

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

*Financial Statements
For the Fiscal Year Ended
June 30, 2010*

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

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Chapel Hill-Carrboro City Board of Education, as of and for the year ended June 30, 2010, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Chapel Hill-Carrboro City Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Chapel Hill-Carrboro City Board of Education as of June 30, 2010, and the respective changes in financial position and its cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School and Federal Grants funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2010 on our consideration of the Chapel Hill-Carrboro City Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of

management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

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

Anderson Smith & Wike PLLC

October 28, 2010
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, 2010. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board of Education updated the district 403b Plan following an extensive review and analysis of vendors and products in its current Plan. As a result of the analysis the district downsized from twelve vendors to four. Three existing vendors remained in the plan and one new vendor was added. These changes have greatly improved product offerings to employees while also lowering fees.
- The district applied for and received Federal Qualified School Construction Bonds in the amount of \$4.1 million to build an Arts Wing onto Carrboro High School. The school opened in August 2007 without an auditorium due to a funding shortfall. Construction on the Arts Wing began last Spring and will be completed in December 2010.
- The district engaged in a new budgeting process in 2009-10 to prepare the 2010-11 budget. Facing significant State and Local budget reductions, the new process provided greater transparency to the budget development process and helped identify areas for reduction to balance the 2010-11 budget.
- The district took advantage of budget flexibility provided by the State and exchanged positions to intentionally increase and hold the Local fund balance for future use.
- The district's new optional benefits plan was implemented which provided district employees with new optional benefit choices. Employees who enrolled in the flexible spending plan were provided with a debit card for the first time.
- Financial reporting awards from Association of School Business Officials International and the Government Finance Officers Association were received for the sixth consecutive year.

Overview of the Financial Statements

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

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

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

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

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

Government-wide Statements

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

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

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

The unit's activities are divided into two categories in the government-wide statements:

- *Governmental activities:* Most of the Board's basic services are included here, such as regular and special education, transportation, and administration. County and City district funding and State and federal aid finance most of these activities.
- *Business-type activities:* The Board charges fees to help it cover the costs of certain services it provides. School food service is included here.

The government-wide statements are shown as Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds - not the unit as a whole. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law, such as the State Public School Fund.
- The Board has established other funds to control and manage money for a particular purpose or to show that it is properly using certain revenues, such as in the Federal Grants Fund.

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

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

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Other Special Revenue Fund and the Federal Grants Fund.

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

Proprietary funds: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. The Chapel Hill-Carrboro City Board of Education has two proprietary funds - both enterprise funds – the School Food Service Fund and the Child Care Fund.

The proprietary fund statements are shown as Exhibits 7, 8, and 9 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Chapel Hill-Carrboro City Board of Education has two fiduciary funds – an Administrative Fund and an Agency Fund. The Administrative Fund is a scholarship fund under the control of the administrative unit. This is accounted for as a private purpose trust 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 statements are shown as Exhibits 10 and 11.

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

Financial Analysis of the Board as a Whole

Net assets are an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$167.1 million as of June 30, 2010 as compared to \$168.0 million as of June 30, 2009, a decrease of \$944,000. The largest component of net assets is invested in capital assets, net of related debt of \$164.0 million, which comprises 98.1% of the total net assets.

Following is a summary of the Statement of Net Assets as of June 30, 2010 and 2009:

**Table 1
Condensed Statement of Net Assets
As of June 30, 2010 and 2009**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/10	6/30/09	6/30/10	6/30/09	6/30/10	6/30/09
Current assets	\$ 15,514,972	\$ 13,143,538	\$ 947,918	\$ 953,240	\$ 16,462,890	\$ 14,096,778
Capital assets	164,455,021	167,969,825	42,980	17,486	164,498,001	167,987,311
Total assets	179,969,993	181,113,363	990,898	970,726	180,960,891	182,084,089
Current liabilities	9,509,521	9,062,286	589,158	779,146	10,098,679	9,841,432
Long-term liabilities	3,690,565	4,126,586	76,557	77,467	3,767,122	4,204,053
Total liabilities	13,200,086	13,188,872	665,715	856,613	13,865,801	14,045,485
Invested in capital assets, net of related debt	163,949,217	166,983,429	42,980	17,486	163,992,197	167,000,915
Restricted net assets	1,030,281	899,663	-	-	1,030,281	899,663
Unrestricted net assets	1,790,409	41,399	282,203	96,627	2,072,612	138,026
Total net assets	\$ 166,769,907	\$ 167,924,491	\$ 325,183	\$ 114,113	\$ 167,095,090	\$ 168,038,604

The net assets of the Board's governmental activities decreased \$1.2 million during the year from \$168.0 million at June 30, 2009 to \$166.8 million at June 30, 2010, indicating a decline in the financial condition of the Board. This decline is primarily attributable to a decrease of \$3.0 million in net assets invested in capital assets, net of related debt. This decline in net assets invested in capital assets, net of related debt was partially offset by an increase in unrestricted net assets of \$1.7 million.

The net assets of the Board's business-type activities increased \$211,000 from \$114,000 at June 30, 2009 to \$325,000 at June 30, 2010. This increase of \$211,000 is the amount of net profit (including transfers) generated by the Board's School Food Service and Child Care programs during the year.

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

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

**Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2010 and 2009**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/10	6/30/09	6/30/10	6/30/09	6/30/10	6/30/09
Revenues:						
Program revenues:						
Charges for services	\$ 3,157,212	\$ 3,224,006	\$ 3,750,578	\$ 3,833,212	\$ 6,907,790	\$ 7,057,218
Operating grants and contributions	65,210,618	66,801,812	1,685,927	1,595,932	66,896,545	68,397,744
Capital grants and contributions	129,328	290,592	31,955	-	161,283	290,592
General revenues:						
Other revenues	62,612,364	67,195,007	625	5,079	62,612,989	67,200,086
Total revenues	131,109,522	137,511,417	5,469,085	5,434,223	136,578,607	142,945,640
Expenses:						
Governmental activities:						
Instructional services	102,658,017	107,177,216	-	-	102,658,017	107,177,216
System-wide support services	23,000,808	22,067,945	-	-	23,000,808	22,067,945
Ancillary services	34,044	3,826	-	-	34,044	3,826
Non-programmed charges	492,838	416,950	-	-	492,838	416,950
Interest on long-term debt	31,171	39,912	-	-	31,171	39,912
Unallocated depreciation	5,470,036	4,000,727	-	-	5,470,036	4,000,727
Business-type activities:						
School food service	-	-	4,218,982	4,076,671	4,218,982	4,076,671
Child care	-	-	1,616,225	1,704,113	1,616,225	1,704,113
Total expenses	131,686,914	133,706,576	5,835,207	5,780,784	137,522,121	139,487,360
Transfers in (out)	(577,192)	(406,883)	577,192	406,883	-	-
Increase(decrease) in net assets						
net assets	(1,154,584)	3,397,958	211,070	60,322	(943,514)	3,458,280
Beginning net assets	167,924,491	164,526,533	114,113	53,791	168,038,604	164,580,324
Ending net assets	\$ 166,769,907	\$ 167,924,491	\$ 325,183	\$ 114,113	\$ 167,095,090	\$ 168,038,604

Total governmental activities generated revenues of \$131.1 million while expenses in this category totaled \$131.7 million for the year ended June 30, 2010, resulting in the aforementioned decrease in net assets of \$1.2 million (including net transfers to business-type activities of \$577,000). Comparatively, revenues were \$137.5 million, expenses totaled \$133.7 million and transfers out were \$407,000 for the year ended June 30, 2009, resulting in an increase in net assets of \$3.4 million. In comparing the two years, revenues decreased by \$6.4 million, while expenses decreased from the prior year by \$2.0 million. The decrease in revenues was primarily comprised of a \$4.6 million decrease in other revenues. This decrease in other revenues is mostly attributable to a \$3.5 million decrease in local bond revenues from Orange County for school construction and renovation projects. The \$2.0 million decrease in total

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

expenses is primarily due to a decrease of \$4.5 million in instructional service expenses and a \$1.5 million increase in unallocated depreciation expense. The decrease in instructional service expenses is directly related to a decrease in funding from the State Public School Fund. The increase in depreciation expense is due to the current fiscal year being the first full year of depreciating approximately \$60 million of buildings and improvements that were added during the 2008-2009 fiscal year.

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 42.2%, 32.4%, 14.5% and 7.5% of our total revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 78.0% of our total expenditures during the most recent fiscal year. Of the remaining 22.0% of our total expenditures, 17.5% was attributable to system-wide support services.

