

**CABARRUS COUNTY
BOARD OF EDUCATION
CONCORD, NORTH CAROLINA**

**FINANCIAL STATEMENTS
Year Ended June 30, 2011**

CABARRUS COUNTY BOARD OF EDUCATION

TABLE OF CONTENTS

| <u>Exhibit</u> | <u>Page No.</u> |
|--|-----------------|
| <u>FINANCIAL SECTION</u> | |
| Independent Auditors' Report..... | 1 |
| Management's Discussion and Analysis..... | 3 |
| Basic Financial Statements: | |
| Government – wide Financial Statements: | |
| 1 Statement of Net Assets..... | 11 |
| 2 Statement of Activities..... | 12 |
| Fund Financial Statements: | |
| 3 Balance Sheet – Governmental Funds..... | 14 |
| 4 Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds..... | 16 |
| 5 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and Annually Budgeted Major Special Revenue Funds | 19 |
| 6 Statement of Net Assets – Proprietary Funds..... | 21 |
| 7 Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds..... | 22 |
| 8 Statement of Cash Flows – Proprietary Funds..... | 23 |
| Notes to the Basic Financial Statements..... | 25 |
| Combining and Individual Fund Statements and Schedules: | |
| A-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund..... | 45 |
| B-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Outlay Fund..... | 47 |
| C-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Federal Grants Fund..... | 48 |
| D-1 Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – School Food Service Fund..... | 49 |
| E-1 Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Kids Plus..... | 50 |
| Compliance Section..... | 51 |



INDEPENDENT AUDITORS' REPORT

Cabarrus County Board of Education
Concord, 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 Cabarrus County Board of Education, as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cabarrus County Board of Education's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cabarrus County Board of Education, 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 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 September 29, 2011 on our consideration of the Cabarrus County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by 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 Cabarrus County Board of Education. The individual non-major fund financial statements 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Anderson Smith & Wike PLLC

September 29, 2011
Statesville, North Carolina
(704) 562-5039

**CABARRUS COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

This section of the Cabarrus 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 experienced an increased enrollment of 738 students (or 2.65%) from the previous year.
- The Board opened two new schools to accommodate the increased enrollment and to allow it to offer an expanded curriculum to its students.

Overview of the Financial Statements

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

- *Management's Discussion and Analysis*
- *Basic Financial Statements*
- *Required supplemental section that presents individual fund statements and schedules on a budgetary basis for certain governmental funds and the 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.

Overview of the Financial Statements (Continued)

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental and proprietary funds. 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 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 district-wide statements provide information about the Board as an economic unit, while the fund financial statements provides information on the financial resources of each of the Board's major funds.

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the district'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 district-wide statements report the district's net assets and how they have changed. Net assets – the difference between the district's assets and liabilities – are one way to measure the district's financial health or position.

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

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

- Governmental activities: Most of the district'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 district 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 district's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the district 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 district 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.

Cabarrus County Board of Education has two types of funds:

Governmental funds: Most of the district'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 district-wide statements, additional information at the bottom of the governmental funds statements, in the form of a reconciliation, explains the relationship (or differences) between them. The District 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 and 5 of this report.

Proprietary funds: Services for which the district 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. Cabarrus County Board of Education has two proprietary funds – both enterprise funds – the School Food Service Fund and the Kids Plus Child Care Fund.

The proprietary fund statements are shown as Exhibits 6, 7, and 8 of this report.

**CABARRUS COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

Financial Analysis of the Schools as a Whole

Net assets are an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$405,672,590 as of June 30, 2011. The largest component of net assets is invested in capital assets, net of related debt, of \$400,499,344.

Following is a summary of the Statement of Net Assets:

| Table 1 | | | | | | |
|--|-------------------------|-----------------------|--------------------------|---------------------|--------------------------|-----------------------|
| Condensed Statement of Net Assets | | | | | | |
| As of June 30, 2011 and 2010 | | | | | | |
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 6/30/11 | 6/30/10 | 6/30/11 | 6/30/10 | 6/30/11 | 6/30/10 |
| Current assets | \$ 16,083,811 | \$ 20,692,930 | \$ 3,427,443 | \$ 2,885,200 | \$ 19,511,254 | \$ 23,578,130 |
| Capital assets | <u>398,978,321</u> | <u>393,995,333</u> | <u>2,559,544</u> | <u>2,115,788</u> | <u>401,537,865</u> | <u>396,111,121</u> |
| Total assets | <u>415,062,132</u> | <u>414,688,263</u> | <u>5,986,987</u> | <u>5,000,988</u> | <u>421,049,119</u> | <u>419,689,251</u> |
| Current liabilities | 10,613,205 | 12,111,264 | 413,287 | 189,141 | 11,026,492 | 12,300,405 |
| Long-term liabilities | <u>4,252,181</u> | <u>9,695,129</u> | <u>97,856</u> | <u>285,918</u> | <u>4,350,037</u> | <u>9,981,047</u> |
| Total liabilities | <u>14,865,386</u> | <u>21,806,393</u> | <u>511,143</u> | <u>475,059</u> | <u>15,376,529</u> | <u>22,281,452</u> |
| Invested in capital assets, net of related debt | 397,939,800 | 392,774,453 | 2,559,544 | 2,296,070 | 400,499,344 | 395,070,523 |
| Restricted net assets | 3,432,880 | 2,573,550 | - | - | 3,432,880 | 2,573,550 |
| Unrestricted net assets | <u>(1,175,934)</u> | <u>(2,466,133)</u> | <u>2,916,300</u> | <u>2,229,859</u> | <u>1,740,366</u> | <u>(236,274)</u> |
| Total net assets | <u>\$ 400,196,746</u> | <u>\$ 392,881,870</u> | <u>\$ 5,475,844</u> | <u>\$ 4,525,929</u> | <u>\$ 405,672,590</u> | <u>\$ 397,407,799</u> |

Note that net assets increased by \$8,264,791 during the year, indicating an improvement in the financial condition of the unit. Also note that the Board carries capital assets for which Cabarrus County carries the offsetting debt.

