

Publication No. 121-34
(Revised May 2011)

Illustrative Financial Statements

for a Board of Education

in North Carolina

State and Local Government Finance Division
North Carolina Department of State Treasurer

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June 30, 2011**

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LETTERHEAD OF INDEPENDENT AUDITOR

Independent Auditor's Report

To the Board of Education
Carolina County, 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 Carolina County Board of Education, North Carolina, as of and for the year then ended June 30, 2011, which collectively comprise the Carolina County Board of Education's basic financial statements as listed in the table of contents.¹ These financial statements are the responsibility of the Carolina County Board of Education, North Carolina'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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, business-type activities, each major fund, and the aggregate remaining fund information of the Carolina County Board of Education, North Carolina as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and State Public School Fund 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 [date of report] on our consideration of Example Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose the 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 are supplementary information required by the Governmental Accounting Standards Board. 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 on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Carolina County Board of Education,

North Carolina. The combining and individual fund statements, budgetary schedules and other schedules, and schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards 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.

[Signature]

[Date]

Note to preparer: See Section 27-A of the *Audit Manual for Governmental Audits in North Carolina* for various opinion letter examples. Please note that the opinion letter above was adjusted for Carolina County Board of Education.

Management's Discussion and Analysis

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Management's Discussion and Analysis

This section of the Carolina County Board of Education's (*the Board*) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2011. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board enjoyed an increased enrollment of 136 students (or 4%) from the previous year.
- The Board is constructing a new building to accommodate the increased enrollment and to allow it to offer an expanded curriculum to its students.
- The Board is working diligently with the Carolina County Board of Commissioners to find ways to fund increases in supplemental pay for teachers and to fund the continuing need for additional classroom space.
- Excessive mold contamination was discovered at Cardinal Senior High School resulting in an extraordinary impairment loss of \$369,090. Demolition and mold removal expenses of \$380,000 were incurred. Restoration costs of \$570,000 have been capitalized.

Overview of the Financial Statements

The audited financial statements of the Carolina County Board of Education consist of four components. They are as follows:

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

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

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds, proprietary funds, 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 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 – the difference between the board's assets and liabilities – 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 property tax base 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 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 and childcare services are 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.

Carolina County 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 – how cash and other assets can readily be converted to cash flow in and out, and 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 funds statements, in the form of a reconciliation, explains the relationship (or differences) between the government-side 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, 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. Carolina County 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 fund: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Carolina County Board of Education has one fiduciary fund – the Administrative Fund, which is a scholarship fund under the control of the administrative unit. This is accounted for as a private purpose trust fund.

The fiduciary fund statements are shown as Exhibits 10 and 11 of this report.

Financial Analysis of the Schools as a Whole

Net assets are an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$9,900,899 as of June 30, 2011. The largest component of net assets is invested in capital assets, net of related debt, of \$9,120,996. It comprises 92.12% of the total net assets.

Following is a summary of the Statement of Net Assets:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current assets	\$ 828,882	\$ 764,529	\$ 531,618	\$ 425,068	\$ 1,360,500	\$ 1,189,597
Capital assets	9,260,203	7,240,693	49,170	46,705	9,309,373	7,287,398
Total assets	<u>10,089,085</u>	<u>8,005,222</u>	<u>580,788</u>	<u>471,773</u>	<u>10,669,873</u>	<u>8,476,995</u>
Current liabilities	549,917	396,825	10,200	4,800	560,117	401,625
Long-term liabilities	200,841	236,637	8,016	-	208,857	236,637
Total liabilities	<u>750,758</u>	<u>633,462</u>	<u>18,216</u>	<u>4,800</u>	<u>768,974</u>	<u>638,262</u>
Invested in capital assets, net of related debt	9,071,826	7,223,341	49,170	46,705	9,120,996	7,270,046
Restricted net assets	340,722	-	-	-	340,722	-
Unrestricted net assets	(74,221)	148,418	513,402	420,268	439,181	568,686
Total net assets	<u>\$ 9,338,327</u>	<u>\$ 7,371,759</u>	<u>\$ 562,572</u>	<u>\$ 466,973</u>	<u>\$ 9,900,899</u>	<u>\$ 7,838,732</u>

Note that net assets increased during the year, indicating an improvement in the financial condition of the Board. The increase in net assets (26.31%) was due largely to the increase in capital assets in the governmental activities due to the new school construction. Unrestricted net assets increased in the business-type activities primarily because of an increase in current assets in the School Food Service fund. Also note that the Board carries capital assets for which Carolina County carries the offsetting debt.

The following table shows the revenues and expenses for the Board for the current fiscal year.

(continued on next page)

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total Primary Government	Total Primary Government
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 283,000	\$ 279,467	\$ 553,292	\$ 542,226	\$ 836,292	\$ 821,693
Operating grants and contributions	5,239,728	5,004,361	577,008	565,468	5,816,736	5,569,829
Capital grants and contributions	96,400	38,000	-	-	96,400	38,000
General revenues:						
Other revenues	4,846,093	4,798,526	122,002	119,562	4,968,095	4,918,088
Total revenues	10,465,221	10,120,354	1,252,302	1,227,256	11,717,523	11,347,610
Expenses:						
Governmental activities:						
Instructional services	5,326,891	4,989,452	-	-	5,326,891	4,989,452
System-wide support services	2,528,878	2,473,527	-	-	2,528,878	2,473,527
Ancillary services	18,990	18,041	-	-	18,990	18,041
Non-programmed charges	75,363	71,595	-	-	75,363	71,595
Interest on long-term debt	1,873	1,779	-	-	1,873	1,779
Depreciation	163,568	155,390	-	-	163,568	155,390
Business-type activities:						
Food service	-	-	1,026,739	1,006,204	1,026,739	1,006,204
Child care	-	-	143,964	141,085	143,964	141,085
Total expenses	8,115,563	7,709,784	1,170,703	1,147,289	9,286,266	8,857,073
Extraordinary item - Asset impairment loss	(369,090)	-	-	-	(369,090)	-
Transfers in (out)	(14,000)	(14,000)	14,000	14,000	-	-
Increase in net assets	1,966,568	2,396,570	95,599	93,967	2,062,167	2,490,537
Net assets, beginning	7,371,759	4,975,189	466,973	373,006	7,838,732	5,348,195
Net assets, ending	\$ 9,338,327	\$ 7,371,759	\$ 562,572	\$ 466,973	\$ 9,900,899	\$ 7,838,732

Total governmental activities generated revenues of \$10.4 million while expenses in this category totaled \$8.1 million for the year ended June 30, 2011. Comparatively, revenues were \$10.1 million and expenses totaled \$7.7 million for the year ended June 30, 2010. After transfers to the business-type activities, the increase in net assets stands at \$1.97 million at June 30, 2011, compared to almost \$2.4 million in 2010. Instructional services expenses comprised 65.64% of total governmental-type expenses while system-wide support services made up 31.16% of those expenses for 2011. County funding comprised 42.98% of total governmental revenue while unrestricted State funding added another 3% for 2011. In 2010, county funding was 40.7% and unrestricted State funding added 6.74%. Much of the remaining 54.02% of total governmental revenue for 2011 consists of restricted State and federal money. This revenue represented 52.56% of total revenue in 2010. Results for 2011 also included the extraordinary loss of \$369,090 due to mold damage. Business-type activities generated revenue of \$1.25 million and had expenses of \$1.17 million. Net assets increased in the business-type activities by \$95,599, after transfers in from the governmental activities of \$14,000.

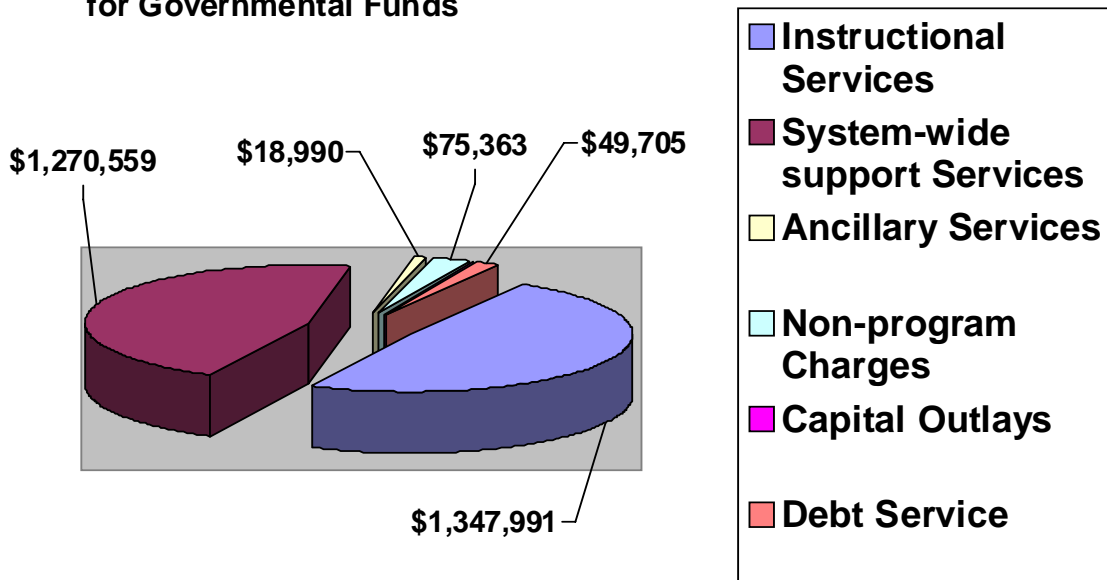
Financial Analysis of the Board's Funds

Governmental Funds: The focus of Carolina County 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 \$385,902, an \$181,876 increase over last year. All of the Board's governmental funds, except for the State Public School Fund, had revenues and other financing sources that exceeded expenditures and other uses, thus total fund balance increased. Two sources of funding increased over the prior year: State funding increased approximately \$200,000 and county funding increased by \$177,000. Expenditures increased as well, and included over \$3 million in capital outlay.