Our business-type activities generated revenues of \$5.5 million, while expenses in this category totaled \$5.8 million and net transfers in from governmental activities totaled \$577,000 for the year ended June 30, 2010. For the year, net assets increased by \$211,000. Comparatively, revenues were \$5.4 million, expenses were \$5.8 million and transfers in from governmental activities totaled \$407,000 for the year ended June 30, 2009, resulting in an increase in net assets of \$60,000. In comparing the two periods, the year-over-year improvement of \$151,000 is primarily due to an increase in transfers from governmental activities of \$170,000.

Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of \$9.9 million at June 30, 2010, an increase of \$2.1 million over the \$7.8 million reported at June 30, 2009. The Board's General, Capital Outlay and Individual Schools funds each reported increases in fund balance for the year of \$1.5 million, 544,000 and \$88,000, respectively. Revenues declined \$6.1 million during the year from \$137.6 million for the fiscal year ended June 30, 2009 to \$131.5 million in the current year. Instructional services expenditures decreased \$4.2 million and capital outlay expenditures decreased \$4.0 million which accounted for the majority of the overall decrease in expenditures from the prior year of \$8.5 million. A reduction in grant funding from the State Public School Fund was the primary contributing factor to the decline in instructional services expenditures, while reduced construction activity resulted in the decrease in capital outlay expenditures and related bond revenues from Orange County.

Categorization of Expenditures for Governmental Funds



- Instructional Services**
- System-wide Support**
- Capital Outlay**
- Other**

Expenditures presented on modified accrual basis of accounting.

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

Proprietary Funds: The Board's business-type funds, the School Food Service Fund and the Child Care Fund, generated a combined increase in net assets of \$211,000 for the year compared to a \$60,000 increase for the year ended June 30, 2009. As previously discussed, the year-over-year improvement of \$151,000 in operating results is primarily due to an increase in transfers from governmental activities of \$170,000. The School Food Service Fund reported an increase in net assets of \$81,000 in the current year compared to an increase of \$47,000 for the prior fiscal year. However, transfers from the General Fund also increased over the prior year by \$168,000. These transfers were needed to help fund a \$119,000 writedown of inventory and to also help the School Food Service Fund overcome a \$78,000 deficit in net assets that was reported at June 30, 2009. The Child Care Fund reported an increase in revenues for the year of \$16,000 and was also able to reduce expenditures by \$88,000 compared to the prior year. The decrease in expenses was primarily due to a \$78,000 decrease in salaries and benefits. This improvement in operating results allowed the Child Care Fund to transfer \$91,000 to the General Fund while also adding \$130,000 to net assets.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and program allocations. The effect of these revisions was to decrease the original budget by \$1.1 million during the year. Since several revenue sources are either unknown or uncertain at the beginning of the fiscal year when the original budget is adopted, budget revisions are necessary throughout the year to recognize these adjustments.

For the year, the Board's General Fund reported an increase in fund balance of \$1.5 million. Revenues from Orange County for the local operating budget decreased \$1.2 million from the prior year, while supplemental school tax revenues from the Chapel Hill and Carrboro townships increased \$165,000. Overall, total General Fund revenues decreased by \$3.4 million, or 5.6%, from the prior year, while expenditures decreased \$4.4 million, or 7.5%. Of the \$4.4 million decrease in expenditures, \$3.5 million was for instructional services, primarily salaries and benefits.

Capital Assets

Total primary government capital assets were \$164.5 million at June 30, 2010 compared to \$168.0 million at June 30, 2009, a decrease of \$3.5 million, or 2.1%. This decrease was due to an excess of depreciation expense over capital additions for the year. 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, 2010 and 2009.

**Table 3
Summary of Capital Assets
As of June 30, 2010 and 2009**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/10</u>	<u>6/30/09</u>
Land	\$ 6,485,407	\$ 6,485,407	\$ -	\$ -	\$ 6,485,407	\$ 6,485,407
Construction in progress	1,726,768	1,501,487	-	-	1,726,768	1,501,487
Buildings and improvements	151,988,291	155,336,576	-	-	151,988,291	155,336,576
Land improvements	1,384,159	1,529,284	-	-	1,384,159	1,529,284
Equipment and furniture	1,210,161	1,216,635	42,980	17,486	1,253,141	1,234,121
Vehicles	1,660,235	1,900,436	-	-	1,660,235	1,900,436
Total	\$ 164,455,021	\$ 167,969,825	\$ 42,980	\$ 17,486	\$ 164,498,001	\$ 167,987,311

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

Debt Outstanding

During the year, the Board's long-term debt decreased by \$481,000 from \$987,000 at June 30, 2009 to \$506,000 at June 30, 2010. 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

- Student enrollment increased by only 21 students in 2009-10. This was the lowest increase in student enrollment the district has experienced in the past ten years.
- The district's State budget was reduced by \$4 million due to North Carolina's revenue shortfall. All of the non-instructional support funding from the State was cut, which accounted for \$3 million of the reduction.
- The district was also cut \$1.2 million in County appropriations; a \$104 per student reduction.
- \$5.9 million in Federal American Recovery and Reinvestment Act (ARRA) funds were received which helped to partially offset reductions in State and County funding.
- Planning for elementary #11 is still in progress. The projected year of opening has been extended from 2012-13 to 2013-14.

Requests for Information

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

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
June 30, 2010

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 11,997,144	\$ 586,495	\$ 12,583,639
Due from other governments	2,950,834	68,640	3,019,474
Receivables	-	38,878	38,878
Internal balances	(120,000)	120,000	-
Inventories	-	133,905	133,905
Prepaid expenses	686,994	-	686,994
Capital assets:			
Land and construction in progress	8,212,175	-	8,212,175
Other capital assets, net of depreciation	156,242,846	42,980	156,285,826
Total capital assets	<u>164,455,021</u>	<u>42,980</u>	<u>164,498,001</u>
Total assets	<u>179,969,993</u>	<u>990,898</u>	<u>180,960,891</u>
Liabilities			
Accounts payable and accrued expenses	1,433,637	300,437	1,734,074
Accrued salaries and wages payable	3,685,337	-	3,685,337
Unearned revenue	1,052,758	209,162	1,261,920
Long-term liabilities:			
Due within one year	3,337,789	79,559	3,417,348
Due in more than one year	<u>3,690,565</u>	<u>76,557</u>	<u>3,767,122</u>
Total liabilities	<u>13,200,086</u>	<u>665,715</u>	<u>13,865,801</u>
Net assets			
Invested in capital assets, net of related debt	163,949,217	42,980	163,992,197
Restricted for:			
Individual schools activities	987,787	-	987,787
Other purposes	42,494	-	42,494
Unrestricted	<u>1,790,409</u>	<u>282,203</u>	<u>2,072,612</u>
Total net assets	<u>\$ 166,769,907</u>	<u>\$ 325,183</u>	<u>\$ 167,095,090</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, 2010**

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 59,119,575	-	\$ 37,211,352	\$ -	\$ (21,908,223)	-	\$ (21,908,223)
Special populations	18,190,334	-	9,451,389	-	(8,738,945)	-	(8,738,945)
Alternative programs	6,361,844	-	4,863,277	-	(1,498,567)	-	(1,498,567)
School leadership	6,106,248	-	4,152,113	-	(1,954,135)	-	(1,954,135)
Co-curricular	4,496,566	2,665,664	-	-	(1,830,882)	-	(1,830,882)
School-based support	8,383,450	-	3,817,362	-	(4,566,088)	-	(4,566,088)
System-wide support services:							
Support and development	995,911	-	333,307	-	(662,604)	-	(662,604)
Special population support and development	468,541	-	369,127	-	(99,414)	-	(99,414)
Alternative programs and services							
support and development	130,693	-	19,094	-	(111,599)	-	(111,599)
Technology support	1,842,641	-	214,613	-	(1,628,028)	-	(1,628,028)
Operational support	14,590,413	491,528	3,480,168	129,328	(10,489,389)	-	(10,489,389)
Financial and human resource services	1,697,323	-	749,609	-	(947,714)	-	(947,714)
Accountability	349,131	-	-	-	(349,131)	-	(349,131)
Policy, leadership and public relations	2,926,155	-	328,944	-	(2,597,211)	-	(2,597,211)
Ancillary services	34,044	-	-	-	(34,044)	-	(34,044)
Non-programmed charges	492,838	-	220,263	-	(272,575)	-	(272,575)
Interest on long-term debt	31,171	-	-	-	(31,171)	-	(31,171)
Unallocated depreciation expense**	5,470,036	-	-	-	(5,470,036)	-	(5,470,036)
Total governmental activities	131,686,914	3,157,212	65,210,618	129,328	(63,189,756)	-	(63,189,756)
Business-type activities:							
School food service	4,218,982	1,913,553	1,685,927	31,955	-	(587,547)	(587,547)
Child care	1,616,225	1,837,025	-	-	-	220,800	220,800
Total business-type activities	5,835,207	3,750,578	1,685,927	31,955	(366,747)	(366,747)	(366,747)
Total primary government	\$ 137,522,121	\$ 6,907,790	\$ 66,896,545	\$ 161,283	(63,189,756)	(366,747)	(63,555,503)
General revenues:							
Unrestricted county and city appropriations - operating					55,862,017	-	55,862,017
Unrestricted county appropriations - capital					5,845,381	-	5,845,381
Investment earnings, unrestricted					113,561	625	114,186
Miscellaneous, unrestricted					791,405	-	791,405
Transfers					(577,192)	577,192	-
Total general revenues					62,035,172	577,817	62,612,989
Change in net assets					(1,154,584)	211,070	(943,514)
Net assets - beginning					167,924,491	114,113	168,038,604
Net assets - ending					\$ 166,769,907	\$ 325,183	\$ 167,095,090