**CABARRUS COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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

| Table 2 | | | | | | |
|---|-------------------------|-----------------------|--------------------------|---------------------|--------------------------|-----------------------|
| Condensed Statement of Revenues, Expenses, and Changes in Net Assets | | | | | | |
| For the Fiscal Years Ended June 30, 2011 and 2010 | | | | | | |
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 6/30/11 | 6/30/10 | 6/30/11 | 6/30/10 | 6/30/11 | 6/30/10 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 49,627 | \$ 37,746 | \$ 8,039,360 | \$ 8,898,456 | \$ 8,088,987 | \$ 8,936,202 |
| Operating grants and contributions | 154,311,023 | 160,985,696 | 7,398,513 | 7,716,410 | 161,709,536 | 168,702,106 |
| Capital grants and contributions | - | - | 750,934 | 47,059 | 750,934 | 47,059.00 |
| General revenues: | | | | | | |
| Other revenues | 79,026,563 | 114,121,756 | 10,943 | 7,935 | 79,037,506 | 114,129,691 |
| Total revenues | <u>233,387,213</u> | <u>275,145,198</u> | <u>16,199,750</u> | <u>16,669,860</u> | <u>249,586,963</u> | <u>291,815,058</u> |
| Expenses: | | | | | | |
| Governmental activities: | | | | | | |
| Instructional services | 180,343,608 | 176,182,389 | - | - | 180,343,608 | 176,182,389 |
| System-wide support services | 43,670,014 | 38,032,313 | - | - | 43,670,014 | 38,032,313 |
| Ancillary services | 59,527 | 99,889 | - | - | 59,527 | 99,889 |
| Non-programmed charges | 619,136 | 749,359 | - | - | 619,136 | 749,359 |
| Interest | 49,990 | 67,658 | - | - | 49,990 | 67,658 |
| Unallocated depreciation | 1,285,062 | 8,756,215 | - | - | 1,285,062 | 8,756,215 |
| Business-type activities: | | | | | | |
| School food service | - | - | 12,718,776 | 12,352,785 | 12,718,776 | 12,352,785 |
| Child care | - | - | 2,576,059 | 3,160,850 | 2,576,059 | 3,160,850 |
| Total expenses | <u>226,027,337</u> | <u>223,887,823</u> | <u>15,294,835</u> | <u>15,513,635</u> | <u>241,322,172</u> | <u>239,401,458</u> |
| Transfers in (out) | (45,000) | (45,000) | 45,000 | 45,000 | - | - |
| Increase (decrease) in | | | | | | |
| net assets | 7,314,876 | 51,212,375 | 949,915 | 1,201,225 | 8,264,791 | 52,413,600 |
| Beginning net assets | <u>392,881,870</u> | <u>341,669,495</u> | <u>4,525,929</u> | <u>3,324,704</u> | <u>397,407,799</u> | <u>344,994,199</u> |
| Ending net assets | <u>\$ 400,196,746</u> | <u>\$ 392,881,870</u> | <u>\$ 5,475,844</u> | <u>\$ 4,525,929</u> | <u>\$ 405,672,590</u> | <u>\$ 397,407,799</u> |

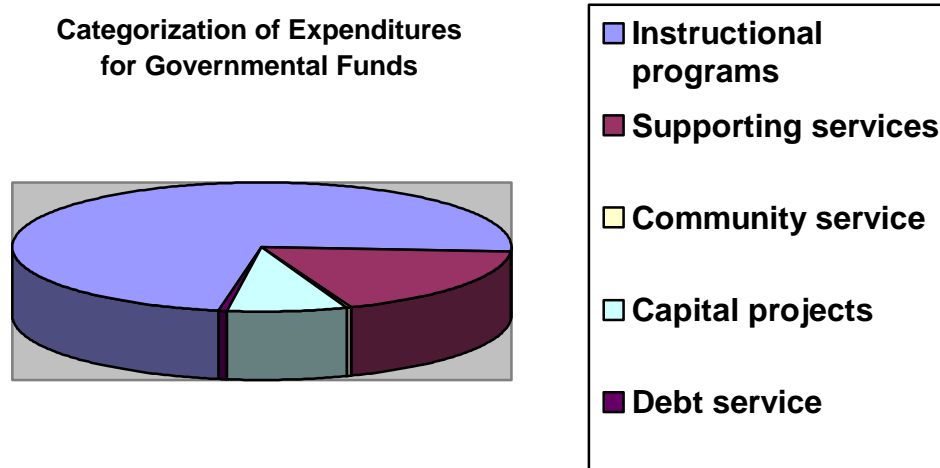
**CABARRUS COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

Total governmental activities generated revenues of \$233 million while expenses in this category totaled \$226 million. The increase in governmental activities net assets stands at \$7 million. This increase was due to funding received from Cabarrus County for capital expenditures. Business-type activities generated revenue of \$16.2 million and had expenses of \$15.3 million. Net assets increased in the business-type activities by approximately \$950,000 which is primarily attributable to cost savings measures and the receipt of capital contributions from Cabarrus County.

Financial Analysis of the District's Funds

Governmental Funds: The focus of Cabarrus 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 \$10,715,904, a \$1,129,520 increase from last year. The following chart summarizes governmental fund expenditures by type.



Expenditures presented on modified accrual basis of accounting.

The Board's proprietary funds reported combined total net assets of \$5,475,844, a \$949,915 increase from last year.

**CABARRUS COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in expected revenues and expenditures. The effect of these revisions was to increase budgeted revenues and expenditures by approximately \$700,000 which is a little over 1% of the original budget. The Board did not overspend budgeted amounts at any budgeted level in the General Fund.

Capital Assets

Capital assets increased by \$5.5 million (or 1.3%) from the previous year. This was largely due to new construction. The following is a summary of the capital assets, net of depreciation, at year-end.

| Table 3 | | | | | | |
|-------------------------------------|-------------------------|-----------------------|--------------------------|---------------------|--------------------------|-----------------------|
| Summary of Capital Assets | | | | | | |
| As of June 30, 2011 and 2010 | | | | | | |
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 6/30/11 | 6/30/10 | 6/30/11 | 6/30/10 | 6/30/11 | 6/30/10 |
| Land | \$ 2,300,000 | \$ 2,300,000 | \$ - | \$ - | \$ 2,300,000 | \$ 2,300,000 |
| Construction in progress | 24,533,337 | 64,500,507 | - | - | 24,533,337 | 64,500,507 |
| Buildings/improvements | 362,703,203 | 315,601,927 | - | - | 362,703,203 | 315,601,927 |
| Equipment and furniture | 4,597,728 | 4,952,522 | 2,559,544 | 2,115,788 | 7,157,272 | 7,068,310 |
| Vehicles | 4,844,053 | 6,640,377 | - | - | 4,844,053 | 6,640,377 |
| Total | <u>\$ 398,978,321</u> | <u>\$ 393,995,333</u> | <u>\$ 2,559,544</u> | <u>\$ 2,115,788</u> | <u>\$ 401,537,865</u> | <u>\$ 396,111,121</u> |

Debt Outstanding

During the year, the Board's outstanding debt decreased by approximately \$1.1 million, principally due to a reduction compensated absences.

**CABARRUS COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

Economic Factors

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 school district. The following factors have affected the economic outlook of Cabarrus County.