Proprietary Funds: The Board's business-type funds performed well in the past year. Both the School Food Service Fund and the Child Care Fund reflected increases in net assets over last year. Revenues and expenses remained constant; non-operating revenue brought about most of the increase in net assets with increases in federal reimbursements and investment earnings.

Categorization of Expenditures for Governmental Funds



Expenditures presented on modified accrual basis of accounting.

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 to reduce appropriations in light of the reduced revenue estimates. Even with the reductions in revenue, the Board was able to reduce spending and end the year with a small surplus. Reductions in estimated revenues and corresponding decreases in appropriations totaled \$38,400 in the General Fund.

Capital Assets

Capital assets increased by \$2,021,975 (or 27.75%) from the previous year. This was largely due to new construction, the purchase of new buses, and the restoration project at Cardinal Senior High School. Excessive mold contamination was discovered at Cardinal Senior High School resulting in an extraordinary impairment loss of \$369,090. Demolition and mold removal expenses of \$380,000 were incurred. Restoration costs of \$570,000 have been capitalized.

The following is a summary of the capital assets, net of depreciation at year-end.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,946,000	\$ 2,589,000	\$ -	\$ -	\$ 2,946,000	\$ 2,589,000
Construction in progress	911,000	69,600	-	-	911,000	69,600
Buildings	4,539,173	3,928,700	-	-	4,539,173	3,928,700
Furniture and equipment	469,324	297,120	42,825	40,425	512,149	337,545
Vehicles and motorized equipment	289,937	250,000	-	-	289,937	250,000
Library books	104,769	106,273	-	-	104,769	106,273
Computer equipment	-	-	6,345	6,280	6,345	6,280
Total	\$ 9,260,203	\$ 7,240,693	\$ 49,170	\$ 46,705	\$ 9,309,373	\$ 7,287,398

Debt Outstanding

During the year the Board's outstanding debt increased by \$171,025 due mainly to the use of installment financing to pay for energy conservation measures and school buses. 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. The County holds virtually all debt issued for school capital construction.

Economic Factors

Note to preparer: List items such as number of new jobs created in unit, number of occupied square feet of business property, unemployment rate and how it compares to state average, total retail sales for the County for the year, etc. The following is an example based on Carolina County Board of Education.

The Board anticipates an increased enrollment over the next several years and will need continued increases in classroom space, teachers, and equipment. County funding is a major source of income for the Board; therefore the County's economic outlook directly affects that of the schools. The following factors have positively affected the economic outlook of Carolina County.

- The County is enjoying a low unemployment rate of 5.1%, lower than the state average of 6.3%.
- Retail vacancy rates are low, having stayed in the 5-10% range all year.
- New manufacturing jobs were created in the last year bringing 400 new jobs to our County.

Requests for Information

This report is intended to provide a summary of the financial condition of Carolina County Board of Education. Questions or requests for additional information should be addressed to:

Name, Finance Officer
Carolina County Board of Education
1111 Government Drive
Dogwood, NC 00000

Basic Financial Statements

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Carolina County Board of Education, North Carolina
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 387,500	\$ 348,444	\$ 735,944
Due from other governments	406,472	143,714	550,186
Receivables (net)	1,430	4,500	5,930
Internal balances	7,700	(7,700)	-
Inventories	14,200	42,660	56,860
Assets held for resale	11,580	-	11,580
Capital assets (Note 1):			
Land, improvements, and construction in progress	3,857,000	-	3,857,000
Other capital assets, net of depreciation	5,403,203	49,170	5,452,373
Total capital assets	9,260,203	49,170	9,309,373
Total assets	10,089,085	580,788	10,669,873
LIABILITIES			
Accounts payable and accrued expenses	80,300	5,200	85,500
Accrued salaries and wages payable	305,000	-	305,000
Unearned revenue	56,250	-	56,250
Accrued interest payable	831	-	831
Long-term liabilities:			
Due within one year	107,536	5,000	112,536
Due in more than one year	200,841	8,016	208,857
Total liabilities	750,758	18,216	768,974
NET ASSETS			
Invested in capital assets, net of related debt	9,071,826	49,170	9,120,996
Restricted:			
Individual Schools	100,072	-	100,072
Stabilization by State Statute	14,650	-	14,650
School Capital Outlay	226,000		226,000
Unrestricted	(74,221)	513,402	439,181
Total net assets	\$ 9,338,327	\$ 562,572	\$ 9,900,899

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

**Carolina County Board of Education, North Carolina
Statement of Activities
For the Year Ended June 30, 2011**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
Instructional services:				
Regular instructional	\$ 3,724,876	\$ 5,000	\$ 3,111,034	\$ -
Special populations	679,835	-	664,356	-
Alternative programs	120,903	-	108,621	-
School leadership	24,316	-	-	-
Co-curricular	682,009	274,000	452,000	-
School-based support	94,952	-	-	-
System-wide support services:				
Support and development	102,441	-	-	-
Special population support and development	110,388	-	108,951	-
Alternative programs and services support and development	56,604	-	23,704	-
Technology support	414,382	-	30,999	-
Operational support	997,860	4,000	286,351	96,400
Financial and human resource	292,449	-	280,501	-
Accountability	171,891	-	7,901	-
System-wide pupil support	163,096	-	127,910	-
Policy, leadership and public relations	219,767	-	-	-
Ancillary services	18,990	-	14,000	-
Non-programmed charges	75,363	-	23,400	-
Interest on long-term debt	1,873	-	-	-
Unallocated depreciation expense**	163,568	-	-	-
Total governmental activities	8,115,563	283,000	5,239,728	96,400
Business-type activities:				
School food service	1,026,739	406,290	577,008	-
Child care	143,964	147,002	-	-
Total business-type activities	1,170,703	553,292	577,008	-
Total primary government	\$ 9,286,266	\$ 836,292	\$ 5,816,736	\$ 96,400

General revenues:

Unrestricted county appropriations - operating
 Unrestricted county appropriations - capital
 Unrestricted State appropriations - operating
 Unrestricted State appropriation - capital
 Unrestricted Federal appropriations - operating *, ***
 Unrestricted Federal appropriations - capital *, ***
 Investment earnings, unrestricted
 Miscellaneous, unrestricted
 Extraordinary Item: Asset impairment loss - mold remediation
 Transfers
 Total general revenues, special items, and transfers
 Change in net assets
 Net assets, beginning
 Net assets, ending

* These line items are included for illustrative purposes only; if there are functions and/or revenues for which your unit has no activity, please delete those functions from the statement.

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

*** Some units may receive federal grants that may be used for either capital and/or operating purposes for the benefit of all programs and functions; these grants would be classified as unrestricted.

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (608,842)	\$ -	\$ (608,842)
(15,479)	-	(15,479)
(12,282)	-	(12,282)
(24,316)	-	(24,316)
43,991	-	43,991
(94,952)	-	(94,952)
(102,441)	-	(102,441)
(1,437)	-	(1,437)
(32,900)	-	(32,900)
(383,383)	-	(383,383)
(611,109)	-	(611,109)
(11,948)	-	(11,948)
(163,990)	-	(163,990)
(35,186)	-	(35,186)
(219,767)	-	(219,767)
(4,990)	-	(4,990)
(51,963)	-	(51,963)
(1,873)	-	(1,873)
(163,568)	-	(163,568)
(2,496,435)	-	(2,496,435)
-	\$ (43,441)	(43,441)
-	3,038	3,038
-	(40,403)	(40,403)
(2,496,435)	(40,403)	(2,536,838)
2,000,000	-	2,000,000
2,497,675	-	2,497,675
-	-	-
314,600	-	314,600
-	-	-
-	-	-
1,880	122,002	123,882
31,938	-	31,938
(369,090)	-	(369,090)
(14,000)	14,000	-
4,463,003	136,002	4,599,005
1,966,568	95,599	2,062,167
7,371,759	466,973	7,838,732
\$ 9,338,327	\$ 562,572	\$ 9,900,899

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Carolina County Board of Education, North Carolina
Balance Sheet
Governmental Funds
June 30, 2011