**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, 2010**

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	\$ 9,696,102	758	\$ -	\$ 1,312,497	\$ 987,787		\$ 11,997,144
Due from other governments	97,643	2,086,671	156,679	454,642	155,199		2,950,834
Due from other funds	80,526	-	-	-	-		80,526
Prepaid expenditures	686,994	-	-	-	-		686,994
Total assets	\$ 10,561,265	\$ 2,087,429	\$ 156,679	\$ 1,767,139	\$ 1,142,986		\$ 15,715,498
Liabilities and fund balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 859,958	-	\$ -	\$ 572,357	\$ 1,322		\$ 1,433,637
Accrued salaries and wages payable	1,411,130	2,086,671	156,679	-	30,857		3,685,337
Due to other funds	120,000	-	-	-	80,526		200,526
Deferred revenue	-	758	-	526,000	-		526,758
Total liabilities	2,391,088	2,087,429	156,679	1,098,357	112,705		5,846,258
Fund balances:							
Reserved for:							
Encumbrances	169,356	-	-	616,479	-		785,835
Prepaid expenditures	686,994	-	-	-	-		686,994
State statute	178,169	-	-	454,642	155,199		788,010
Unreserved:							
Designated for subsequent year's expenditures	1,090,000	-	-	-	-		1,090,000
Undesignated, reported in:							
General Fund	6,045,658	-	-	-	-		6,045,658
Special Revenue Funds	-	-	-	-	875,082		875,082
Capital Projects Fund	-	-	-	(402,339)	-		(402,339)
Total fund balances	8,170,177	-	-	668,782	1,030,281		9,869,240
Total liabilities and fund balances	\$ 10,561,265	\$ 2,087,429	\$ 156,679	\$ 1,767,139	\$ 1,142,986		

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

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

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.

Net assets of governmental activities

164,455,021
(526,000)
(7,028,354)
\$ 166,769,907

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, 2010

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	\$ -	\$ 54,903,580	\$ -	\$ 129,328	\$ 442,639	\$ 55,475,547	
Orange County	36,797,696	-	-	5,845,381	-	42,643,077	
U.S. Government	-	-	8,253,352	-	1,611,047	9,864,399	
Other	20,657,029	-	-	151,930	2,665,687	23,474,646	
Total revenues	57,454,725	54,903,580	8,253,352	6,126,639	4,719,373	131,457,669	
Expenditures:							
Current:							
Instructional services:							
Regular instructional	21,890,192	35,973,574	847,298	154,844	337,453	59,203,361	
Special populations	8,717,138	6,298,265	3,153,124	-	-	18,168,527	
Alternative programs	1,567,114	1,916,161	1,228,709	-	1,642,233	6,354,217	
School leadership	1,946,815	3,230,289	921,824	-	-	6,098,928	
Co-curricular	1,913,615	-	-	-	2,577,560	4,491,175	
School-based support	4,556,038	3,760,390	56,972	-	-	8,373,400	
System-wide support services:							
Support and development	661,410	266,886	66,421	-	-	994,717	
Special population support and development	98,852	134,927	234,200	-	-	467,979	
Alternative programs and services support and development	27,658	-	19,094	-	83,784	130,536	
Technology support	1,314,332	191,970	22,643	311,487	-	1,840,432	
Operational support	7,800,871	1,952,247	1,482,804	22,641	-	11,258,563	
Financial and human resource services	945,679	749,609	-	-	-	1,695,288	
Accountability	348,712	-	-	-	-	348,712	
Policy, leadership and public relations	2,472,885	328,944	-	120,818	-	2,922,647	
Ancillary services	-	-	-	34,044	-	34,044	
Non-programmed charges	533,055	-	220,263	-	-	753,318	
Debt service:							
Principal retirement	-	49,710	-	430,882	-	480,592	
Interest and fees	-	5,491	-	25,680	-	31,171	
Capital outlay	-	-	-	5,118,725	-	5,118,725	
Total expenditures	54,794,366	54,858,463	8,253,352	6,219,121	4,641,030	128,766,332	
Revenues over (under) expenditures	2,660,359	45,117	-	(92,482)	78,343	2,691,337	
Other financing sources (uses):							
Transfers from other funds	91,364	-	-	636,352	-	727,716	
Transfers to other funds	(1,259,791)	(45,117)	-	-	-	(1,304,908)	
Total other financing sources (uses)	(1,168,427)	(45,117)	-	636,352	-	(577,192)	
Net change in fund balance	1,491,932	-	-	543,870	78,343	2,114,145	
Fund balances:							
Beginning of year, as restated	6,678,245	-	-	124,912	951,938	7,755,095	
End of year	\$ 8,170,177	\$ -	\$ -	\$ 668,782	\$ 1,030,281	\$ 9,869,240	

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, 2010

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 2,114,145
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(3,514,804)
Difference in lease income recognized from deferred revenue due to difference between income recognition periods for governmental funds and governmental activities.	(87,667)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	480,592
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated absences	<u>(146,850)</u>
Total changes in net assets of governmental activities	<u>\$ (1,154,584)</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, 2010

Exhibit 6

	General Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 472,234	\$ -	\$ -	\$ -
Orange County	36,797,696	36,797,696	36,797,696	-
U.S. Government	768,023	-	-	-
Other	<u>20,506,785</u>	<u>20,652,775</u>	<u>20,657,029</u>	<u>4,254</u>
Total revenues	<u>58,544,738</u>	<u>57,450,471</u>	<u>57,454,725</u>	<u>4,254</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	21,674,189	22,288,065	21,890,192	397,873
Special populations	8,903,598	8,790,465	8,717,138	73,327
Alternative programs	2,921,057	1,886,379	1,567,114	319,265
School leadership	2,747,647	2,121,810	1,946,815	174,995
Co-curricular	1,542,391	1,955,832	1,913,615	42,217
School-based support	<u>4,556,075</u>	<u>5,296,665</u>	<u>4,556,038</u>	<u>740,627</u>
Total instructional services	<u>42,344,957</u>	<u>42,339,216</u>	<u>40,590,912</u>	<u>1,748,304</u>
System-wide support services				
Support and development	843,123	752,273	661,410	90,863
Special population support and development	198,746	157,069	98,852	58,217
Alternative programs and services support and development	41,895	27,974	27,658	316
Technology support	1,299,406	1,397,508	1,314,332	83,176
Operational support	9,037,010	8,733,354	7,800,871	932,483
Financial and human resource services	1,927,289	1,466,561	945,679	520,882
Accountability	333,395	356,480	348,712	7,768
Policy, leadership and public relations	<u>2,647,476</u>	<u>2,675,896</u>	<u>2,472,885</u>	<u>203,011</u>
Total system-wide support services	<u>16,328,340</u>	<u>15,567,115</u>	<u>13,670,399</u>	<u>1,896,716</u>
Nonprogrammed charges	<u>891,441</u>	<u>533,452</u>	<u>533,055</u>	<u>397</u>
Debt service				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
	-	-	-	-
Total expenditures	<u>59,564,738</u>	<u>58,439,783</u>	<u>54,794,366</u>	<u>3,645,417</u>
Revenues over (under) expenditures	(1,020,000)	(989,312)	2,660,359	3,649,671
Other financing sources (uses):				
Transfers from other funds	-	91,364	91,364	-
Transfers to other funds	-	(1,271,552)	(1,259,791)	11,761
Fund balance appropriated	<u>1,020,000</u>	<u>2,169,500</u>	-	<u>(2,169,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,491,932</u>	<u>\$ 1,491,932</u>
Fund balances:				
Beginning of year, as restated			<u>6,678,245</u>	
End of year			<u>\$ 8,170,177</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, 2010