- County sales tax for 2011 decreased by 2.76% due to economic conditions.
- Unemployment in the county is at 10.7% as of April 2010.
- Taxable property assessed value decreased by 1.42% in the most recent year (2011) due to real property market values and the closure of the County's largest taxpayer, Phillip Morris.

Requests for Information

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

Kelly H. Kluttz, CPA
Finance Officer
Cabarrus County Board of Education
P.O. Box 388
Concord, NC 28026

CABARRUS COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
June 30, 2011

Exhibit 1

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 12,623,134 | \$ 2,846,988 | \$ 15,470,122 |
| Due from other governments | 2,764,355 | 223,952 | 2,988,307 |
| Receivables (net) | 183,001 | 13,205 | 196,206 |
| Inventories | 513,321 | 343,298 | 856,619 |
| Capital assets: | | | |
| Land, improvements, and construction in progress | 26,833,337 | - | 26,833,337 |
| Other capital assets, net of depreciation | 372,144,984 | 2,559,544 | 374,704,528 |
| Total capital assets | 398,978,321 | 2,559,544 | 401,537,865 |
| Total assets | 415,062,132 | 5,986,987 | 421,049,119 |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | 748,632 | 43,674 | 792,306 |
| Accrued salaries and wages payable | 2,418,971 | 74,115 | 2,493,086 |
| Deferred revenue | 2,200,304 | 130,258 | 2,330,562 |
| Long-term liabilities: | | | |
| Due within one year | 5,245,298 | 165,240 | 5,410,538 |
| Due in more than one year | 4,252,181 | 97,856 | 4,350,037 |
| Total liabilities | 14,865,386 | 511,143 | 15,376,529 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 397,939,800 | 2,559,544 | 400,499,344 |
| Restricted for: | | | |
| Individual Schools | 2,677,575 | - | 2,677,575 |
| Stabilization by State statute | 503,941 | - | 503,941 |
| School Capital Outlay | 251,364 | - | 251,364 |
| Unrestricted | (1,175,934) | 2,916,300 | 1,740,366 |
| Total net assets (as restated) | \$ 400,196,746 | \$ 5,475,844 | \$ 405,672,590 |

CABARRUS COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Exhibit 2

| Functions/Programs | Expenses | Program Revenues | | |
|------------------------------------|-----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental Activities: | | | | |
| Instructional services: | | | | |
| Regular instructional | \$ 112,157,187 | \$ 49,627 | \$ 90,031,024 | \$ - |
| Special populations | 27,233,153 | - | 25,084,977 | - |
| Alternative programs | 10,615,666 | - | 8,266,052 | - |
| School leadership | 13,656,789 | - | 7,171,661 | - |
| Co-curricular | 6,606,828 | - | - | - |
| School-based support | 10,073,985 | - | 7,496,236 | - |
| System-wide support services: | | | | |
| Support and development | 785,633 | - | 376,468 | - |
| Special populations | 630,795 | - | 590,760 | - |
| Alternative programs | 188,483 | - | 186,305 | - |
| Technology support | 2,358,065 | - | 249,816 | - |
| Operational support services | 33,318,341 | - | 13,569,117 | - |
| Accountability | - | - | - | - |
| System-wide pupil support services | 2,144,762 | - | - | - |
| Policy, leadership and public | 1,641,418 | - | 564,337 | - |
| Ancillary services | 59,527 | - | - | - |
| Non-programmed charges | 619,136 | - | 324,696 | - |
| Interest on long-term debt | 49,990 | - | - | - |
| Unallocated depreciation expense* | 1,285,062 | - | - | - |
| Total governmental activities | <u>226,027,337</u> | <u>49,627</u> | <u>154,311,023</u> | <u>-</u> |
| Business-type activities: | | | | |
| School food service | 12,718,776 | 5,601,575 | 7,398,513 | 750,934 |
| Kids Plus | 2,576,059 | 2,437,785 | - | - |
| Total business-type activities | <u>15,294,835</u> | <u>8,039,360</u> | <u>7,398,513</u> | <u>750,934</u> |
| Total primary government | <u>\$ 241,322,172</u> | <u>\$ 8,088,987</u> | <u>\$ 161,709,536</u> | <u>\$ 750,934</u> |

General revenues:
 Unrestricted county appropriations - operating
 Unrestricted county appropriations - capital
 Unrestricted State appropriations - operating
 Unrestricted State appropriations - capital
 Investment earnings
 Miscellaneous
 Transfers
 Total general revenues and transfers
 Change in net assets
 Net assets-beginning (as restated)
 Net assets-ending

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government

| Governmental Activities | Business-type Activities | Total |
|------------------------------------|-------------------------------------|-----------------------|
| \$ (22,076,536) | \$ - | \$ (22,076,536) |
| (2,148,176) | - | (2,148,176) |
| (2,349,614) | - | (2,349,614) |
| (6,485,128) | - | (6,485,128) |
| (6,606,828) | - | (6,606,828) |
| (2,577,749) | - | (2,577,749) |
| (409,165) | - | (409,165) |
| (40,035) | - | (40,035) |
| (2,178) | - | (2,178) |
| (2,108,249) | - | (2,108,249) |
| (19,749,224) | - | (19,749,224) |
| (2,202,943) | - | (2,202,943) |
| - | - | - |
| (2,144,762) | - | (2,144,762) |
| (1,077,081) | - | (1,077,081) |
| (59,527) | - | (59,527) |
| (294,440) | - | (294,440) |
| (49,990) | - | (49,990) |
| (1,285,062) | - | (1,285,062) |
| <u>(71,666,687)</u> | <u>-</u> | <u>(71,666,687)</u> |
| - | 1,032,246 | 1,032,246 |
| - | (138,274) | (138,274) |
| - | <u>893,972</u> | <u>893,972</u> |
| <u>(71,666,687)</u> | <u>893,972</u> | <u>(70,772,715)</u> |
| 47,372,681 | - | 47,372,681 |
| 17,700,234 | - | 17,700,234 |
| 917,464 | - | 917,464 |
| 367,211 | - | 367,211 |
| 12,439 | 1,124 | 13,563 |
| 12,656,534 | 9,819 | 12,666,353 |
| (45,000) | 45,000 | - |
| <u>78,981,563</u> | <u>55,943</u> | <u>79,037,506</u> |
| 7,314,876 | 949,915 | 8,264,791 |
| 392,881,870 | 4,525,929 | 397,407,799 |
| <u>\$ 400,196,746</u> | <u>\$ 5,475,844</u> | <u>\$ 405,672,590</u> |

