and Applied Technology		
Education Act Amendments of 1990		
Basic Grants to States		
Program Development	84.048	89,684
Total U.S. Department of Education		<u>4,311,623</u>

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2013

<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> Administration for Youth and Families Head Start	93.600	1,190,084
Total Federal Assistance		<u>7,553,232</u>
State Grants:		
<u>N.C. Department of Public Instruction</u> State Public School Fund		54,749,646
Vocational Education:		
State Months of Employment		2,232,789
Program Support Funds		930,276
Driver Training		211,058
School Technology Fund		147,564
State appropriations - buses (noncash)		162,818
Textbooks (noncash)		<u>23,147</u>
Total NC Department of Public Instruction		<u>58,457,298</u>
<u>N.C. Department of Agriculture</u> State Reduced Breakfast Program		<u>4,176</u>
<u>N.C. Department of Health and Human Services</u> Division of Child Development: NC Pre-Kindergarten Program		<u>453,880</u>
Total State Assistance		<u>58,915,354</u>
Total Federal and State Assistance		<u>\$ 66,468,586</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.