	State Public School Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 53,986,541	\$ 55,964,649	\$ 54,903,580	\$ (1,061,069)
Orange County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	53,986,541	55,964,649	54,903,580	(1,061,069)
Expenditures:				
Current:				
Instructional services				
Regular instructional	37,040,414	36,433,661	35,973,574	460,087
Special populations	5,785,662	6,311,620	6,298,265	13,355
Alternative programs	1,434,343	2,220,908	1,916,161	304,747
School leadership	3,259,229	3,428,346	3,230,289	198,057
Co-curricular	-	-	-	-
School-based support	2,812,455	3,760,399	3,760,390	9
Total instructional services	50,332,103	52,154,934	51,178,679	976,255
System-wide support services				
Support and development	343,672	336,455	266,886	69,569
Special population support and development	74,241	137,491	134,927	2,564
Alternative programs and services support and development	-	-	-	-
Technology support	-	194,541	191,970	2,571
Operational support	2,766,844	1,952,252	1,952,247	5
Financial and human resource services	119,482	759,708	749,609	10,099
Accountability	-	-	-	-
Policy, leadership and public relations	350,199	328,949	328,944	5
Total system-wide support services	3,654,438	3,709,396	3,624,583	84,813
Nonprogrammed charges	-	-	-	-
Debt service				
Principal retirement	-	49,710	49,710	-
Interest and fees	-	5,491	5,491	-
	-	55,201	55,201	-
Total expenditures	53,986,541	55,919,531	54,858,463	1,061,068
Revenues over (under) expenditures	-	45,118	45,117	(1)
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	(45,118)	(45,117)	1
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balances:				
Beginning of year, as restated			-	
End of year			\$ -	

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

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

GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 2010

	Federal Grants Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Orange County	-	-	-	-
U.S. Government	12,361,934	10,770,982	8,253,352	(2,517,630)
Other	-	-	-	-
Total revenues	<u>12,361,934</u>	<u>10,770,982</u>	<u>8,253,352</u>	<u>(2,517,630)</u>
Expenditures:				
Current:				
Instructional services				
Regular instructional	921,492	958,048	847,298	110,750
Special populations	4,023,905	3,622,784	3,153,124	469,660
Alternative programs	1,420,424	1,731,021	1,228,709	502,312
School leadership	950,705	925,547	921,824	3,723
Co-curricular	-	-	-	-
School-based support	70,538	100,452	56,972	43,480
Total instructional services	<u>7,387,064</u>	<u>7,337,852</u>	<u>6,207,927</u>	<u>1,129,925</u>
System-wide support services				
Support and development	-	68,306	66,421	1,885
Special population support and development	361,540	365,730	234,200	131,530
Alternative programs and services support and development	71,904	72,746	19,094	53,652
Technology support	22,289	22,477	22,643	(166)
Operational support	1,484,952	1,525,425	1,482,804	42,621
Financial and human resource services	-	-	-	-
Accountability	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Total system-wide support services	<u>1,940,685</u>	<u>2,054,684</u>	<u>1,825,162</u>	<u>229,522</u>
Nonprogrammed charges	<u>3,034,185</u>	<u>1,378,446</u>	<u>220,263</u>	<u>1,158,183</u>
Debt service				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	<u>12,361,934</u>	<u>10,770,982</u>	<u>8,253,352</u>	<u>2,517,630</u>
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year, as restated			-	
End of year			<u>\$ -</u>	

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPES
June 30, 2010

Exhibit 7

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Child Care	
Assets			
Current assets:			
Cash and cash equivalents	\$ 66,598	\$ 519,897	\$ 586,495
Due from other governments	68,640	-	68,640
Receivables	35,278	3,600	38,878
Due from other funds	120,000	-	120,000
Inventories	133,905	-	133,905
Total current assets	<u>424,421</u>	<u>523,497</u>	<u>947,918</u>
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	<u>42,980</u>	<u>-</u>	<u>42,980</u>
Total assets	<u>467,401</u>	<u>523,497</u>	<u>990,898</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	297,534	2,903	300,437
Compensated absences	52,092	27,467	79,559
Unearned revenue	61,330	147,832	209,162
Total current liabilities	<u>410,956</u>	<u>178,202</u>	<u>589,158</u>
Noncurrent liabilities:			
Compensated absences	<u>53,576</u>	<u>22,981</u>	<u>76,557</u>
Total liabilities	<u>464,532</u>	<u>201,183</u>	<u>665,715</u>
Net assets			
Invested in capital assets	42,980	-	42,980
Unrestricted (deficit)	<u>(40,111)</u>	<u>322,314</u>	<u>282,203</u>
Total net assets	<u>\$ 2,869</u>	<u>\$ 322,314</u>	<u>\$ 325,183</u>

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2010

Exhibit 8

	Enterprise		Totals
	Major Fund School Food Service	Non-major Fund Child Care	
Operating revenues:			
Food sales	\$ 1,913,553	\$ -	\$ 1,913,553
Child care fees	-	1,550,628	1,550,628
Rental of school property	-	286,397	286,397
Total operating revenues	<u>1,913,553</u>	<u>1,837,025</u>	<u>3,750,578</u>
Operating expenses:			
Food cost:			
Purchase of food	1,359,175	150,943	1,510,118
Donated commodities	299,074	-	299,074
Salaries and benefits	1,441,004	1,406,162	2,847,166
Indirect costs	255,496	-	255,496
Materials and supplies	218,370	32,091	250,461
Repairs and maintenance	62,897	-	62,897
Depreciation	6,461	-	6,461
Non-capitalized equipment	-	331	331
Sodexho management fees	704,798	-	704,798
Sodexho contract reimbursements	(5,000)	-	(5,000)
Writedown of inventory	119,356	-	119,356
Other	12,847	26,698	39,545
Total operating expenses	<u>4,474,478</u>	<u>1,616,225</u>	<u>6,090,703</u>
Operating income (loss)	<u>(2,560,925)</u>	<u>220,800</u>	<u>(2,340,125)</u>
Nonoperating revenues:			
Federal reimbursements	1,386,853	-	1,386,853
Federal commodities	299,074	-	299,074
Indirect costs not paid	255,496	-	255,496
Interest earned	299	326	625
Total nonoperating revenues	<u>1,941,722</u>	<u>326</u>	<u>1,942,048</u>
Income (loss) before transfers and contributions	(619,203)	221,126	(398,077)
Transfers to other funds	-	(91,364)	(91,364)
Transfers from other funds	668,556	-	668,556
Contributions:			
Capital contributions	<u>31,955</u>	<u>-</u>	<u>31,955</u>
Change in net assets	81,308	129,762	211,070
Net assets (deficit), beginning of year	<u>(78,439)</u>	<u>192,552</u>	<u>114,113</u>
Net assets, end of year	<u>\$ 2,869</u>	<u>\$ 322,314</u>	<u>\$ 325,183</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, 2010

Exhibit 9

	Enterprise		Totals
	Major Fund	Non-major Fund	
	School Food Service	Child Care	
Cash flows from operating activities:			
Cash received from customers	\$ 1,923,571	\$ 1,799,302	\$ 3,722,873
Cash paid for goods and services	(2,549,620)	(207,488)	(2,757,108)
Cash paid to employees for services	(1,391,554)	(1,419,564)	(2,811,118)
Net cash provided (used) by operating activities	<u>(2,017,603)</u>	<u>172,250</u>	<u>(1,845,353)</u>
Cash flows from noncapital financing activities:			
Transfers from (to) other funds	623,439	(91,364)	532,075
Due from other funds	(120,000)	-	(120,000)
Federal and State reimbursements	1,383,576	-	1,383,576
Net cash provided (used) by noncapital financing activities	<u>1,887,015</u>	<u>(91,364)</u>	<u>1,795,651</u>
Cash flows from investing activities:			
Interest earned on investments	299	326	625
Net increase (decrease) in cash and cash equivalents	(130,289)	81,212	(49,077)
Cash and cash equivalents, beginning of year	196,887	438,685	635,572
Cash and cash equivalents, end of year	<u>\$ 66,598</u>	<u>\$ 519,897</u>	<u>\$ 586,495</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (2,560,925)	\$ 220,800	\$ (2,340,125)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	6,461	-	6,461
Donated commodities	299,074	-	299,074
Salaries paid by special revenue fund	45,117	-	45,117
Indirect costs not paid	255,496	-	255,496
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	6,475	(596)	5,879
Decrease in inventories	73,643	-	73,643
Increase (decrease) in accounts payable and accrued liabilities	(150,820)	2,575	(148,245)
Increase (decrease) in unearned revenue	3,543	(37,127)	(33,584)
Increase (decrease) in compensated absences payable	4,333	(13,402)	(9,069)
Total adjustments	<u>543,322</u>	<u>(48,550)</u>	<u>494,772</u>
Net cash provided (used) by operating activities	<u>\$ (2,017,603)</u>	<u>\$ 172,250</u>	<u>\$ (1,845,353)</u>

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$299,074 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund paid salaries and benefits of \$45,117 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as a transfer in and an operating expense on Exhibit 8.