	Major Funds				Non-major Fund	Total Governmental Funds
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants	
ASSETS						
Cash and cash equivalents	\$ 158,000	\$ -	\$ 97,100	\$ 127,700	\$ 4,700	\$ 387,500
Due from other funds	7,700	-	-	-	-	7,700
Due from other governments	1,950	215,300	2,972	160,000	26,250	406,472
Assets held for resale	11,580	-	-	-	-	11,580
Inventories	14,200	-	-	-	-	14,200
Total assets	\$ 193,430	\$ 215,300	\$ 100,072	\$ 287,700	\$ 30,950	\$ 827,452

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities	\$ 43,600	\$ -	\$ -	\$ 36,700	\$ -	\$ 80,300
Accrued salaries and wages payable	73,900	200,300	-	-	30,800	305,000
Unearned revenue	16,100	15,000	-	25,000	150	56,250
Total liabilities	133,600	215,300	-	61,700	30,950	441,550

Fund balances:

Nonspendable:						
Inventories	14,200	-	-	-	-	14,200
Assets held for resale	11,580	-	-	-	-	11,580
Restricted:						
Stabilization by State Statute	14,650	-	-	-	-	14,650
School Capital Outlay	-	-	-	226,000	-	226,000
Individual Schools	-	-	100,072	-	-	100,072
Assigned:						
Subsequent years expenditures	5,000	-	-	-	-	5,000
Unassigned:						
Total fund balances	59,830	-	100,072	226,000	-	385,902
Total liabilities and fund balances	\$ 193,430	\$ 215,300	\$ 100,072	\$ 287,700	\$ 30,950	

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.	9,260,203
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,430
Liabilities for earned but deferred revenues in fund statements.	(831)
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note 4).	(308,377)
Net assets of governmental activities	\$ 9,338,327

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

Carolina County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2011

	Major Funds				Non-major Fund	Total Governmental Funds
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants	
REVENUES						
State of North Carolina	\$ 702,640	\$ 3,964,714	\$ -	\$ 411,000	\$ -	\$ 5,078,354
Carolina County	2,000,000	-	-	2,497,675	-	4,497,675
U.S. Government	-	-	-	-	197,774	197,774
Contributions and donations	-	-	452,000	-	-	452,000
Other	42,838	-	274,000	-	-	316,838
Total revenues	2,745,478	3,964,714	726,000	2,908,675	197,774	10,542,641
EXPENDITURES						
Current:						
Instructional services						
Regular instructional	938,342	2,682,457	-	-	83,577	3,704,376
Special populations	146,497	475,641	-	-	50,797	672,935
Alternative programs	107,903	-	-	-	-	107,903
School leadership	22,316	-	-	-	-	22,316
Co-curricular	37,981	-	644,028	-	-	682,009
School-based support	94,952	-	-	-	-	94,952
System-wide support services						
Support and development	14,990	83,951	-	-	-	98,941
Special populations support and development	59,684	23,704	-	-	25,000	108,388
Alternative programs and services support and development	36,850	19,754	-	-	-	56,604
Technology support	165,487	248,895	-	-	-	414,382
Operational support	293,056	280,501	-	-	15,000	588,557
Financial and human resource	281,548	7,901	-	-	-	289,449
Accountability	37,981	127,910	-	-	-	165,891
System-wide pupil support	161,196	-	-	-	-	161,196
Policy, leadership and public relations	219,767	-	-	-	-	219,767
Ancillary services	18,990	-	-	-	-	18,990
Non-programmed charges	75,363	-	-	-	23,400	98,763
Debt service:						
Principal	-	-	-	47,975	-	47,975
Interest and other charges	-	-	-	1,100	-	1,100
Capital outlay*:						
Real property and buildings	-	-	-	2,690,471	-	2,690,471
Furniture and equipment	-	-	-	214,000	-	214,000
Buses and motor vehicles	-	-	-	108,000	-	108,000
Total expenditures	2,712,903	3,950,714	644,028	3,061,546	197,774	10,566,965
Excess (deficiency) of revenues over expenditures	32,575	14,000	81,972	(152,871)	-	(24,324)
OTHER FINANCING SOURCES (USES)						
Transfers to other funds	-	(14,000)	-	-	-	(14,000)
Installment purchase obligations issued	-	-	-	200,000	-	19,000
Capital lease obligations issued	-	-	-	19,000	-	200,000
Total other financing sources (uses)	-	(14,000)	-	219,000	-	205,000
Net change in fund balance	32,575	-	81,972	66,129	-	180,676
Fund balances, beginning	26,055	-	18,100	159,871	-	204,026
Increase in reserve for inventories	1,200	-	-	-	-	1,200
Fund balances, ending	\$ 59,830	\$ -	\$ 100,072	\$ 226,000	\$ -	\$ 385,902

*Note to preparer: Capital outlay expenditures may be allocated across the functions.

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

Carolina County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2011

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

Net changes in fund balances - total governmental funds	\$	180,676
Change in fund balance due to change in reserve for inventory		1,200
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period</p>		
		2,027,510
<p>Difference in accrued investment income and income reported in fund statements</p>		
		(20)
<p>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.</p>		
		(171,025)
<p>Difference in accrued interest payable and interest expensed on fund statements</p>		
		(773)
<p>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.</p>		
Compensated absences		(63,000)
Loss on disposal of assets		(8,000)
		<u> </u>
Total changes in net assets of governmental activities	\$	<u>1,966,568</u>

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

Exhibit 6
Carolina County Board of Education, North Carolina
General Fund and Annually Budgeted Major Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011

General Fund				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	\$ 755,275	\$ 685,275	\$ 702,640	\$ 17,365
Carolina County	1,979,200	2,000,000	2,000,000	-
U.S. Government *	-	-	-	-
Contributions and donations *	-	-	-	-
Other	40,000	50,800	42,838	(7,962)
Total revenues	<u>2,774,475</u>	<u>2,736,075</u>	<u>2,745,478</u>	<u>9,403</u>
Expenditures:				
Current:				
Instructional services:				
Regular	939,113	939,113	938,342	771
Special populations	146,900	146,900	146,497	403
Alternative programs	108,125	108,125	107,903	222
School leadership	22,975	22,975	22,316	659
Co-curricular	38,000	38,000	37,981	19
School-based support	95,000	95,000	94,952	48
System-wide support services:				
Support and development	15,000	15,000	14,990	10
Special population support and development	60,000	60,000	59,684	316
Alternative programs and services support and development	37,000	37,000	36,850	150
Technology support	170,000	170,000	165,487	4,513
Operational support	306,761	300,000	293,056	6,944
Financial and human resource	281,000	281,000	281,548	(548)
Accountability	38,500	38,500	37,981	519
System-wide pupil support	188,526	169,962	161,196	8,766
Policy, leadership and public relations	220,000	220,000	219,767	233
Ancillary services	19,000	19,000	18,990	10
Non-programmed charges	75,500	75,500	75,363	137
Capital outlay:				
Real property and buildings *	-	-	-	-
Furniture and equipment *	-	-	-	-
Buses and motor vehicles *	-	-	-	-
Total expenditures	<u>2,761,400</u>	<u>2,736,075</u>	<u>2,712,903</u>	<u>23,172</u>
Revenues over (under) expenditures	<u>13,075</u>	<u>-</u>	<u>32,575</u>	<u>32,575</u>
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	(13,075)	-	-	-
Capital lease obligations issued	-	-	-	-
Total other financing sources (uses)	<u>(13,075)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>32,575</u>	<u>\$ 32,575</u>
Fund balances, beginning			26,055	
Increase in reserve for inventories			1,200	
Fund balances, ending			<u>\$ 59,830</u>	

* **Note to preparer:** These line items are included for illustrative purposes; if these are functions for which your unit has no activity, please delete those functions from the

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

Exhibit 6

State Public School Fund			
Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ 3,964,350	\$ 3,964,350	\$ 3,964,714	\$ 364
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>3,964,350</u>	<u>3,964,350</u>	<u>3,964,714</u>	<u>364</u>
2,700,000	2,710,000	2,682,457	27,543
415,000	414,900	475,641	(60,741)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
117,000	117,000	83,951	33,049
24,000	23,700	23,704	(4)
20,500	20,000	19,754	246
251,000	249,000	248,895	105
283,000	280,550	280,501	49
7,900	7,900	7,901	(1)
131,950	127,300	127,910	(610)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>3,950,350</u>	<u>3,950,350</u>	<u>3,950,714</u>	<u>(364)</u>
<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>-</u>
-	-	-	-
(14,000)	(14,000)	(14,000)	-
-	-	-	-
<u>(14,000)</u>	<u>(14,000)</u>	<u>(14,000)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
		<u>\$ -</u>	