**CABARRUS COUNTY BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011**

Exhibit 3

| | Major Funds | | | |
|--|----------------------|--------------------------------|-------------------------------|-----------------------|
| | General | State Public School | Individual Schools | Capital Outlay |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 9,511,390 | \$ - | \$ 2,677,575 | \$ 434,169 |
| Receivables (net) | 183,001 | - | - | - |
| Due from other governments | 320,940 | 2,002,257 | - | 107,216 |
| Inventories | 513,321 | - | - | - |
| Total assets | <u>\$ 10,528,652</u> | <u>\$ 2,002,257</u> | <u>\$ 2,677,575</u> | <u>\$ 541,385</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 635,610 | \$ - | \$ - | \$ 113,022 |
| Accrued salaries and benefits | 82,772 | 2,002,257 | - | - |
| Unearned revenue | 2,023,305 | - | - | 176,999 |
| Total liabilities | <u>2,741,687</u> | <u>2,002,257</u> | <u>-</u> | <u>290,021</u> |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Inventories | 513,321 | - | - | - |
| Restricted: | | | | |
| Stabilization by State statute | 503,941 | - | - | - |
| School Capital Outlay | - | - | - | 251,364 |
| Individual Schools | - | - | 2,677,575 | - |
| Unassigned | 6,769,703 | - | - | - |
| Total fund balances | <u>7,786,965</u> | <u>-</u> | <u>2,677,575</u> | <u>251,364</u> |
| Total liabilities and fund balances | <u>\$ 10,528,652</u> | <u>\$ 2,002,257</u> | <u>\$ 2,677,575</u> | <u>\$ 541,385</u> |

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.

Some liabilities are not due and payable in the current period and therefore are not reported in the funds.

Net assets of governmental activities

| <u>Non-Major Fund</u> | |
|----------------------------|---------------------------------|
| <u>Federal Grants Fund</u> | <u>Total Governmental Funds</u> |
| \$ - | \$ 12,623,134 |
| - | 183,001 |
| 333,942 | 2,764,355 |
| - | 513,321 |
| <u>\$ 333,942</u> | <u>\$ 16,083,811</u> |

| | |
|----------------|------------------|
| \$ - | \$ 748,632 |
| 333,942 | 2,418,971 |
| - | 2,200,304 |
| <u>333,942</u> | <u>5,367,907</u> |

| | |
|-------------------|-------------------|
| - | 513,321 |
| - | 503,941 |
| - | 251,364 |
| - | 2,677,575 |
| - | 6,769,703 |
| <u>-</u> | <u>10,715,904</u> |
| <u>\$ 333,942</u> | |

398,978,321

(9,497,479)

\$ 400,196,746

CABARRUS COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

Exhibit 4

| | Major Funds | | | |
|---|---------------------|--------------------------------|-------------------------------|---------------------------|
| | General | State Public School | Individual Schools | Capital Outlay |
| REVENUES | | | | |
| State of North Carolina | \$ 917,464 | \$ 133,237,873 | \$ - | \$ 367,211 |
| Cabarrus County | 47,372,681 | - | - | 17,700,234 |
| U.S. Government | 1,427,648 | - | - | - |
| Other | 4,239,489 | - | 6,577,750 | 582,511 |
| Total revenues | <u>53,957,282</u> | <u>133,237,873</u> | <u>6,577,750</u> | <u>18,649,956</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instructional services: | | | | |
| Regular instructional | 11,828,334 | 82,945,436 | - | 934,418 |
| Special populations | 2,140,790 | 17,773,227 | - | - |
| Alternative programs | 2,331,774 | 4,461,600 | - | - |
| School leadership | 6,510,160 | 5,338,035 | - | - |
| Co-curricular | 159,119 | - | 6,473,725 | - |
| School-based support | 2,613,846 | 7,268,374 | - | - |
| System-wide support services: | | | | |
| Support and development | 412,259 | 376,468 | - | - |
| Special populations | 40,396 | 455,338 | - | - |
| Alternative programs | - | - | - | - |
| Technology support | 2,117,535 | 249,816 | - | - |
| Operational support | 19,835,988 | 13,391,823 | - | 41,658 |
| Financial and human resource services | 2,212,703 | 368,419 | - | - |
| System-wide pupil support services | 400,594 | - | - | - |
| Policy, leadership and public relations | 1,083,545 | 564,337 | - | - |
| Ancillary services: | | | | |
| Community | 59,761 | - | - | - |
| Non-programmed charges | 622,852 | - | - | - |
| Capital outlay | - | - | - | 17,902,956 |
| Debt service | | | | |
| Principal | - | - | - | 1,312,403 |
| Interest | - | - | - | 49,990 |
| Total expenditures | <u>52,369,656</u> | <u>133,192,873</u> | <u>6,473,725</u> | <u>20,241,425</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers to other funds | - | (45,000) | - | - |
| Installment purchase obligations issued | - | - | - | 1,029,338 |
| Net change in fund balance | <u>1,587,626</u> | <u>-</u> | <u>104,025</u> | <u>(562,131)</u> |
| Fund balances-beginning | 6,119,929 | - | 2,573,550 | 813,495 |
| Increase in reserve for inventories | 79,410 | - | - | - |
| Fund balances-ending | <u>\$ 7,786,965</u> | <u>\$ -</u> | <u>\$ 2,677,575</u> | <u>\$ 251,364</u> |

| <u>Non-Major Fund</u> | |
|----------------------------|---------------------------------|
| <u>Federal Grants Fund</u> | <u>Total Governmental Funds</u> |
| \$ - | \$ 134,522,548 |
| - | 65,072,915 |
| 21,118,150 | 22,545,798 |
| - | 11,399,750 |
| 21,118,150 | 233,541,011 |
| 7,085,588 | 102,793,776 |
| 7,311,750 | 27,225,767 |
| 3,804,452 | 10,597,826 |
| 1,833,626 | 13,681,821 |
| - | 6,632,844 |
| 227,862 | 10,110,082 |
| - | 788,727 |
| 135,422 | 631,156 |
| 186,305 | 186,305 |
| - | 2,367,351 |
| 177,294 | 33,446,763 |
| 31,155 | 2,612,277 |
| - | 400,594 |
| - | 1,647,882 |
| - | 59,761 |
| 324,696 | 947,548 |
| - | 17,902,956 |
| - | 1,312,403 |
| - | 49,990 |
| 21,118,150 | 233,395,829 |
| - | (45,000) |
| - | 1,029,338 |
| - | 1,129,520 |
| - | 9,506,974 |
| - | 79,410 |
| \$ - | \$ 10,715,904 |

CABARRUS COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

Exhibit 4
(Continued)