School Food Service capital assets with a value of \$31,955 were purchased by the Capital Outlay Fund during the year. The value of these assets is reflected as a capital contribution on Exhibit 8.

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

Exhibit 10

	Administrative Fund	Employee Flexible Spending Account
Assets		
Cash	\$ 467,192	\$ 57,384
Due from other governments	21,058	-
Total assets	\$ 488,250	\$ 57,384
Liabilities		
Accounts payable and accrued liabilities	21,721	57,384
Net Assets		
Assets held in trust for private purpose	\$ 466,529	\$ -

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

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2010**

Exhibit 11

	<u>Administrative Fund</u>
Additions:	
Contributions and other revenue	\$ 432,634
Deductions:	
Instructional costs and other expenditures	<u>335,272</u>
Change in net assets	97,362
Beginning net assets	<u>369,167</u>
Ending net assets	<u>\$ 466,529</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, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Chapel Hill-Carrboro City Board of Education conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Chapel Hill-Carrboro City Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in the cities of Chapel Hill and Carrboro, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity. The Board has no component units.

B. Basis of Presentation

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

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

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

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

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. This fund is the "Local Current Expense Fund," which is mandated by State law [G.S. 115C-426].

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, 2010**

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 certain grant revenues received by the Board.

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 funds:

Administrative Fund. The Administrative Fund is used to account for scholarship money under the control of the Board for the benefit of students in the district.

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.

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

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

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

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to \$100,000) between functions within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$100,000. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

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

The Board's investments are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The STIF

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

securities are reported at cost and maintain a constant \$1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

2. Cash and Cash Equivalents

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

3. Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

4. Prepaid Expenditures

Prepaid expenditures represent amounts paid to vendors for services to be provided in the future. These amounts will be recognized as expenditures as the services are performed.

5. 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.

6. Long-term Obligations

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

7. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2010 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

8. Net Assets/Fund Balances

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

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable, are legally segregated for a specific purpose, or are restricted by the grant agreement. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 115C-425(a)] restricts the appropriation of fund balance or fund equity to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for encumbrances - portion of fund balance available to pay for any commitments related to purchase orders and contracts that remain unperformed at year-end.

Reserved for prepaid expenditures - portion of fund balance not available for appropriation because it represents the year-end balance of prepaid expenditures which are not expendable, available resources.

Reserved by State statute - portion of fund balance, in addition to reserves for inventories, which is not available for appropriation under State law. This amount is usually comprised of accounts receivable and interfund receivables which are not offset by deferred revenues.

Unreserved:

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2010-2011 budget ordinance.

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

Undesignated - portion of total fund balance available for appropriation which is uncommitted at year-end.

9. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. The net adjustment of \$156,900,667 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)	\$231,582,616
Less accumulated depreciation	<u>(67,127,595)</u>
Net capital assets	164,455,021
Difference in deferred lease revenue attributable to difference in income recognition periods for governmental funds and governmental activities	(526,000)
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	(505,804)
Compensated absences	<u>(6,522,550)</u>
Total adjustment	<u>\$156,900,667</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of (\$3,268,729) 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	\$ 2,270,538
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(5,785,342)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	480,592
Difference in lease income recognized from deferred revenue due to difference between income recognition periods for governmental funds and governmental activities.	(87,667)

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

(146,850)

Total adjustment

\$ (3,268,729)

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, 2010, the Board had deposits with banks and savings and loans with a carrying amount of \$4,657,428 and with the State Treasurer of \$758. The bank balances with the financial institutions and the State Treasurer were \$5,516,928 and \$1,214,623, respectively. Of these balances, \$1,235,947 was covered by federal depository insurance and \$5,495,604 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2010, the Board had \$8,450,029 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, 2010. 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, 2010

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2010 are as follows:

	Due from (to) other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ (39,474)	\$ 97,643	\$ -	\$ 58,169
Other governmental activities	<u>(80,526)</u>	<u>2,853,191</u>	<u>-</u>	<u>2,772,665</u>
Total governmental activities	<u>\$ (120,000)</u>	<u>\$ 2,950,834</u>	<u>\$ -</u>	<u>\$ 2,830,834</u>
Business-type activities:				
School Food Service Fund	\$ 120,000	\$ 68,640	\$ 35,278	\$ 223,918
Child Care Fund	<u>-</u>	<u>-</u>	<u>3,600</u>	<u>3,600</u>
Total business-type activities	<u>\$ 120,000</u>	<u>\$ 68,640</u>	<u>\$ 38,878</u>	<u>\$ 227,518</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 97,643	Amounts due from County
State Public School Fund	2,086,671	Operating funds from DPI
Capital Outlay Fund	454,642	Amounts due from County
Federal Grants Fund	156,679	Federal grant funds
Other Special Revenue Fund	<u>155,199</u>	Federal and State grant funds
Total	<u>\$ 2,950,834</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 68,640</u>	Federal grant funds

4. Inventory

Effective July 1, 2010, all of the Board's School Food Service Fund inventory was sold to a company that will be managing the Board's child nutrition program operations during the 2010-2011 fiscal year. The inventory was sold for a total of \$133,905. The Board wrote down the value of its inventory by \$119,356 as of June 30, 2010 to adjust to this sales price. This writedown is reflected as an operating expense on exhibit 8.

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 6,485,407	\$ -	\$ -	\$ -	\$ 6,485,407
Construction in progress	1,501,487	1,191,698	-	(966,417)	1,726,768
Total capital assets not being depreciated	<u>7,986,894</u>	<u>1,191,698</u>	<u>-</u>	<u>(966,417)</u>	<u>8,212,175</u>
Capital assets being depreciated:					
Buildings and improvements	209,539,682	627,147	-	966,417	211,133,246
Land improvements	4,530,721	49,518	-	-	4,580,239
Equipment and furniture	2,842,499	327,070	-	-	3,169,569
Vehicles	4,412,282	75,105	-	-	4,487,387
Total capital assets being depreciated	<u>221,325,184</u>	<u>1,078,840</u>	<u>-</u>	<u>966,417</u>	<u>223,370,441</u>
Less accumulated depreciation for:					
Buildings and improvements	54,203,106	4,941,849	-	-	59,144,955
Land improvements	3,001,437	194,643	-	-	3,196,080
Equipment and furniture	1,625,864	333,544	-	-	1,959,408
Vehicles	2,511,846	315,306	-	-	2,827,152
Total accumulated depreciation	<u>61,342,253</u>	<u>5,785,342</u>	<u>-</u>	<u>-</u>	<u>67,127,595</u>
Total capital assets being depreciated, net	<u>159,982,931</u>				<u>156,242,846</u>
Governmental activity capital assets, net	<u>\$ 167,969,825</u>				<u>\$ 164,455,021</u>
	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Business-type activities:					
School Food Service Fund:					
Capital assets being depreciated:					
Equipment and furniture	\$ 555,487	\$ 31,955	\$ -	\$ -	\$ 587,442
Less accumulated depreciation for:					
Equipment and furniture	538,001	6,461	-	-	544,462
School Food Service capital assets, net	<u>17,486</u>				<u>42,980</u>
Child Care Fund:					
Capital assets being depreciated:					
Equipment and furniture	37,339	-	-	-	37,339
Less accumulated depreciation for:					
Equipment and furniture	37,339	-	-	-	37,339
Child Care Fund capital assets, net	<u>-</u>				<u>-</u>
Business-type activities capital assets, net	<u>\$ 17,486</u>				<u>\$ 42,980</u>

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

Depreciation was charged to governmental functions as follows:

System-wide support services	\$ 315,306
Unallocated depreciation	<u>5,470,036</u>
Total	<u>\$ 5,785,342</u>

6. Construction and Other Significant Commitments

As of June 30, 2010, the Board had various construction, renovation and repair projects in progress throughout the district. At year-end, the Board's commitments with contractors for these projects are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Construction, renovations and repairs	<u>\$ 3,480,896</u>	<u>\$ 3,138,493</u>

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 3.57% 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, 2010, 2009, and 2008 were \$2,910,965, \$2,805,187, and \$2,425,191, respectively, equal to the required contributions for each year.

b. Other Postemployment Benefits

Healthcare Benefits

Plan Description. The postemployment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

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

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2010, 2009, and 2008, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$3,669,284, \$3,422,996, and \$3,260,093, respectively. These contributions represented 4.50%, 4.10%, and 4.10% of covered payroll, respectively.