Carolina County Board of Education, North Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Enterprise Funds		
	Major Fund	Non-major Fund	Total
	School Food Service	Child Care	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 320,800	\$ 27,644	\$ 348,444
Due from other governments	142,900	814	143,714
Receivables (net)	-	4,500	4,500
Inventories	42,660	-	42,660
Total current assets	<u>506,360</u>	<u>32,958</u>	<u>539,318</u>
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	42,825	-	42,825
Computer equipment, net	5,515	830	6,345
Total noncurrent assets	<u>48,340</u>	<u>830</u>	<u>49,170</u>
Total assets	<u>\$ 554,700</u>	<u>\$ 33,788</u>	<u>\$ 588,488</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 3,000	\$ 2,200	\$ 5,200
Due to other funds	7,700	-	7,700
Total current liabilities	<u>10,700</u>	<u>2,200</u>	<u>12,900</u>
Noncurrent liabilities:			
Compensated absences	5,000	8,016	13,016
Total noncurrent liabilities	<u>5,000</u>	<u>8,016</u>	<u>13,016</u>
Total liabilities	<u>15,700</u>	<u>10,216</u>	<u>25,916</u>
NET ASSETS			
Invested in capital assets, net of related debt	48,340	830	49,170
Unrestricted	490,660	22,742	513,402
Total net assets	<u>\$ 539,000</u>	<u>\$ 23,572</u>	<u>\$ 562,572</u>

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

Carolina County Board of Education, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Funds		
	Major Fund	Non-major Fund	Total
	School Food Service	Child Care	
OPERATING REVENUES			
Food sales	\$ 406,290	\$ -	\$ 406,290
Child care fees	-	146,882	146,882
Other	-	120	120
Total operating revenues	<u>406,290</u>	<u>147,002</u>	<u>553,292</u>
OPERATING EXPENSES			
Food cost:			
Purchase of food	840,290	-	840,290
Donated commodities	19,641	-	19,641
Salaries and benefits	78,000	129,070	207,070
Indirect costs	58,000	-	58,000
Materials and supplies	6,557	12,408	18,965
Repairs and maintenance	1,886	-	1,886
Depreciation	7,765	300	8,065
Contracted services	7,600	2,186	9,786
Other	7,000	-	7,000
Total operating expenses	<u>1,026,739</u>	<u>143,964</u>	<u>1,170,703</u>
Operating income (loss)	<u>(620,449)</u>	<u>3,038</u>	<u>(617,411)</u>
NONOPERATING REVENUES (EXPENSES)			
Federal reimbursements	552,367	-	552,367
Federal commodities	20,641	-	20,641
Interest earned	120,978	1,024	122,002
Indirect costs not paid	4,000	-	4,000
Total nonoperating revenue (expenses)	<u>697,986</u>	<u>1,024</u>	<u>699,010</u>
Income (loss) before contributions and transfers	77,537	4,062	81,599
Transfers from other funds	14,000	-	14,000
Change in net assets	91,537	4,062	95,599
Total net assets, beginning	447,463	19,510	466,973
Total net assets, ending	<u>\$ 539,000</u>	<u>\$ 23,572</u>	<u>\$ 562,572</u>

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

Carolina County Board of Education, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011

Enterprise Funds		
Major Fund	Non-major Fund	Total
School Food Service	Child Care	

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 406,290	\$ 148,390	\$ 554,680
Cash paid for goods and services	(962,925)	(17,360)	(980,285)
Cash paid to employees for services	(71,000)	(131,840)	(202,840)
Other operating revenues	-	120	120
Net cash provided (used) by operating activities	(627,635)	(690)	(628,325)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal reimbursements	537,885	-	537,885

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(10,000)	(1,200)	(11,200)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	120,978	1,024	122,002
Net increase (decrease) in cash and cash equivalents	21,228	(866)	20,362
Balances, beginning	299,572	28,510	328,082
Balances, ending	\$ 320,800	\$ 27,644	\$ 348,444

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ (620,449)	\$ 3,038	\$ (617,411)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	7,765	300	8,065
Donated commodities consumed	19,641	-	19,641
Salaries paid by special revenue fund	14,000	-	14,000
Indirect costs not paid	4,000	-	4,000
Changes in assets and liabilities:			
(Increase) in due from other governments	(50,000)	(744)	(50,744)
Decrease in accounts receivable	-	1,508	1,508
(Increase) in inventory	(9,290)	-	(9,290)
Increase (decrease) in accounts payable and accrued liabilities	1,698	(2,022)	(324)
Increase (decrease) in long-term liabilities	5,000	(2,770)	2,230
Total adjustments	(7,186)	(3,728)	(10,914)
Net cash provided by operating activities	\$ (627,635)	\$ (690)	\$ (628,325)

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

(continued)

**Carolina County Board of Education, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011**

Noncash investing, capital, and financing activities:

The State Public School Fund paid salaries and benefits of \$14,000 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected by a transfer in and an operating expense on Exhibit 8.

Indirect costs of \$4,000 that would be due to the General Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 8.

The School Food Service Fund received donated commodities with a value of \$20,641 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$19,641 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 8.

**Carolina County Board of Education
Statement of Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2011**

Exhibit 10

	Private Purpose Trust
Assets	
Cash	\$ 13,000
Due from other government	142
	13,142
Liabilities	
	-
Net Assets	
Assets held in trust for private purpose	\$ 13,142

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

Carolina County Board of Education
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

Exhibit 11

	<u>Private Purpose Trust</u>
Additions:	
Contributions and other revenue	\$ 10,000
Deductions:	
Instructional costs	<u>4,858</u>
Change in net assets	5,142
Net assets, beginning	<u>8,000</u>
Net assets, ending	<u><u>\$ 13,142</u></u>

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

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Carolina County Board of Education, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2011

I. Summary of Significant Accounting Policies

The accounting policies of Carolina County 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 Carolina County 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 Carolina County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

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 funds. 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 funds are 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.

Notes to the Financial Statements

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.

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 individual Schools Fund is reported as a special revenue fund.

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) and is reported as a capital projects fund. It is mandated by State law [G.S.115C-426]. Capital projects are funded by Carolina County appropriations, restricted sales tax moneys, proceeds of Carolina County bonds issued for public school construction, lottery proceeds, as well as certain State assistance.

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 and is reported as an enterprise fund.

The Board reports the following fiduciary fund:

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. This fund is reported as a private purpose trust fund.

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

Notes to the Financial Statements

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

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 _____ level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to \$5,000) from one function to another within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change _____ appropriations by more than \$5,000. All amendments must be approved by the governing board. During the year, several immaterial 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.

Note to preparer: Please adjust the Budgetary Data note based on how the budget for your local education agency was adopted. This note along with stewardship and Budget to Actual statements will be used by our office to verify budgetary compliance. According to G.S. 115C-429(b), your LEA's Board of county commissioners may, in its discretion, allocate part or all of its appropriation by purpose, function, or project. In Carolina County Board of Education we have assumed the Board adopted level is by function.

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

Notes to the Financial Statements

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. It consists of an internal portion and an external portion in which the board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

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

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. The inventories of the Board's General Fund consist of expendable materials and supplies, which are recorded as expenditures when purchased. The General Fund inventories do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reserved. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

4. Capital Assets

The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1950 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.

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items that are purchased and used in large quantities such as student desks, including library books and materials are capitalized. The library collections consist of large number of books with modest values; the composite depreciation method has been used as discussed GASB 35, para 163-166. The cost of normal

Notes to the Financial Statements

maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

	<u>Years</u>
Buildings	50
Furniture and equipment	10
Vehicles and motorized equipment	6
Library books	5
Computer equipment	3

Depreciation for building and equipment that serve multiple purposes cannot be allocated ratably and is therefore reported as “unallocated depreciation” on the Statement of Activities.

5. Long-term obligations

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

6. Compensated Absences

The Board follows the State’s policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board’s liability for accumulated earned vacation and the salary-related payments as of June 30, 2011 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years’ records, of the current portion of compensated absences.

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

7. Net Assets/Fund Balances

Net Assets

Net assets in the government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets

Notes to the Financial Statements

represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, or imposed by law through state statute.

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Assets held for resale- portion of fund balance that is not an available resource because it represents the year end balance of assets held for resale, which are not spendable resources.

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

Note to Preparer: Restricted and Committed section of fund balance must be by purpose. The name of the restricting source is not a purpose. Example: Restricted by grants could be labeled “Restricted for School Capital Outlay” if they are to be used for school construction.

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

Restricted for School Capital Outlay- portion of fund balance that can only be used for School Capital Outlay. [G.S. 159-18 through 22]

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

Committed Fund Balance –portion of fund balance that can only be used for specific purpose imposed by majority vote by quorum of Board of Education’s governing body (highest level of decision-making authority) and in certain instances approval by the County’s governing body is required. Any changes or removal of specific purpose requires majority action by the governing bodies that approved the original action.

Note to Preparer: Carolina Board of Education does not have an example of committed fund balance; the following is provided for units that have such a classification.

Notes to the Financial Statements

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

Note to Preparer: Unit of government must disclose who has authority to assign fund balance to a specific purpose and the policy by the governing body that established this authorization. G.S. 115C-429 through 434 requires approval of the County's governing board for various actions.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

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

Note to Preparer: Units should modify this language to reflect their own policies.