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

| | |
|--|---------------------|
| Net changes in fund balances - total governmental funds | \$ 1,129,520 |
| Change in fund balance due to change in reserve for inventory | 79,410 |
| 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. | 5,216,196 |
| Proceeds from the sale of capital assets are recorded as revenues in the fund statements but not in the statement of activities. | (16,434) |
| 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. | 283,065 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | |
| Compensated absences | 839,893 |
| Loss on disposal of assets | <u>(216,774)</u> |
| Total changes in net assets of governmental activities | <u>\$ 7,314,876</u> |

**CABARRUS COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY
BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2011**

Exhibit 5

| | General Fund | | | Variance - Positive (Negative) |
|--|-------------------|-------------------|---------------------|--------------------------------------|
| | Original | Final | Actual Amounts | |
| Revenues: | | | | |
| State of North Carolina | \$ 971,488 | \$ 1,158,982 | \$ 917,464 | \$ (241,518) |
| Cabarrus County | 47,372,681 | 47,372,681 | 47,372,681 | - |
| U.S. Government | 1,456,531 | 1,456,695 | 1,427,648 | (29,047) |
| Other | 5,734,080 | 6,285,202 | 4,239,489 | (2,045,713) |
| Total revenues | <u>55,534,780</u> | <u>56,273,560</u> | <u>53,957,282</u> | <u>(2,316,278)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services | | | | |
| Regular instructional | 11,738,495 | 11,938,327 | 11,828,334 | 109,993 |
| Special populations | 2,771,655 | 3,231,655 | 2,140,790 | 1,090,865 |
| Alternative programs | 3,409,544 | 3,412,208 | 2,331,774 | 1,080,434 |
| School leadership | 7,022,267 | 7,024,757 | 6,510,160 | 514,597 |
| Co-curricular | 143,540 | 159,540 | 159,119 | 421 |
| School-based support | 2,802,378 | 2,802,378 | 2,613,846 | 188,532 |
| System-wide support services | | | | |
| Support and development | 468,100 | 468,100 | 412,259 | 55,841 |
| Special populations | 44,330 | 44,330 | 40,396 | 3,934 |
| Technology support | 2,278,974 | 2,278,974 | 2,117,535 | 161,439 |
| Operational support | 21,831,914 | 21,621,333 | 19,835,988 | 1,785,345 |
| Financial and human resource services | 2,193,183 | 2,261,558 | 2,212,703 | 48,855 |
| System-wide pupil support services | 384,286 | 404,286 | 400,594 | 3,692 |
| Policy, leadership and public relations | 1,019,182 | 1,119,182 | 1,083,545 | 35,637 |
| Ancillary services | | | | |
| Community | 55,000 | 60,000 | 59,761 | 239 |
| Non-programmed charges | 566,000 | 641,000 | 622,852 | 18,148 |
| Total expenditures | <u>56,728,848</u> | <u>57,467,628</u> | <u>52,369,656</u> | <u>5,097,972</u> |
| Revenues under expenditures | (1,194,068) | (1,194,068) | 1,587,626 | 2,781,694 |
| Other financing uses: | | | | |
| Transfers to other funds | - | - | - | - |
| Revenues under expenditures and other uses | (1,194,068) | (1,194,068) | 1,587,626 | 2,781,694 |
| Appropriated fund balance | 1,194,068 | 1,194,068 | - | (1,194,068) |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 1,587,626 | <u>\$ 1,587,626</u> |
| Fund balances, beginning of year | | | 6,119,929 | |
| Increase in reserve for inventories | | | 79,410 | |
| Fund balances, end of year | | | <u>\$ 7,786,965</u> | |

State Public School Fund

| Original | Final | Actual Amounts | Variance - Positive (Negative) |
|--------------------|--------------------|--------------------|-----------------------------------|
| \$ 130,346,906 | \$ 135,726,253 | \$ 133,237,873 | \$ (2,488,380) |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| <u>130,346,906</u> | <u>135,726,253</u> | <u>133,237,873</u> | <u>(2,488,380)</u> |
| 82,932,141 | 84,961,052 | 82,945,436 | 2,015,616 |
| 17,294,559 | 17,773,899 | 17,773,227 | 672 |
| 4,560,862 | 4,514,729 | 4,461,600 | 53,129 |
| 5,297,644 | 5,481,154 | 5,338,035 | 143,119 |
| - | - | - | - |
| 7,212,572 | 7,436,009 | 7,268,374 | 167,635 |
| 370,080 | 377,234 | 376,468 | 766 |
| 370,826 | 455,360 | 455,338 | 22 |
| - | 250,740 | 249,816 | 924 |
| 11,413,637 | 13,494,056 | 13,391,823 | 102,233 |
| 319,635 | 370,635 | 368,419 | 2,216 |
| - | - | - | - |
| 529,950 | 566,385 | 564,337 | 2,048 |
| - | - | - | - |
| - | - | - | - |
| <u>130,301,906</u> | <u>135,681,253</u> | <u>133,192,873</u> | <u>2,488,380</u> |
| 45,000 | 45,000 | 45,000 | - |
| <u>(45,000)</u> | <u>(45,000)</u> | <u>(45,000)</u> | <u>-</u> |
| - | - | - | - |
| - | - | - | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| | | <u>-</u> | |
| | | <u>-</u> | |
| | | <u>\$ -</u> | |

CABARRUS COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2011

Exhibit 6

| | <u>Major Fund</u> | <u>Non-major Fund</u> | |
|-------------------------------|----------------------------|-----------------------|---------------------|
| | <u>School Food Service</u> | <u>Kids Plus</u> | |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 2,714,664 | \$ 132,324 | \$ 2,846,988 |
| Due from other governments | 223,952 | - | 223,952 |
| Accounts receivable (net) | 12,162 | 1,043 | 13,205 |
| Inventories | 343,298 | - | 343,298 |
| Total current assets | <u>3,294,076</u> | <u>133,367</u> | <u>3,427,443</u> |
| Noncurrent assets: | | | |
| Capital assets, net | 2,557,075 | 2,469 | 2,559,544 |
| Total assets | <u>5,851,151</u> | <u>135,836</u> | <u>5,986,987</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 41,227 | 2,447 | 43,674 |
| Accrued salaries and benefits | 74,115 | - | 74,115 |
| Compensated absences | 114,590 | 50,650 | 165,240 |
| Deferred revenues | 130,258 | - | 130,258 |
| Total current liabilities | <u>360,190</u> | <u>53,097</u> | <u>413,287</u> |
| Noncurrent liabilities: | | | |
| Compensated absences | 67,861 | 29,995 | 97,856 |
| Total liabilities | <u>428,051</u> | <u>83,092</u> | <u>511,143</u> |
| NET ASSETS | | | |
| Invested in capital assets | 2,557,075 | 2,469 | 2,559,544 |
| Unrestricted | 2,866,025 | 50,275 | 2,916,300 |
| Total net assets | <u>\$ 5,423,100</u> | <u>\$ 52,744</u> | <u>\$ 5,475,844</u> |