Long-term Disability Benefits

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

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

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
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For the Fiscal Year Ended June 30, 2010

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

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

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2010, 2009, and 2008, the Board paid all annual required contributions to the DIPNC for disability benefits of \$424,006, \$434,136, and \$413,475, respectively. These contributions represented 0.52% of covered payroll for each of the three fiscal years.

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

2. Accounts Payable

Accounts payable as of June 30, 2010 are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 859,958	\$ 1,411,130	\$ 2,271,088
Other governmental activities	<u>573,679</u>	<u>2,274,207</u>	<u>2,847,886</u>
Total governmental activities	<u>\$ 1,433,637</u>	<u>\$ 3,685,337</u>	<u>\$ 5,118,974</u>
Business-type activities:			
School Food Service Fund	\$ 297,534	\$ -	\$ 297,534
Child Care Fund	<u>2,903</u>	<u>-</u>	<u>2,903</u>
Total business-type activities	<u>\$ 300,437</u>	<u>\$ -</u>	<u>\$ 300,437</u>

3. Unearned Revenues

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

Governmental activities:	
State grant funds not yet earned (State Public School Fund)	\$ 758
Prepaid use fee (Capital Outlay Fund - see below)	<u>1,052,000</u>
Total governmental activities	<u>\$ 1,052,758</u>
Business-type activities:	
Prepayments of meals (School Food Service Fund)	\$ 61,330
Prepayments of tuition (Child Care Fund)	<u>147,832</u>
Total business-type activities	<u>\$ 209,162</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, 2010 deferred revenue reported in the Capital Outlay Fund amounted to \$526,000 while unearned revenue reported in the Statement of Net Assets for governmental activities totaled \$1,052,000.

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 years ended June 30, 2008 and 2009, the Board entered into such contracts for the purchase of school buses.

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

Outstanding principal balances on the contracts entered into during the fiscal year ended June 30, 2008 were paid in full during the current fiscal year. The contracts entered into during 2009 each require three equal principal-only payments with the first payment due within 10 days of receipt of the buses and the following 2 payments due on the next 2 immediately following November 15th dates.

The Board has also entered into two additional installment purchase contracts for the purchase of computers and computer equipment. The contracts were entered into during the fiscal years ended June 30, 2007 and 2008. The contract for the computer equipment requires payments of principal and interest at 4.75% due monthly through 2012. The contract for the computers requires payments of principal and interest at 5.378% due annually for three years with the final payment due January 15, 2011.

The future minimum payments of the installment purchases as of June 30, 2009 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u> <u>Principal</u>
2011	\$ 461,175
2012	<u>59,497</u>
	520,672
Less portion representing interest	<u>(14,868)</u>
Total principal obligation	<u>\$ 505,804</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, 2010:

	<u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ 986,396	\$ -	\$ 480,592	\$ 505,804	\$ 446,981
Compensated absences	<u>6,375,700</u>	<u>5,338,694</u>	<u>5,191,844</u>	<u>6,522,550</u>	<u>2,890,808</u>
Total governmental activities	<u>\$ 7,362,096</u>	<u>\$ 5,338,694</u>	<u>\$ 5,672,436</u>	<u>\$ 7,028,354</u>	<u>\$ 3,337,789</u>
Business-type activities:					
Compensated absences	<u>\$ 165,185</u>	<u>\$ 153,969</u>	<u>\$ 163,038</u>	<u>\$ 156,116</u>	<u>\$ 79,559</u>

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

C. Interfund Balances and Activity

1. Transfers to/from other Funds

Transfers to/from other funds at June 30, 2010 consist of the following:

From the General Fund to the School Food Service Fund for
the payment of operating expenses \$ 623,439

From the General Fund to the Capital Outlay Fund for school
capital improvement needs \$ 636,352

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2010**

From the State Public School Fund to the School Food Service Fund for the payment of administrative salaries	<u>\$ 45,117</u>
From the Child Care Fund to the General Fund for the payment of operating expenditures	<u>\$ 91,364</u>

2. Interfund Balances

The composition of interfund balances as of June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
School Food Service Fund	General Fund	<u>\$ 120,000</u>
General Fund	Other Special Revenue Fund	<u>\$ 80,526</u>

The amount due to the School Food Service Fund from the General Fund represents amounts to be transferred for payment of operating expenses. 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. All of these interfund balances are expected to be paid prior to June 30, 2011.

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 – PRIOR PERIOD RESTATEMENTS

During the year, the Board reported the following prior period adjustments:

During the current year, the Board established a special revenue fund titled “Other Special Revenue Fund” to account for various revenues and expenditures that had been accounted for in the General Fund in the prior year. The establishment of the Other Special Revenue Fund resulted in a decrease of \$52,275 in fund balance as previously reported for the General Fund as of June 30, 2009. This amount is reflected as the beginning of year fund balance in the Other Special Revenue Fund.

During the year, the Board determined that it had been improperly recognizing revenue in the Capital Outlay Fund from its lease agreement with the University. The deferred revenue from this agreement was being recognized over a thirty year period in both the governmental funds and governmental activities statements. The Board determined that for the fund statements this deferred revenue should be recognized over a ten year period instead of 30 years. The Board increased previously reported fund balance for the Capital Outlay Fund as of June 30, 2009 by \$438,333 to adjust for this restatement.

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Orange County:			
County appropriation	\$ 36,797,696	\$ 36,797,696	\$ -
Other:			
Fines and forfeitures	400,000	356,479	(43,521)
Supplemental school taxes	18,806,785	19,064,321	257,536
Interest earned on investment	300,000	113,052	(186,948)
Indirect costs allocated	140,000	260,480	120,480
Medicaid reimbursement program	-	95,369	95,369
Tuition and fees	450,000	579,195	129,195
ABC revenues	54,000	54,000	-
Sales and use tax refund	80,000	-	(80,000)
Miscellaneous	421,990	134,133	(287,857)
Total other	<u>20,652,775</u>	<u>20,657,029</u>	<u>4,254</u>
Total revenues	<u>57,450,471</u>	<u>57,454,725</u>	<u>4,254</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	22,288,065	21,890,192	397,873
Special populations	8,790,465	8,717,138	73,327
Alternative programs	1,886,379	1,567,114	319,265
School leadership	2,121,810	1,946,815	174,995
Co-curricular	1,955,832	1,913,615	42,217
School-based support	5,296,665	4,556,038	740,627
Total instructional services	<u>42,339,216</u>	<u>40,590,912</u>	<u>1,748,304</u>
System-wide support services:			
Support and development	752,273	661,410	90,863
Special population support and development	157,069	98,852	58,217
Alternative programs and services support and development	27,974	27,658	316
Technology support	1,397,508	1,314,332	83,176
Operational support	8,733,354	7,800,871	932,483
Financial and human resource services	1,466,561	945,679	520,882
Accountability	356,480	348,712	7,768
Policy, leadership and public relations	2,675,896	2,472,885	203,011
Total system-wide support services	<u>15,567,115</u>	<u>13,670,399</u>	<u>1,896,716</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, 2010

	Final Budget	Actual	Variance Positive (Negative)
Expenditures (Continued):			
Non-programmed charges:			
Payments to other governments	<u>533,452</u>	<u>533,055</u>	<u>397</u>
Total expenditures	<u>58,439,783</u>	<u>54,794,366</u>	<u>3,645,417</u>
Revenues over (under) expenditures	(989,312)	2,660,359	3,649,671
Other financing sources (uses):			
Transfers from other funds	91,364	91,364	-
Transfers to other funds	(1,271,552)	(1,259,791)	11,761
Fund balance appropriated	<u>2,169,500</u>	<u>-</u>	<u>(2,169,500)</u>
Net change in fund balance	<u>\$ -</u>	1,491,932	<u>\$ 1,491,932</u>
Fund balance:			
Beginning of year, as restated		<u>6,678,245</u>	
End of year		<u>\$ 8,170,177</u>	