(continued on next page)

Notes to the Financial Statements

8. Reconciliation of Government-wide and Fund Financial Statements

1. 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 \$8,952,425 consists of several elements as follows:

Description	Amount
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)	\$ 13,355,910
Less Accumulated Depreciation	(4,095,707)
Net capital assets	9,260,203
 Accounts receivable recorded in the government-wide statements as these funds are not available and therefore deferred in the fund statements.	1,430
 Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide	-
 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:	
Bonds, leases, and installment financing	(188,377)
Compensated absences	(120,000)
Accrued interest payable	(831)
 Total adjustment	\$ 8,952,425

(continued on next page)

Notes to the Financial Statements

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$1,785,892 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,628,231
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.	(231,631)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets	(219,000)
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	47,975
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.	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	(773)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(63,000)
Loss on disposal of asset	(8,000)
Asset impairment loss - mold remediation	(369,090)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Difference in accrued investment income recognized on the government-wide statements and investment income as recorded on the fund statements	(20)
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	1,200
Total adjustment	\$ 1,785,892

Notes to the Financial Statements

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

Noncompliance with North Carolina General Statutes

Note to preparer: Significant instances of noncompliance with the fiscal and budgetary requirements (other than over-expenditures of the budget, see B below) of the General Statutes should be disclosed in this section along with a corrective action plan. Items that should be disclosed include lack of the adoption of an annual balanced budget for an enterprise fund, material instances of budgetary noncompliance in any fund at the legal level of budgetary control; school finance officer's performance bond is less than \$50,000, etc. Insignificant instances of noncompliance could be summarized in the management letter. Section 15 of the Audit Manual contains a listing on the major statutory references applicable to units of local government and boards of education.

Contractual Violations

Note to preparer: Significant contractual violations of lease arrangements or other contractual agreements should be disclosed in this section along with a corrective action plan.

B. Excess of Expenditures over Appropriations

During the fiscal year ended June 30, 2011, the Board reported expenditures within the Capital Outlay Fund that violated State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance by \$197,991. The project is funded by a grant and reimbursement for the expenditures was received subsequent to year-end. Management will monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations.

Note to preparer: Disclose any excess of expenditures over appropriations at the legal level of budgetary control for those individual funds that adopt budget ordinances. In accordance with GAAP, all budget ordinance violations and corrective action plans should be disclosed.

C. Deficits in Fund Balance or Net Assets of Individual Funds

Note to preparer: Individual funds that report deficits in their fund balances or in their net assets should be disclosed along with a corrective action plan.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2011, the Board had deposits with banks and savings and loans with a carrying amount of \$194,744 and with the State Treasurer of \$4,700. The bank balances with the financial institutions and the State Treasurer, were \$178,300 and \$6,600, respectively. Of these balances, \$178,300 was covered by federal depository insurance and \$6,600 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Note to preparer: A Local Educational Agency should disclose whether or not their Board has adopted a formal policy for any of the different deposit and investments risks it encounters. In addition, the unit may include whether its management follows any internal practices to avoid applicable risks. In the following Deposits and Investments disclosures, the Carolina County Board of Education does not have a formal Board-adopted policies, or internal management practices.

Please see Memorandum #1056 for additional information. See *Note III.A.1* of Carolina County for an example of formal policy disclosures. See *Note III.A.1* of City of Dogwood for an example of when no formal policy has been adopted, but there are internal management policies in place.

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Notes to the Financial Statements

2. Investments

At June 30, 2011, the Board's investment balances were as follows:

Note to preparer: For BOEs whose only investments are with the North Carolina Capital Management Trust Cash Portfolio and/or the STIF account, the following statement is all that is required for GASB 40 disclosure. Use the sentence(s) appropriate for the unit. Negative disclosures are not acceptable. "At June 30, 2011, the Board of Education had \$155,697 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. There was \$87,375 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of ____ at June 30, 2011. The Board has no policy for managing interest rate risk or credit risk." *The weighted average maturity of the STIF account will be provided each year in a late summer memo.*

Note to preparer: The presentation below demonstrates the specific identification method. See City of Dogwood for examples of more complex disclosures or Carolina County for the segmented time distribution method. *The weighted average maturity of the STIF account will be provided each year in a late summer memo.*

	Fair Value	Maturity	Rating
Investment Type			
US Treasuries	\$205,903	August 30, 2010	AAA
Fannie Mae*	100,525	December 31, 2011	AAA
NC Capital Management Trust – Cash Portfolio	155,697	N/A	AAAm
Department of State Treasurer Short Term Investment Fund (STIF)	87,375	Weighted average maturity of ____ years	Unrated
Total:	\$549,500		

* October 1, 2011 is the bond's call date.

Interest Rate Risk. The Board of Education does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Department of State Treasurer Short Term Investment Fund (STIF) had a weighted average maturity of ____ years as of June 30, 2011.

Credit Risk. The Board's investments in Fannie Mae were rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. The Board's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2011. The STIF is unrated and is authorized under NC General Statute 147-69.1. The State Treasurer's

Notes to the Financial Statements

STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate treasuries and agencies, and money market instruments. The Board has no policy on credit risk.

Concentration of Credit Risk. The Board places no limit on the amount the Board may invest in any one issuer. More than 5 percent of the Board's investments are in Fannie Mae securities. This investment is 18.3% of the Board's total investments.

3. Accounts Receivable

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

	Due from other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ 7,700	\$ 1,950	\$ 1,430	\$ 11,080
Other governmental activities	-	404,522	-	404,522
Total	\$ 7,700	\$ 406,472	\$1,430	\$415,602
Business-type activities:				
School Food Service	\$ (7,700)	\$ 142,900	\$ -	\$135,200
Child Care	-	814	4,500	5,314
Total	\$ (7,700)	\$ 143,714	\$4,500	\$140,514

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$1,950	Miscellaneous tax revenue from County
State Public School Fund	215,300	Operating funds from DPI
Individual Schools	2,972	Miscellaneous revenue from County
Capital Outlay Fund	160,000	State funds from State appropriations
Federal Grants Fund	26,250	Federal grant funds
Total	\$406,472	
Business-type activities:		
School Food Service Fund	\$142,900	Federal funds
Child Care Fund	814	Miscellaneous tax revenue from County
Total	\$143,714	

Notes to the Financial Statements

Note to preparer: All interfund balances are considered essential to fair presentation at the basic financial statement level and should be included in the notes to the financial statements. For interfund balances, amounts due from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type; the purpose for those balances; and amounts that are not expected to be repaid within one year should be disclosed in the notes. For interfund transfers, amounts transferred from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type; general description of the principal purposes of interfund transfers; and purposes for and amounts of non-routine transfers and/or transfers inconsistent with the activities of the fund making the transfers should be disclosed in the notes. These provisions should be applied only to *material* items.

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,589,000	\$ 357,000	\$ -	\$ 2,946,000
Construction in progress	69,600	841,400	-	911,000
Total capital assets not being depreciated	2,658,600	1,198,400	-	3,857,000
Capital assets being depreciated:				
Buildings	7,182,400	1,106,071	369,090	7,919,381
Furniture and equipment	534,816	192,400	27,000	700,216
Computer equipment	59,424	21,360	3,000	77,784
Vehicles and motorized equipment	500,000	108,000	21,000	587,000
Library books	212,529	2,000	-	214,529
Total capital assets being depreciated	8,489,169	1,429,831	420,090	9,498,910
Less accumulated depreciation for:				
Buildings	3,253,700	126,508	-	3,380,208
Furniture and equipment	267,408	30,200	19,800	277,808
Computer equipment	29,712	3,356	2,200	30,868
Vehicles and motorized equipment	250,000	68,063	21,000	297,063
Library books	106,256	3,504	-	109,760
Total accumulated depreciation	3,907,076	231,631	43,000	4,095,707
Total capital assets being depreciated, net	4,582,093			5,403,203
Governmental activity capital assets, net	\$ 7,240,693			\$ 9,260,203

4. Capital Assets

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

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 163,568
Operational support services	68,063
Total	\$ 231,631

Notes to the Financial Statements

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and equipment	\$ 60,600	\$ 9,400	\$ -	\$ 70,000
Computer equipment	9,400	-	-	9,400
Total capital assets being depreciated	70,000	9,400	-	79,400
Less accumulated depreciation for:				
Furniture and equipment	20,175	7,000	-	27,175
Computer equipment	3,120	765	-	3,885
Total accumulated depreciation	23,295	7,765	-	31,060
School Food Service capital assets, net	46,705			48,340
Other Business-type Activity Programs				
Capital assets being depreciated:				
Computer equipment	-	1,130	-	1,130
Less accumulated depreciation for:				
Computer equipment	-	300	-	300
Other enterprise funds capital assets, net	-			830
Business-type activities capital assets, net	\$ 46,705			\$ 49,170

Construction Commitments

Carolina County has active construction projects as of June 30, 2011. The projects include the Northwest Project that includes park renovations and an outdoor theatre, school construction for the benefit of Carolina County Board of Education, and water district projects. At year-end, the County's commitments with contractors for school construction are as follows:

Note to preparer: The following note is used only in instances where the BOE has, prior to year end, entered into contracts to purchase buses but has not yet taken delivery of the buses. Once the contract is finalized and delivery taken of the buses (presumably in the subsequent year), this note should be omitted.