CABARRUS COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
ASSETS - PROPRIETARY FUNDS
For the Year Ended June 30, 2011

Exhibit 7

| | <u>Major Fund</u> | <u>Non-major Fund</u> | |
|---|----------------------------|-----------------------|---------------------|
| | <u>School Food Service</u> | <u>Kids Plus</u> | <u>Total</u> |
| OPERATING REVENUES | | | |
| Food sales | \$ 5,601,575 | \$ 2,437,785 | \$ 8,039,360 |
| Other | 8,819 | 1,000 | 9,819 |
| Total operating revenues | <u>5,610,394</u> | <u>2,438,785</u> | <u>8,049,179</u> |
| OPERATING EXPENSES | | | |
| Food cost: | | | |
| Purchase of food | 5,173,933 | 202,273 | 5,376,206 |
| Salaries and benefits | 5,720,106 | 2,009,005 | 7,729,111 |
| Supplies and materials | 250,882 | 31,673 | 282,555 |
| Contracted services | 37,966 | 16,256 | 54,222 |
| Repairs and maintenance | 137,356 | 122 | 137,478 |
| Indirect costs | 833,575 | 275,000 | 1,108,575 |
| Depreciation | 456,359 | 1,289 | 457,648 |
| Utilities and telephone | 37,993 | 15,081 | 53,074 |
| Other | 70,606 | 25,360 | 95,966 |
| Total operating expenses | <u>12,718,776</u> | <u>2,576,059</u> | <u>15,294,835</u> |
| Operating loss | <u>(7,108,382)</u> | <u>(137,274)</u> | <u>(7,245,656)</u> |
| NONOPERATING REVENUES | | | |
| Federal reimbursements | 6,174,311 | - | 6,174,311 |
| Federal commodities | 782,180 | - | 782,180 |
| State reimbursements | 9,355 | - | 9,355 |
| Interest earned | 1,124 | - | 1,124 |
| Loss on disposal of capital assets | (908) | - | (908) |
| Indirect costs not paid | 433,575 | - | 433,575 |
| Total nonoperating revenues | <u>7,399,637</u> | <u>-</u> | <u>7,399,637</u> |
| Income (loss) before capital contributions and transfer | 291,255 | (137,274) | 153,981 |
| Capital contributions | 750,934 | - | 750,934 |
| Transfer from other funds | 45,000 | - | 45,000 |
| Change in net assets | 1,087,189 | (137,274) | 949,915 |
| Total net assets - beginning, as restated | <u>4,335,911</u> | <u>190,018</u> | <u>4,525,929</u> |
| Total net assets - ending | <u>\$ 5,423,100</u> | <u>\$ 52,744</u> | <u>\$ 5,475,844</u> |

CABARRUS COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2011

Exhibit 8

| | <u>Major Fund</u> | <u>Non-major Fund</u> | |
|---|--------------------------------|-----------------------------|-----------------------------|
| | <u>School Food Service</u> | <u>Kids Plus</u> | <u>Total</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 5,642,966 | \$ 2,437,742 | \$ 8,080,708 |
| Cash paid for goods and services | (5,234,660) | (587,448) | (5,822,108) |
| Cash paid to employees for services | (5,732,914) | (2,019,019) | (7,751,933) |
| Other operating revenues | 8,819 | - | 8,819 |
| | <u> </u> | <u> </u> | <u> </u> |
| Net cash used by operating activities | (5,315,789) | (168,725) | (5,484,514) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Federal and State reimbursements | 6,183,666 | - | 6,183,666 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of capital assets | (151,378) | - | (151,378) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest on investments | 1,124 | - | 1,124 |
| | <u> </u> | <u> </u> | <u> </u> |
| Net increase in cash and cash equivalents | 717,623 | (168,725) | 548,898 |
| Balances-beginning of the year | 1,997,041 | 301,049 | 2,298,090 |
| | <u> </u> | <u> </u> | <u> </u> |
| Balances-end of the year | <u>\$ 2,714,664</u> | <u>\$ 132,324</u> | <u>\$ 2,846,988</u> |

CABARRUS COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2011

Exhibit 8
(Continued)

| | <u>Major Fund</u> | <u>Non-major Fund</u> | |
|---|-----------------------|-----------------------|-----------------------|
| | <u>Service</u> | <u>Kids Plus</u> | <u>Total</u> |
| Reconciliation of operating loss to net cash used by operating activities | | | |
| Operating loss | <u>\$ (7,108,382)</u> | <u>\$ (137,274)</u> | <u>\$ (7,245,656)</u> |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | | |
| Depreciation | 456,359 | 1,289 | 457,648 |
| Donated commodities consumed | 782,180 | - | 782,180 |
| Salaries paid by the State Public School Fund | 45,000 | - | 45,000 |
| Indirect costs not paid | 433,575 | - | 433,575 |
| Changes in assets and liabilities: | | | |
| Decrease in due from other governments | 37,361 | - | 37,361 |
| Increase in accounts receivable | (12,162) | (1,043) | (13,205) |
| Increase in inventories | (17,501) | - | (17,501) |
| Decrease in accounts payable | (9,718) | (21,683) | (31,401) |
| Increase in accrued salaries and benefits | 74,115 | - | 74,115 |
| Increase in deferred revenue | 16,192 | - | 16,192 |
| Decrease in compensated absences | (12,808) | (10,014) | (22,822) |
| Total adjustments | <u>1,792,593</u> | <u>(31,451)</u> | <u>1,761,142</u> |
| Net cash used by operating activities | <u>\$ (5,315,789)</u> | <u>\$ (168,725)</u> | <u>\$ (5,484,514)</u> |

Noncash investing, capital, and financing activities:

Indirect costs of \$433,575 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 7.

The School Food Service Fund received donated commodities with a value of \$782,180 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue on Exhibit 7.

The School Food Service Fund received \$750,934 of capital assets as a contribution from the Capital Outlay Fund.

The State Public School Fund contributed \$45,000 to the School Food Service Fund during the fiscal year to provide assistance with the payment of administrative wages. This payment is reflected as a transfer in and an operating expense on Exhibit 7.

CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Cabarrus 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:

Reporting Entity

The Cabarrus 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 Cabarrus County, North Carolina. The Board provides public school education to the children of Cabarrus County not living within the boundaries of the Kannapolis Local Educational Agency. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

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. 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. Separate statements for each fund category – *governmental* and *proprietary* – 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 non-major funds.