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2010**

	Special Revenue Funds		Totals
	Other Special Revenue	Individual Schools	
Assets			
Cash and cash equivalents	\$ -	\$ 987,787	\$ 987,787
Due from other governments	<u>155,199</u>	<u>-</u>	<u>155,199</u>
Total assets	<u>\$ 155,199</u>	<u>\$ 987,787</u>	<u>\$ 1,142,986</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 1,322	\$ -	\$ 1,322
Accrued salaries and wages payable	30,857	-	30,857
Due to other funds	<u>80,526</u>	<u>-</u>	<u>80,526</u>
Total liabilities	<u>112,705</u>	<u>-</u>	<u>112,705</u>
Fund balances			
Reserved by State statute	155,199	-	155,199
Unreserved	<u>(112,705)</u>	<u>987,787</u>	<u>875,082</u>
Total fund balances	<u>42,494</u>	<u>987,787</u>	<u>1,030,281</u>
Total liabilities and fund balances	<u>\$ 155,199</u>	<u>\$ 987,787</u>	<u>\$ 1,142,986</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, 2010

	Special Revenue Funds		Totals
	Other Special Revenue	Individual Schools	
Revenues:			
State of North Carolina	\$ 442,639	\$ -	\$ 442,639
U.S. Government	1,611,047	-	1,611,047
Other	<u>3</u>	<u>2,665,684</u>	<u>2,665,687</u>
Total revenues	<u>2,053,689</u>	<u>2,665,684</u>	<u>4,719,373</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	337,453	-	337,453
Alternative programs	1,642,233	-	1,642,233
Co-curricular	<u>-</u>	<u>2,577,560</u>	<u>2,577,560</u>
Total instructional services	<u>1,979,686</u>	<u>2,577,560</u>	<u>4,557,246</u>
System-wide support services:			
Alternative programs and services support and development	<u>83,784</u>	<u>-</u>	<u>83,784</u>
Total expenditures	<u>2,063,470</u>	<u>2,577,560</u>	<u>4,641,030</u>
Net change in fund balance	(9,781)	88,124	78,343
Fund balances:			
Beginning of year, as restated	<u>52,275</u>	<u>899,663</u>	<u>951,938</u>
End of year	<u>\$ 42,494</u>	<u>\$ 987,787</u>	<u>\$ 1,030,281</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, 2010

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Smart Start	\$ 7,039	\$ 7,039	\$ -
More at Four Grant	<u>432,600</u>	<u>435,600</u>	<u>3,000</u>
Total State of North Carolina	<u>439,639</u>	<u>442,639</u>	<u>3,000</u>
U.S. Government:			
Headstart	1,670,749	1,275,768	(394,981)
Carol M. White Physical Education Grant	<u>337,182</u>	<u>335,279</u>	<u>(1,903)</u>
Total U.S. Government	<u>2,007,931</u>	<u>1,611,047</u>	<u>(396,884)</u>
Other:			
Interest earned on investment	<u>-</u>	<u>3</u>	<u>3</u>
Total revenues	<u>2,447,570</u>	<u>2,053,689</u>	<u>(393,881)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	339,451	337,453	1,998
Alternative programs	<u>2,076,610</u>	<u>1,642,233</u>	<u>434,377</u>
Total instructional services	<u>2,416,061</u>	<u>1,979,686</u>	<u>436,375</u>
System-wide support services:			
Alternative programs and services support and development	<u>83,784</u>	<u>83,784</u>	<u>-</u>
Total expenditures	<u>2,499,845</u>	<u>2,063,470</u>	<u>436,375</u>
Revenues over (under) expenditures	(52,275)	(9,781)	42,494
Fund balance appropriated	<u>52,275</u>	<u>-</u>	<u>(52,275)</u>
Net change in fund balance	<u>\$ -</u>	<u>(9,781)</u>	<u>\$ (9,781)</u>
Fund balance:			
Beginning of year, as restated		<u>52,275</u>	
End of year		<u>\$ 42,494</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, 2010**

	<u>Elementary Schools</u>	<u>Middle Schools</u>	<u>High Schools</u>	<u>Totals</u>
Revenues	\$ 462,251	\$ 510,276	\$ 1,693,157	\$ 2,665,684
Expenditures	<u>467,483</u>	<u>507,902</u>	<u>1,602,175</u>	<u>2,577,560</u>
Net change in fund balance	(5,232)	2,374	90,982	88,124
Fund balances:				
Beginning of year	<u>122,998</u>	<u>178,154</u>	<u>598,511</u>	<u>899,663</u>
End of year	<u>\$ 117,766</u>	<u>\$ 180,528</u>	<u>\$ 689,493</u>	<u>\$ 987,787</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, 2010

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 287,206	\$ 129,328	\$ (157,878)
Orange County:			
Local bond revenues	9,680,860	3,983,914	(5,696,946)
General county appropriations	1,861,467	1,861,467	-
Total Orange County	<u>11,542,327</u>	<u>5,845,381</u>	<u>(5,696,946)</u>
Other:			
Interest earned on investments	-	506	506
Miscellaneous	19,924	151,424	131,500
Total other	<u>19,924</u>	<u>151,930</u>	<u>132,006</u>
Total revenues	<u>11,849,457</u>	<u>6,126,639</u>	<u>(5,722,818)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	190,055	154,844	35,211
System-wide support services:			
Technology support	311,487	311,487	-
Operational support	23,500	22,641	859
Policy, leadership and public relations	146,442	120,818	25,624
Total system-wide support services	<u>481,429</u>	<u>454,946</u>	<u>26,483</u>
Ancillary services:			
Nutrition	397,844	34,044	363,800
Debt service:			
Principal retirement	589,756	430,882	158,874
Interest and fees	25,680	25,680	-
Total debt service	<u>615,436</u>	<u>456,562</u>	<u>158,874</u>
Capital outlay	11,014,348	5,118,725	5,895,623
Total expenditures	<u>12,699,112</u>	<u>6,219,121</u>	<u>6,479,991</u>
Revenues under expenditures	(849,655)	(92,482)	757,173
Other financing sources:			
Transfers from other funds	636,352	636,352	-
Fund balance appropriated	213,303	-	(213,303)
Net change in fund balance	<u>\$ -</u>	<u>543,870</u>	<u>\$ 543,870</u>
Fund balance:			
Beginning of year, as restated		124,912	
End of year		<u>\$ 668,782</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, 2010**

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	\$ 2,150,545	\$ 1,913,553	\$ (236,992)
Operating expenditures:			
Business support services:			
Purchase of food	-	1,285,532	-
Donated commodities	-	299,074	-
Salaries and benefits	-	1,436,671	-
Indirect costs	-	255,496	-
Materials and supplies	-	218,370	-
Repairs and maintenance	-	62,897	-
Sodexo management fees	-	704,798	-
Sodexo contract reimbursements	-	(5,000)	-
Writedown of inventory	-	119,356	-
Other	-	12,847	-
Total operating expenditures	<u>4,573,630</u>	<u>4,390,041</u>	<u>183,589</u>
Operating loss	<u>(2,423,085)</u>	<u>(2,476,488)</u>	<u>(53,403)</u>
Nonoperating revenues:			
Federal reimbursements	1,409,085	1,386,853	(22,232)
Federal commodities	175,000	299,074	124,074
Indirect costs not paid	294,000	255,496	(38,504)
Interest earned	-	299	299
Total nonoperating revenues	<u>1,878,085</u>	<u>1,941,722</u>	<u>63,637</u>
Excess of expenditures over revenues before other financing sources	(545,000)	(534,766)	10,234
Other financing sources:			
Transfers from other funds	<u>545,000</u>	<u>668,556</u>	<u>123,556</u>
Net change in fund balance	<u>\$ -</u>	<u>133,790</u>	<u>\$ 133,790</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(6,461)	
Capital contributions		31,955	
Increase in compensated absences payable		(4,333)	
Decrease in inventories		<u>(73,643)</u>	
Change in net assets (full accrual)		<u>\$ 81,308</u>	

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, 2010

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Child care fees	\$ 1,562,680	\$ 1,550,628	\$ (12,052)
Rental of school property	<u>225,000</u>	<u>286,397</u>	<u>61,397</u>
 Total operating revenue	 <u>1,787,680</u>	 <u>1,837,025</u>	 <u>49,345</u>
Operating expenditures:			
Regular community services:			
Purchase of food	-	150,943	-
Salaries and benefits	-	1,419,564	-
Materials and supplies	-	32,091	-
Non-capitalized equipment	-	331	-
Other	<u>-</u>	<u>26,698</u>	<u>-</u>
 Total operating expenditures	 <u>1,722,918</u>	 <u>1,629,627</u>	 <u>93,291</u>
 Operating income	 <u>64,762</u>	 <u>207,398</u>	 <u>142,636</u>
Nonoperating revenues:			
Interest earned	<u>4,380</u>	<u>326</u>	<u>(4,054)</u>
 Excess of revenues over expenditures before other financing sources (uses)	 69,142	 207,724	 138,582
Other financing sources (uses):			
Transfers to other funds	(91,364)	(91,364)	-
Fund balance appropriated	<u>22,222</u>	<u>-</u>	<u>(22,222)</u>
 Net change in fund balance	 <u>\$ -</u>	 116,360	 <u>\$ 116,360</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Decrease in compensated absences payable		<u>13,402</u>	
 Change in net assets (full accrual)		 <u>\$ 129,762</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, 2010**

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
Assets				
Cash and cash equivalents	\$ 93,648	\$ 614,838	\$ 651,102	\$ 57,384
Liabilities				
Accounts payable and accrued liabilities	\$ 93,648	\$ 614,838	\$ 651,102	\$ 57,384



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

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

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

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chapel Hill-Carrboro City Board of Education, North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the Chapel Hill-Carrboro City Board of Education, North Carolina's basic financial statements and have issued our report thereon dated October 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Chapel Hill-Carrboro City Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chapel Hill-Carrboro City Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Board in a separate letter dated October 28, 2010.