Financing Commitments

Recent legislation permits the State Board of Education to finance the purchase of replacement school buses through installment purchases. Carolina County Board of Education has entered into an agreement to purchase 5 buses in this manner. The term of the financing cannot exceed three years and the Board must purchase the buses from vendors approved by the Department of Public Instruction. The Department of Public Instruction will make the payments to the lender on behalf of the County Board of Education out of funds allocated to the County Board of Education. Because future resources will be used to fund the payments under the installment agreement, no encumbrance of fund balance at June 30, 2011, has been recorded.

The payments due in the fiscal year ended June 30, 2011 are as follows:

Total purchase price, 5 buses	\$600,000
Total payments due in 11-12	\$200,000
Remaining payments in subsequent years	\$400,000

Notes to the Financial Statements

Note to preparer: An encumbrance is not recorded for these installment purchase agreements because current resources will not be used to satisfy these obligations.

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. Carolina County 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 _____% of annual covered payroll. The contribution requirements of plan members and Carolina County Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2011, 2010, and 2009 were \$_____, \$_____, and \$_____, respectively, equal to the required contributions for each year.

b. Other Postemployment Benefits

1. Healthcare Benefits

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

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.

Notes to the Financial Statements

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2011, 2010, and 2009, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$____, \$____, and \$____, respectively. These contributions represented ____%, ____%, and ____% of covered payroll, respectively.

Note to preparer: The Fiscal Management Section will issue a memorandum annually that provides the information necessary to complete this note disclosure.

2. 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 an other postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan accumulates contributions from employers and any earnings on those contributions in the Disability Income Plan Trust Fund. The plan does not provide for automatic post-retirement benefit increases.

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

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

Notes to the Financial Statements

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 you might be entitled should you 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 are in receipt of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2011, 2010, and 2009, the Board paid all annual required contributions to the DIPNC for disability benefits of \$____, \$____, and \$____, respectively. These contributions represented 0.52%, 0.52%, and 0.52% of covered payroll, respectively.

Notes to the Financial Statements

Note to preparer: Additional disclosures will be required if additional OPEB are offered other than health insurance through the State Health Plan. The City of Dogwood presents OPEB on the pay-as-you-go basis. Carolina County partially funds its OPEB obligation with an Appendix presenting fully fund reporting.

Note to preparer: In the disclosure above, the Teachers' and State Employees' Retirement System (TSERS) was the only group-term life insurance provided to an employee. This insurance has a maximum limit of \$50,000. If your unit provides additional group-term life insurance, please include a description of the policy in the above note. In addition, please note that the benefits in excess of \$50,000 are considered taxable to the employee as a fringe benefit. Please see Memorandum #1048.

2. Accounts Payable

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

	Vendors	Accrued Interest	Accrued Salary	Charter School	Total
Governmental Activities:					
General	\$42,751	\$831	\$305,000	\$849	\$349,431
Other Governmental	36,700	-	-	-	36,700
Total governmental activities	\$79,451	\$831	\$305,000	\$849	\$386,131
Business-type Activities:					
School Food Service	3,000	\$-	\$-	\$-	\$3,000
Other Business-type	2,200	-	-	-	2,200
Total business-type activities	\$5,200	\$-	\$-	\$-	\$5,200

Note to preparer: The Accounts Payable note has been modified to include a payment due to Carolina County Charter School for the retroactive payment of supplemental school tax and fines and forfeitures revenues. This is the presentation for those units from which a payment has been requested prior to the date of the auditors' report, and subsequently accrued.

Notes to the Financial Statements

3. Unearned Revenues

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

	<u>Unearned Revenue</u>
Grants not yet earned (General Fund)	\$ 16,100
Sales tax refunds receivable (Special Revenue Funds)	15,150
Sales tax refunds receivable (Capital Outlay Fund)	<u>25,000</u>
Total	<u><u>\$ 56,250</u></u>

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 general liability of \$2,550,000 and an annual aggregate limit of \$2,550,000 for errors and omissions claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability.* Statutory workers' compensation coverage is purchased through private insurers (or self-insured by the local board). Coverage is provided to the extent employees are paid from Federal or 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 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.

Notes to preparer: * While the majority of local boards of education in North Carolina participate in the North Carolina School Boards Trust Errors and Omission/General Liability Fund for their errors and omissions and general liability coverage, not all boards of education participate in this program. Therefore, the preparer should consider if this note needs to be modified for errors and omissions and general liability coverage.

The North Carolina School Boards Trust also provides auto coverage through the Automobile and Inland Marine Fund. At this time, slightly more than one third of the eligible local education agencies are participating in that coverage. The preparer should consider if the above note needs to be modified for auto coverage.

**Not all boards of election participate in the Public School Insurance Fund. The preparer should consider if this note needs to be modified for property insurance coverage.

Notes to the Financial Statements

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 of the Board's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$175,000.

Note to preparer: Effective July 1, 2008, the minimum performance bond requirement for school finance officers will be \$50,000, with no maximum. The previous limits were a minimum of \$10,000 with a maximum of \$250,000. [G.S. 115c-441(a)]

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

At June 30, 2011, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Board's financial position.

6. Long-Term Obligations

a. Capital Leases

As authorized in State law [G.S. 115C-528(a)], the Board entered into various lease agreements to lease computers. The leasing arrangements were made for three years, and, at the conclusion of each of the leases, ownership is transferred to the Board. The lease agreements qualify as capital leases for accounting purposes; therefore, the obligations have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Notes to the Financial Statements

At June 30, 2011, assets recorded under the capital lease were as follows:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Computers	\$ 30,000	\$ 10,000	\$ 20,000

The following is a schedule of the future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2011:

Year Ending June 30	Governmental Activities
2012	\$ 9,840
2013	9,423
2014	9,269
Total minimum lease payments	28,532
Less: amount representing interest	4,155
Present value of the minimum lease payments	\$ 24,377

b. Installment Purchase

The Board is authorized by State law [G.S.115C-47(28a)] to enter into installment purchase contracts to finance energy conservation measures that will reduce its operating costs. In January 2011, the Board entered into such a contract to reduce the energy costs associated with one of the elementary schools. The financing contract requires principal payments for eight years beginning in the fiscal year 2011 with interest rates ranging from 4.5 to 4.95 percent.

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 monies 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 a special third party financing arrangement by **Mercedes Benz Financial Services USA LLC** at total payments less than the purchase price. In July 2010, the Board entered into installment purchase contract to finance the purchase of one school bus. The financing contract requires only principal payments of \$36,000 due at the beginning of each contract year.

Notes to the Financial Statements

The future minimum payments of the installment purchases as of June 30, 2011, including \$21,577 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2012	\$ 45,696	\$ 4,554
2013	46,176	4,074
2014	10,680	3,570
2015	11,208	3,042
2016	11,763	2,487
2017-2021	38,477	3,850
Total	\$ 164,000	\$ 21,577

c. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2011:

	Beginning			Ending Balance	Current Portion
	Balance	Increases	Decreases		
Governmental activities:					
Capitalized leases	\$ 17,352	\$ 19,000	\$ 11,975	\$ 24,377	\$ 7,840
Installment purchase	-	200,000	36,000	164,000	45,696
Compensated absences	57,000	117,000	54,000	120,000	54,000
Total	\$ 74,352	\$ 336,000	\$ 101,975	\$ 308,377	\$ 107,536
Business-type activities:					
Compensated absences	\$ -	\$ 15,000	\$ 1,984	\$ 13,016	\$ 5,000

Compensated absences for governmental activities are typically liquidated by the general and other governmental funds.

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2011, consist of the following:

	Amount
From the State Public School Fund to the School Food Service Fund for administrative costs.	\$ 14,000

Notes to the Financial Statements

Note to preparer: All interfund balances are considered essential to fair presentation at the basic financial statement level and should be included in the notes to the financial statements. For interfund balances, amounts due from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type; the purpose for those balances; and any amounts that are not expected to be repaid within one year should be disclosed in the notes.

Likewise, all interfund transactions throughout the year are considered essential to fair presentation at the basic financial statement level and should be included in the notes to the financial statements. For interfund transfers, amounts transferred from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type; a general description of the principal purposes of interfund transfers; and purposes for and amounts of non-routine transfers and/or transfers inconsistent with the activities of the fund making the transfers should be disclosed in the notes. These provisions should be applied only to *material* items.

D. Extraordinary Item:

Excessive mold contamination was discovered at Cardinal Senior High School resulting in an extraordinary impairment loss of \$369,090. Demolition and mold removal expenses of \$380,000 were incurred. Restoration costs of \$570,000 have been capitalized.

E. Fund Balance

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

Note to Preparer: Units should modify this language to reflect their own policies.

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation.

Total fund balance- General Fund	\$59,830
Less:	
Inventories	14,200
Assets held for resale	11,580
Stabilization by State Statute	14,650
Appropriated Fund Balance in 2012 budget	5,000
Remaining Fund Balance	\$ 14,400

Notes to the Financial Statements

Note to Preparer: The unit is also required to disclose dollar amount of encumbrances for all major funds and non-major in aggregate. Encumbrances under GASB Statement No. 54 will not be shown on face of statement but included in Stabilization by State Statute (RSS); however, in funds other than the General Fund they might be shown as some other restricted amount. In either case amount of significant encumbrances must be disclosed for each major fund and in aggregate for non-major funds. Below is example of such disclosure.