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.

**CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Measurement Focus and Basis of Accounting

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

CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to \$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 functional appropriations by more than \$5,000. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Assets, Liabilities, and Fund Equity

Deposits and Investments

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

**CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 law 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 STIF securities, if any, 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. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price.

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.

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.

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, 1970 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.

**CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

It is the policy of the Board to capitalize all capital assets costing more than \$2,000 with an estimated useful life of two or more years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Cabarrus 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 |
| Equipment and furniture | 5-15 |
| Vehicles | 8 |

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. Land and Construction in Progress are not depreciated.

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.

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.

Net Assets/Fund Balances

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

CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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.

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

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

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

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

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

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

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

The Board of Education has a management policy for revenue spending that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, and lastly 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.

CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$389,480,842 consists of several elements as follows:

| <u>Description</u> | <u>Amount</u> |
|--|------------------------------|
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column) | \$500,537,359 |
| Less Accumulated Depreciation | <u>(101,559,038)</u> |
| Net capital assets | 398,978,321 |
| Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements: | |
| Installment financing | (1,038,521) |
| Compensated absences | <u>(8,458,958)</u> |
| Total adjustment | <u><u>\$ 389,480,842</u></u> |

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$6,185,356 as follows:

CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

| Description | Amount |
|---|---------------------|
| Capital projects expenditures recorded in the fund statements but capitalized as assets in the statement of activities. | \$ 16,951,717 |
| Depreciation expenses, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements. | (11,735,521) |
| Loss on disposal of capital assets reported in the statement of activities | (233,208) |
| New debt issued during the year is recorded as a source of funds on the fund statement but have no affect on the statement of net assets on the government-wide statements. | (1,029,338) |
| Principal payments on debt owed are recorded as a use of funds on the fund statements but it affects only the statement of net assets in the government-wide statements. | 1,312,403 |
| Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements. | |
| Adjustment due to the use of the consumption method of recording inventories in the government-wide statements | 79,410 |
| Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements. | |
| Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources. | <u>839,893</u> |
| Total adjustment | <u>\$ 6,185,356</u> |

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Material Violations of Finance-Related Legal and Contractual Provisions

None

Excess of Expenditures Over Appropriations

None

**CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 3 – DETAIL NOTES ON ALL FUNDS

Assets

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 financial institutions with a carrying amount of \$8,708,407 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$9,319,927 and \$402,806 respectively. Of these balances, \$3,017,456 was covered by federal depository insurance and \$6,705,277 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Investments

At June 30, 2011, the Board of Education had \$6,761,715 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Board has no policy for managing interest risk or credit risk.

CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Accounts Receivable

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

| | Due from other governments | Other |
|-------------------------------|-------------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Governmental activities: | | |
| General Fund | \$ 320,940 | \$ 183,001 |
| Other governmental activities | 2,443,415 | - |
| Total | <u>\$ 2,764,355</u> | <u>\$ 183,001</u> |
| Business-type activities: | | |
| School Food Service | \$ 223,952 | \$ 12,162 |
| Kids Plus | - | 1,043 |
| Total | <u>\$ 223,952</u> | <u>\$ 13,205</u> |

Due from other governments consists of the following:

| | | |
|--------------------------|---------------------|-------------------------------|
| Governmental activities: | | |
| General Fund | \$ 320,940 | Miscellaneous grants |
| State Public School Fund | 2,002,257 | North Carolina for payroll |
| Capital Outlay Fund | 107,216 | County funds for construction |
| Federal Grants Fund | 333,942 | Federal grant funds |
| Total | <u>\$ 2,764,355</u> | |
| Business-type activities | | |
| School Food Service | <u>\$ 223,952</u> | Federal grant funds |

CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|----------------------|----------------------|-----------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,300,000 | \$ - | \$ - | \$ 2,300,000 |
| Construction in progress | <u>64,500,507</u> | <u>15,887,848</u> | <u>55,855,018</u> | <u>24,533,337</u> |
| Total capital assets not being depreciated | <u>66,800,507</u> | <u>\$ 15,887,848</u> | <u>\$ 55,855,018</u> | <u>26,833,337</u> |
| Capital assets being depreciated: | | | | |
| Buildings/improvements | 386,406,332 | \$ 55,857,495 | \$ 258,923 | 442,004,904 |
| Equipment and furniture | 13,692,745 | 1,000,792 | 354,578 | 14,338,959 |
| Vehicles | <u>17,858,566</u> | <u>60,600</u> | <u>559,007</u> | <u>17,360,159</u> |
| Total capital assets being depreciated | <u>417,957,643</u> | <u>\$ 56,918,887</u> | <u>\$ 1,172,508</u> | <u>473,704,022</u> |
| Less accumulated depreciation for: | | | | |
| Buildings/improvements | 70,804,405 | \$ 8,704,720 | \$ 207,424 | 79,301,701 |
| Equipment and furniture | 8,740,223 | 1,285,062 | 284,054 | 9,741,231 |
| Vehicles | <u>11,218,189</u> | <u>1,745,739</u> | <u>447,822</u> | <u>12,516,106</u> |
| Total accumulated depreciation | <u>90,762,817</u> | <u>\$ 11,735,521</u> | <u>\$ 939,300</u> | <u>101,559,038</u> |
| Total capital assets being depreciated, net | <u>327,194,826</u> | | | <u>372,144,984</u> |
| Governmental activity capital assets, net | <u>\$ 393,995,333</u> | | | <u>\$ 398,978,321</u> |

**CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|---|-------------------------------|-------------------|------------------|----------------------------|
| Business-type activities: | | | | |
| School Food Service Fund: | | | | |
| Capital assets being depreciated: | | | | |
| Furniture and office equipment | \$ 5,720,338 | \$ 902,312 | \$ 2,615 | \$ 6,620,035 |
| Less accumulated depreciation for: | | | | |
| Furniture and office equipment | <u>3,608,308</u> | <u>\$ 456,359</u> | <u>\$ 1,707</u> | <u>4,062,960</u> |
| School Food Service capital assets, net: | <u>2,112,030</u> | | | <u>2,557,075</u> |
| Kids Plus Fund | | | | |
| Capital assets being depreciated | | | | |
| Furniture and equipment | 87,278 | \$ - | \$ - | 87,278 |
| Less accumulated depreciation for | | | | |
| Furniture and equipment | <u>83,520</u> | <u>\$ 1,289</u> | <u>\$ -</u> | <u>84,809</u> |
| Other enterprise funds capital assets, net: | <u>3,758</u> | | | <u>2,469</u> |
| Business-type activity capital assets, net: | <u>\$ 2,115,788</u> | | | <u>\$ 2,559,544</u> |