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

Anderson Smith & Wike PLLC

*October 28, 2010
Rockingham, North Carolina*



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

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

Compliance

We have audited Chapel Hill-Carrboro City Board of Education, North Carolina's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2010. The Chapel Hill-Carrboro City Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Chapel Hill-Carrboro City Board of Education, North Carolina's management. Our responsibility is to express an opinion on the Chapel Hill-Carrboro City Board of Education's compliance based on our audit.

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

In our opinion, the Chapel Hill-Carrboro City Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, and which is described in the accompanying schedule of findings and questioned costs as item 10-01.

Internal Control Over Compliance

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

that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Chapel Hill-Carrboro City Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 10-01. A significant deficiency in internal control over compliance is a deficiency, or a 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 in governance.

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

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

Anderson Smith & Wike PLLC

*October 28, 2010
Rockingham, North Carolina*



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

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

Compliance

We have audited Chapel Hill-Carrboro City Board of Education, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on the Board's major State program for the year ended June 30, 2010. The Chapel Hill-Carrboro City Board of Education's major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program is the responsibility of the Chapel Hill-Carrboro City Board of Education, North Carolina's management. Our responsibility is to express an opinion on the Chapel Hill-Carrboro City Board of Education's compliance based on our audit.

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

In our opinion, the Chapel Hill-Carrboro City Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2010.

Internal Control Over Compliance

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

Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Chapel Hill-Carrboro City Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

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

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

Anderson Smith & Wike PLLC

*October 28, 2010
Rockingham, North Carolina*

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010**

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
84.394	State Fiscal Stabilization Fund – Education State Grants - ARRA
84.367A	Improving Teacher Quality
	Special Education Cluster:
84.027	Grants to States
84.027	Special Needs
84.391	Grants to States - ARRA
84.027A	Capacity Building / Improvement
84.173	Preschool Grants
84.392	Preschool Grants - ARRA

Dollar threshold used to distinguish between Type A and Type B Programs	<u><i>\$ 346,510</i></u>
Auditee qualified as low-risk auditee?	<i>Yes</i>

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010**

Section I - Summary of Auditors' Results (Continued)

State Awards

Internal control over major State programs:

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

Type of auditors' report issued on compliance for major state programs Unqualified

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

Identification of major State programs:

Program Name

State Public School Fund

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

Finding 10-01

U.S. Department of Education
Passed Through the N.C. Department of Public Instruction
Program Name: Special Education Cluster
CFDA #'s: 84.027, 84,391, 84.027A, 84.173, 84.392

SIGNIFICANT DEFICIENCY
Compliance – level of effort

Criteria: Management is required to submit the total actual State and local expenditures for the education of children with disabilities for the first and second preceding years to determine that the Board has met the Maintenance of Fiscal Effort (MOE) requirements. Management is required to maintain documentation supporting the calculation of the amounts reported for the first and second preceding years.

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010**

Section III - Federal Award Findings and Questioned Costs (continued)

Condition: The amounts reported for the first and second preceding years expenditures are not actual expenditures. The amounts reported were derived from a calculation used by management for purposes of the Excess Cost Report.

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

Cause: Controls were not in place to ensure that the reported first and second preceding year amounts were compiled using actual expenditures for the two respective fiscal years.

Questioned Cost: None

Recommendation: We recommend that controls be put in place to ensure that all MOE requirements are understood and adhered to.

Management Response: Management agrees with the finding.

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, 2010**

Finding 10-01

Name of Contact Person: Lori DeTrude, Executive Director for Exceptional Children and Student Services

Corrective Action Plan: Controls will be implemented to ensure that all MOE requirements are adhered to.

Proposed Completion Date: Immediately.

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2010

None reported.

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Fiscal Year Ended June 30, 2010**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Federal Grants:		
<u>U.S. Department of Agriculture</u>		
Passed-through the N.C. Department of Public Instruction:		
Child Nutrition Cluster:		
Noncash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 299,074
Cash Assistance:		
School Breakfast Program	10.553	235,138
National School Lunch Program	10.555	1,110,443
Summer Food Service Program for Children	10.559	41,272
Cash Assistance Subtotal		<u>1,386,853</u>
Total Child Nutrition Cluster		<u>1,685,927</u>
<u>U.S. Department of Education</u>		
Direct Program:		
Carol M. White Physical Education Grant	84.215F	335,279
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		
Title I Cluster:		
Educationally Deprived Children	84.010	826,259
Educationally Deprived Children - ARRA	84.389	298,850
Total Title I Cluster		<u>1,125,109</u>
School Improvement Cluster:		
School Improvement	84.010A	51,640
School Improvement - ARRA	84.388	37,583
Total School Improvement Cluster		<u>89,223</u>
Title VI, Federal, State, and Local Partnership for		
Innovative Programs	84.298	2,390
Improving Teacher Quality	84.367A	303,967
Language Acquisition Grant	84.365A	760,467
Title IV, Part A, Safe and Drug Free Schools and Communities	84.186	24,000
State Fiscal Stabilization Fund - Education State Grants - ARRA	84.394	2,983,973
Education for Homeless Children and Youth	84.196	3,042

**CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Fiscal Year Ended June 30, 2010**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Education Technology Cluster:		
Educational Technology	84.318X	6,556
Educational Technology - ARRA	84.386	16,087
Total Education Technology Cluster		<u>22,643</u>
Office of Special Education and Rehabilitative Services Passed-through the N.C. Department of Public Instruction:		
Special Education Cluster:		
Individuals with Disabilities Education Act		
Special Education - Grants to States	84.027	1,771,261
Special Education - Special Needs	84.027	8,606
Special Education - Grants to States - ARRA	84.391	941,650
Special Education - Capacity Building /Improvement	84.027A	33,395
Special Education - Preschool Grants	84.173	25,753
Special Education - Preschool Grants - ARRA	84.392	57,162
Total Special Education Cluster		<u>2,837,827</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	79,211
Total U.S. Department of Education		<u>8,567,131</u>
<u>U.S. Department of Health and Human Services</u>		
Health Resources and Services Administration		
Passed-through the N.C. Department of Public Instruction:		
Abstinence Education	93.235	6,500
Corporation for National and Community Service		
Passed-through the N.C. Department of Public Instruction:		
Learn and Serve America	94.004	15,000
Administration for Youth and Families		
Head Start Cluster:		
Head Start	93.600	1,251,561
Head Start - ARRA	93.708	24,207
Total Head Start Cluster		<u>1,275,768</u>
Total U.S. Department of Health and Human Services		<u>1,297,268</u>
Total Federal Assistance		<u>\$ 11,550,326</u>

CHAPEL HILL-CARRBORO CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2010

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
State Grants:		
<u>N.C. Department of Public Instruction:</u>		
State Public School Fund		\$ 50,970,672
Vocational Education		
State Months of Employment		2,490,280
Program Support Funds		795,098
Driver Training		226,409
School Technology Fund		261,467
State appropriations - buses (noncash)		129,328
Textbooks (noncash)		<u>159,654</u>
Total NC Department of Public Instruction		<u>55,032,908</u>
<u>N.C. Department of Health and Human Services</u>		
Division of Child Development:		
Smart Start		7,039
More at Four		<u>435,600</u>
Total NC Department of Health and Human Services		<u>442,639</u>
Total State Assistance		<u>55,475,547</u>
Total Federal and State Assistance		<u>\$ 67,025,873</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.