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Encumbrances	General Fund	Capital Outlay Fund	Non-Major Funds
	\$5,000	\$6,000	0

IV. Related Party Transactions

Note to preparer: Under GAAP, disclose significant transactions with elected officials, employees, and related organizations. These GAAP disclosures should include the nature of the relationship, a description and the dollar amount of any transaction, the amount(s) due to or from the related parties, the fund(s) involved in the transaction, and any other significant details. If applicable, in addition to the disclosures required by GAAP, G.S. 14-234 requires additional disclosures indicating the related party transactions which local boards of education may legally enter into under certain limited circumstances outlined within the statute. These legally required disclosures should include totals for each official which the government involved in these transactions.

V. 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.

Forfeiture of Impounded Vehicles

Note to preparer: Note disclosure for forfeiture of impounded vehicles should appear if the net amount due to the BOE is significant. Because the expenses of the sale and storage are deducted from the sale proceeds, most BOEs report that the net amount received is immaterial to the financial statements.

Notes to the Financial Statements

If the amount above is material, the vehicles referred to represent a gain contingency and should not appear on the balance sheet. Vehicles on hand which have been ordered forfeited by June 30th do appear on the balance sheet. Those vehicles sold by the reported date should appear in the General Fund. Those not sold by reported date, and the BOE has title to such vehicles, are reported as a general capital asset. The note disclosure should include how many vehicles the central facility is storing on behalf of the BOE and the amount estimated to be received, net of the cost of sales, towing and storage fees.

VI. Significant Effects of Subsequent Events

Note to preparer: Events that occur between the end of the period covered by the financial statements and the statement issuance date which have a significant effect upon the unit should be disclosed.

Fines, Forfeitures and Supplemental School Tax

Note to preparer: This note is for illustration purposes only. It illustrates the disclosure for a BOE from which no charter schools have requested payments as of the date of the auditors' opinion. Further, if the amount of the contingent liability is immaterial it need not be disclosed. In addition, each unit needs to modify this note to fit their particular circumstances. See the next text box for a sample note of when a charter school has requested its payment prior to the date of the auditors' opinion.

Due to recent State Supreme Court ruling, Carolina County Board of Education may be required to disburse additional funds to various charter schools in its vicinity. These payments represent a portion of the fines and forfeitures and supplemental school tax revenue that the County Board of Education has received over the past three years. If requested to do so by a charter school with at least one enrolled student from Carolina County, Carolina County Board of Education must make these payments to the charter schools during the upcoming fiscal year. The estimated amount of these payments is as follows:

Supplemental School Tax:	\$660
Fines and Forfeitures:	\$189

Note to preparer: This sample note disclosure illustrates the disclosure for a BOE in which charter schools have requested payments as of the date of the auditors' opinion. Further, if the amount of the contingent liability is immaterial, then it need not be disclosed. See the Accounts Payable note (Note III.B.2.) for the disclosure for this unit from which a payment has been requested prior to the date of the auditors' opinion.

Notes to the Financial Statements

In the case of Francine Delaney New School for Children, Inc. v. Asheville Board of Education, the State Supreme Court ruled that the trial court had not erred in its summary judgment for the plaintiff (Delaney) which, as a charter school, sought additional funding from the school board in the form of an equal per pupil share from the board's supplemental school tax and penal fines and forfeitures revenues. Subsequently, the General Assembly, in the 2002 Technical Corrections bill (SB 1217), section 91.1, determined that payments would not begin until July 1, 2003, and that no retroactive payments would be made prior to that date. Therefore, beginning with the fiscal year 2003-2004, the Carolina County Board of Education must distribute any supplemental school tax revenue and fines and forfeitures revenue on an equal per-pupil basis to any charter school that has a student or students registered that are residents of that county. (See Note III.B.2 – Accounts Payable and Note V – Contingent Liabilities for discussions on amounts owed for prior years.)

Based on the following data, the Board has estimated its additional liability for next year to be \$4.37 per student enrolled in a charter school. For the fiscal year ended June 30, 2011, there were 65 residents of Carolina County enrolled in various charter schools in the State.

Total supplemental school tax revenue 2010-2011:	\$12,000
Total fines and forfeitures revenue 2010-2011:	<u>3,438</u>
Total revenue	<u>\$15,438</u>
Total ADM for 2010-2011	3,536
Total per-pupil revenue	\$ 4.37

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**Carolina County Board of Education, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2011**

	Budget	Actual	Positive (Negative) Variance
Revenues:			
State of North Carolina:			
Other	\$ 685,275	\$ 702,640	\$ 17,365
Carolina County:			
Appropriation from general revenues	1,980,000	1,980,000	-
Timber receipts	20,000	20,000	-
Total	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Other :			
ABC revenues	15,000	9,900	(5,100)
Supplemental school taxes	12,000	12,000	-
Sales taxes	6,200	6,600	400
Tuition and fees	4,800	5,000	200
Fines and forfeitures	5,200	3,438	(1,762)
Rental of school property	4,000	4,000	-
Interest earned on investments	3,600	1,900	(1,700)
Total	<u>50,800</u>	<u>42,838</u>	<u>(7,962)</u>
Total revenues	<u>2,736,075</u>	<u>2,745,478</u>	<u>9,403</u>
Expenditures:			
Instructional services:			
Regular instructional:			
Regular		599,182	
CTE		339,160	
Total	<u>939,113</u>	<u>938,342</u>	<u>771</u>
Special populations:			
Children with Disabilities		78,941	
CTE		54,817	
Limited English Proficiency		12,739	
Total	<u>146,900</u>	<u>146,497</u>	<u>403</u>
Alternative programs:			
Alternative instruction		34,689	
Extended day/year instruction		73,214	
Total	<u>108,125</u>	<u>107,903</u>	<u>222</u>
School leadership	22,975	22,316	659
Co-curricular	38,000	37,981	19
School-based support:			
Educational media		34,698	
Student Accounting		15,632	
Guidance Services		15,216	
Safety and Security Support		29,406	
Total	<u>95,000</u>	<u>94,952</u>	<u>48</u>
System-wide support services:			
Support and development:			
Regular curricular		4,689	
CTE Curricular		10,301	
Total	<u>15,000</u>	<u>14,990</u>	<u>10</u>
Special population support and development	60,000	59,684	316
Alternative programs and services support and development	37,000	36,850	150
Technology support	170,000	165,487	4,513

(continued)

Carolina County Board of Education, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2011

	Budget	Actual	Positive (Negative) Variance
Operational support:			
Communication		29,477	
Printing and copying		16,050	
Public utility and energy		67,998	
Custodial/housekeeping		45,681	
Transportation		133,850	
Total	<u>300,000</u>	<u>293,056</u>	<u>6,944</u>
Financial and human resource:			
Financial		245,708	
Human resource		35,840	
Total	<u>281,000</u>	<u>281,548</u>	<u>(548)</u>
Accountability:			
Student Testing		22,431	
Planning, research development and program evaluation		15,550	
Total	<u>38,500</u>	<u>37,981</u>	<u>519</u>
System-wide pupil support:			
Educational media		36,850	
Guidance support		45,894	
Safety and security		78,452	
Total	<u>169,962</u>	<u>161,196</u>	<u>8,766</u>
Policy, leadership and public relations:			
Board of education		121,026	
Legal services		37,799	
Audit services		48,196	
Leadership services		12,746	
Total	<u>220,000</u>	<u>219,767</u>	<u>233</u>
Ancillary services:			
Community Service		16,000	
Audit Services		2,990	
Total	<u>19,000</u>	<u>18,990</u>	<u>10</u>
Non-Programmed charges			
Payments to other governmental units		75,000	
Scholarships		363	
Total	<u>75,500</u>	<u>75,363</u>	<u>137</u>
Total expenditures	<u><u>2,736,075</u></u>	<u><u>2,712,903</u></u>	<u><u>23,172</u></u>
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>32,575</u></u>	<u><u>\$ 32,575</u></u>
Fund balance, beginning		26,055	
Increase in reserve for inventories		1,200	
Fund balance, ending		<u><u>\$ 59,830</u></u>	

Note to Preparer: Timber receipts which are received from the county should be included with the county's appropriation from its General Fund as indicated above. However, fines and forfeitures, supplemental tax levies, and various other revenues should be reported as indicated in this schedule. Those audited financial statements which fail to break out revenues consistent with this statement will not be accepted by staff of the Department of State Treasurer.

NOTE TO PREPARER: The Carolina County Board of Education has only one non-major fund, the Federal Grants Fund. All relevant data, with the exception of the budget schedule, for this fund appears in the Basic Financial Statements. Therefore, there are no supplemental schedules for the Federal Grants Fund except the budget to actual comparison. For units with more than one nonmajor fund, a combining balance sheet and a combining statement of revenues, expenditures, and changes in fund balance should be included here. Please refer to the Illustrative Statements - GASB 34 for Carolina County for examples of these statements.

Carolina County Board of Education, North Carolina
Federal Grants Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
U. S. Government	\$ 197,924	\$ 197,774	\$ (150)
Total revenues	<u>197,924</u>	<u>197,774</u>	<u>(150)</u>
Expenditures:			
Instructional services	108,677	134,374	100
System-wide supporting services	65,847	40,000	50
Ancillary services	-	-	-
Capital outlay	-	-	-
Non-programmed charges	<u>23,400</u>	<u>23,400</u>	-
Total expenditures	<u>197,924</u>	<u>197,774</u>	<u>150</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

Carolina County Board of Education, North Carolina
Capital Outlay Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State of North Carolina:			
Critical School Facilities Needs	\$ 157,600	\$ 241,600	\$ 105,000
Public School Building Capital Fund	15,000	14,000	(1,000)
Public School Building Bond Fund	63,000	59,000	(4,000)
Public School Capital Fund - Lottery	39,400	60,400	21,000
State appropriations- buses	36,000	36,000	-
Total State of North Carolina	<u>311,000</u>	<u>411,000</u>	<u>121,000</u>
Carolina County:			
Appropriations from county - issued installment purchase	1,075,000	1,200,000	125,000
Restricted portion of sales taxes	149,480	184,600	35,120
General county revenues	1,113,075	1,113,075	-
Total Carolina County	<u>2,337,555</u>	<u>2,497,675</u>	<u>160,120</u>
 Total revenues	 <u>2,648,555</u>	 <u>2,908,675</u>	 <u>281,120</u>
Expenditures:			
Capital outlay:			
Real property and buildings:			
North Carolina State Senior High		61,000	
Tar Heel Elementary		812,071	
Tar Heel Elementary - Lottery		30,000	
Duke Elementary		807,000	
Duke Elementary - Lottery		30,400	
Cardinal Senior High - mold remediation		950,000	
Total land and buildings	<u>2,492,480</u>	<u>2,690,471</u>	<u>(197,991)</u>
Furniture and equipment:			
Duke Elementary	216,000	214,000	2,000
Total equipment and books	<u>216,000</u>	<u>214,000</u>	<u>2,000</u>
Buses and motor vehicles:			
Central Office	110,000	108,000	2,000
Debt service:			
Principal	47,975	47,975	-
Interest	1,100	1,100	-
	<u>49,075</u>	<u>49,075</u>	<u>-</u>
 Total expenditures	 <u>2,867,555</u>	 <u>3,061,546</u>	 <u>(193,991)</u>
Excess of revenues over expenditures	<u>(219,000)</u>	<u>(152,871)</u>	<u>87,129</u>

(continued)

Carolina County Board of Education, North Carolina
Capital Outlay Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Other financing sources:			
Installment purchase obligations issued	200,000	200,000	-
Capital lease obligations issued	<u>19,000</u>	<u>19,000</u>	-
Total other financing sources	<u>219,000</u>	<u>219,000</u>	-
Net change in fund balance	<u>\$ -</u>	66,129	<u>\$ 66,129</u>
Fund balance, beginning		<u>159,871</u>	
Fund balance, ending		<u>\$ 226,000</u>	

Note to preparer: Please note that although DPI's chart of accounts allows for the allocation of capital outlay expenditures to be allocated across functions, this Schedule should be presented at the Board adopted level.

The additional detail provided in this schedule will assist the State in preparing reports on school capital outlay expenditures, which includes the receipts and expenditures of lottery proceeds by project. The appropriations from county-issued installment purchase presented on this schedule as a revenue source represents debt transactions entered into by the county on behalf of the school system. As such, these transactions should be reported as part of the county's appropriation to the school system. The County is assumed to be authorized to enter into installment purchase transactions to finance school construction under G.S.160A-20. The installment purchase was entered into by the county and the debt associated with that transaction is carried on the county's books. However, the assets are, in substance, the assets of the school system. Therefore, the expenditures of the debt proceeds should be recorded in the Board's Capital Outlay Fund. The amount recognized as revenue by the school system is offset by amounts of debt proceeds expended by the county. In accordance with generally accepted accounting principles, the proceeds of the lease purchase of computers entered into by the school system is accounted for as an other financing source. Under State law, the payments for the computer lease should be accounted for in the capital outlay fund. Finally, the installment purchases presented as other financing sources include a guaranteed energy savings contract entered into by the school system as authorized under G.S. 143-64.17C and a financing contract to purchase school buses as authorized under G.S. 115C-528. The periodic debt service payments for the guaranteed energy savings contract will be recorded in the Local Current Expense Fund, where they partially offset the utility payments assumed to be saved because of the installment purchase transaction. For a complete discussion of the principles used in preparing these statements for the board of education, and the treatment of these various debt transactions, refer to Section 35 of the Audit Manual, "Principles Used in the Preparation of the Illustrative Financial Statements."

Replacement School Buses: The DaimlerChrysler financing agreement must be recorded in its entirety in the LEA's Capital Outlay Fund in the year the debt is issued. Even though there is no cash effect, it must be recorded since the agreement is in the name of the unit. The entry will be to capital expenditures for school buses and to other financing sources for the amount of the debt issued.

Note to Preparer: Under GASB Statement No. 54 and the Board of Education spending policy, the BOE would have to use all restricted and committed resources first. That would most likely level the \$226,000 fund balance as General County revenues. Since Counties appropriate by capital project for schools this fund balance would be classified as restricted.

Carolina County Board of Education, North Carolina
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
School Food Service Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Operating revenues, food sales	<u>\$ 407,600</u>	<u>\$ 406,290</u>	<u>\$ (1,310)</u>
Operating expenditures:			
Business support services:			
Purchase of food		830,000	
Donated commodities		19,641	
Salaries and benefits		54,000	
Indirect costs		54,000	
Materials and supplies		7,557	
Repairs and maintenance		1,886	
Contracted services		7,600	
Other		7,000	
Total business support services	<u>1,047,600</u>	<u>981,684</u>	<u>65,916</u>
Other support services:			
Salaries and benefits	19,000	19,000	-
Capital outlay	<u>10,000</u>	<u>9,400</u>	<u>600</u>
Total operating expenditures	<u>1,076,600</u>	<u>1,010,084</u>	<u>66,516</u>
Operating loss	(669,000)	(603,794)	65,206
Nonoperating revenues (expenditures):			
Federal reimbursements	540,000	552,367	12,367
Federal commodities	18,000	20,641	2,641
Interest earned	<u>97,000</u>	<u>120,978</u>	<u>23,978</u>
Total nonoperating revenues (expenditures)	<u>655,000</u>	<u>693,986</u>	<u>38,986</u>
Excess of revenues over (under) expenditures before other financing sources	(14,000)	90,192	104,192
Other financing sources:			
Transfers from other funds	<u>14,000</u>	<u>14,000</u>	<u>-</u>
Excess of revenues and other sources over expenditures	<u>\$ -</u>	<u>104,192</u>	<u>\$ 104,192</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(7,765)	
Indirect costs		(4,000)	
Indirect costs not paid		4,000	
Equipment purchases		9,400	
Increase in accrued vacation pay		(5,000)	
Decrease in inventory		<u>(9,290)</u>	
Change in net assets (full accrual)		<u>\$ 91,537</u>	

Carolina County Board of Education, North Carolina
Child Care Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Child care fees	\$ 147,000	\$ 146,882	\$ (118)
Other operating revenues	1,200	120	(1,080)
Total revenues	<u>148,200</u>	<u>147,002</u>	<u>(1,198)</u>
Expenditures:			
Regular community service:			
Salaries and benefits		128,900	
Materials and supplies		12,408	
Contracted services		2,186	
Total regular community service	<u>149,450</u>	<u>143,494</u>	<u>5,956</u>
Capital outlay:			
Equipment	<u>1,250</u>	<u>1,130</u>	<u>120</u>
Total expenditures	<u>150,700</u>	<u>144,624</u>	<u>6,076</u>
Revenues over expenditures	(2,500)	2,378	4,878
Other financing sources:			
Interest earned	<u>2,500</u>	<u>1,024</u>	<u>(1,476)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	3,402	<u>\$ 3,402</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		1,130	
Increase in salaries and benefits		(170)	
Depreciation		(300)	
Change in net assets		<u>\$ 4,062</u>	

Supplementary Information:

Compliance Section

Note to the preparer: A complete set of illustrative single audit reports can be found in Section 35-B, Illustrative Financial Statements of a County in North Carolina, which is included in this manual. For illustrations of various single audit report modifications, refer to Section 35-E of this manual.

CAROLINA COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year ended June 30, 2011

A schedule of findings and questioned costs is required for all single audits. This schedule is comprised of the following four sections: 1) a summary of the auditor's results, 2) findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards, 3) findings and questioned costs for federal awards, and 4) findings and questioned costs for state awards. Since the summary of the auditor's results includes pertinent information that is reported in no other section of the report, this schedule must be prepared even when there are no findings that are required to be reported. If there are no findings in sections 2, 3, and/or 4, state in the applicable section(s) that no findings were reported. Illustrative schedules can be found in section 35-E-6 of this audit manual.

CAROLINA COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2011

A schedule of expenditures of federal and state awards must be included in all reports when a single audit is required. Illustrative schedules can be found in section 35-E-5 of this audit manual.