Depreciation was charged to governmental functions as follows:

| | |
|--------------------------------|----------------------|
| Regular instructional services | \$ 8,704,720 |
| System-wide support services | 1,745,739 |
| Unallocated depreciation | <u>1,285,062</u> |
| Total | <u>\$ 11,735,521</u> |

Construction Commitments

Cabarrus County Board of Education has an active construction project at Harold E. Winkler Middle School as of June 30, 2011. At year-end, the commitments with contractors for school construction are as follows:

| <u>Project</u> | <u>Incurred to Date</u> | <u>Remaining Commitment</u> |
|----------------|-------------------------|---------------------------------|
| Construction | <u>\$ 24,533,337</u> | <u>\$ 178,933</u> |

**CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Liabilities

Pension Plan and Other Post-employment Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. Cabarrus 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 4.93% of annual covered payroll. The contribution requirements of plan members and Cabarrus 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 \$6,709,471, \$4,763,334, and \$4,662,233, respectively, equal to the required contributions for each year.

b. Other Post-employment Benefits

Post-employment Healthcare Benefits

Plan Description. The post-employment healthcare benefits are provided through a multiple-employer cost-sharing 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.

**CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

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 \$6,668,642, \$6,004,202, and \$5,689,035, respectively. These contributions represented 4.90%, 4.50%, and 4.10% of covered payroll, respectively.

2. Other Employment Benefits

In addition to providing pension and post employment healthcare benefits, the Board provides death benefits and disability benefits, in accordance with State statutes, to certain employees.

Death Benefits

Death benefits are provided through the Benefit Plan for members of the Teachers' and State Employees' Retirement System (Death Benefit Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. Employees who die in active service after one year of contributing membership service in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's highest 12 months salary in a row during the 24 months prior to his/her death with a minimum benefit of \$25,000 and a maximum of \$50,000.

**CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Long-term Disability Benefits

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

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

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

All short-term disability benefit payments are made by various State-administered plans. The Board has no liability beyond payment of monthly contributions except for short-term disability benefits, which are paid by the Board during the first six months of the short-term period.

**CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

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

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as another 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 \$707,693, \$693,819, and \$721,536, respectively. These contributions represented 0.52% of covered payroll for each of the three fiscal years.

CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at the government-wide level at June 30, 2011 are as follows:

| | <u>Vendors</u> | <u>Salaries and Benefits</u> |
|---------------------------------|-------------------|----------------------------------|
| Governmental Activities: | | |
| General | \$ 635,610 | \$ 82,772 |
| Other Governmental | 113,022 | 2,336,199 |
| Total - Governmental Activities | <u>\$ 748,632</u> | <u>\$ 2,418,971</u> |
| Business-type Activities: | | |
| School Food Service | \$ 41,227 | \$ 74,115 |
| Kids Plus | 2,447 | - |
| Total business-type activities | <u>\$ 43,674</u> | <u>\$ 74,115</u> |

Unearned Revenues

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

| | <u>Governmental Activities</u> | | | <u>Business- Type Activities</u> |
|-----------------------|--------------------------------|-------------------|---------------------|--------------------------------------|
| | <u>General Fund</u> | <u>Other</u> | <u>Total</u> | <u>School Food Service</u> |
| Grants not yet earned | \$ 2,023,305 | \$ 176,999 | \$ 2,200,304 | \$ - |
| Prepaid meals | - | - | - | 130,258 |
| Total | <u>\$ 2,023,305</u> | <u>\$ 176,999</u> | <u>\$ 2,200,304</u> | <u>\$ 130,258</u> |

**CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

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, and workers' compensation coverage up to the statutory limits for employees to the extent they are paid from federal and local funds. The State of North Carolina provides workers' compensation for employees to the extent they are paid from State funds. The Trust has an annual aggregate limit for general liability of \$2,000,000, and \$1,400,000 for errors and omissions. The Trust is reinsured through commercial companies for losses in excess of \$100,000 per claim for errors and omissions and general liability coverage, and for losses in excess of \$275,000 per claim for workers' compensation coverage. 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, insuring the tangible property assets of the Board. The Fund provides coverage up to \$10 million per occurrence and \$20 million in aggregate annually. Reinsurance is provided by the Fund to provide financial solvency for property losses in excess of the Fund's self-insured retention of \$10 million. A total limit of \$100 million per occurrence is purchased for covered catastrophic events, \$400 million maximum per occurrence for any one flood or earthquake.

The Board does not have flood insurance in case of natural disaster.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan (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 Board carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the prior year, and claims have not exceeded coverage in any of the past three fiscal years.

CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Long-Term Obligations

a. Installment Purchases

The Board is authorized by state law under G.S. 115C-528(a) to enter into installment purchase contracts to finance computers. The Board entered into two such contracts during the year ended June 30, 2011. These contracts are over three year periods ending during the 2013 fiscal year.

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement with various companies. There are two such agreements with outstanding balances as of June 30, 2011.

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

| | |
|-----------------------------|----------------------------|
| <u>Year Ending June 30,</u> | |
| 2012 | \$ 694,091 |
| 2013 | 394,198 |
| | <u>1,088,289</u> |
| Interest | <u>(49,768)</u> |
| | <u><u>\$ 1,038,521</u></u> |

b. Long-Term Obligation Activity

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

| | <u>July 1,</u> <u>2010</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30,</u> <u>2011</u> | <u>Current</u> <u>Maturities</u> |
|---------------------------|-------------------------------|----------------------|----------------------|--------------------------------|-------------------------------------|
| Governmental activities: | | | | | |
| Installment purchases | \$ 1,321,586 | \$ 1,029,338 | \$ 1,312,403 | \$ 1,038,521 | \$ 655,017 |
| Compensated absences | <u>9,298,851</u> | <u>9,196,870</u> | <u>10,036,763</u> | <u>8,458,958</u> | <u>4,590,281</u> |
| Total | <u>\$ 10,620,437</u> | <u>\$ 10,226,208</u> | <u>\$ 11,349,166</u> | <u>\$ 9,497,479</u> | <u>\$ 5,245,298</u> |
| Business-type activities: | | | | | |
| Compensated absences | <u>\$ 285,918</u> | <u>\$ 421,460</u> | <u>\$ 444,282</u> | <u>\$ 263,096</u> | <u>\$ 165,240</u> |

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

**CABARRUS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Transfer to/from other Funds

During the year ended June 30, 2011, the State Public School Fund transferred \$45,000 to the School Food Service Fund to pay for administrative costs.

NOTE 4 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 5 - PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2011, the Board reported the following prior period adjustment:

Net assets for governmental activities were decreased by \$100,706 primarily to correct an error in the recording of installment purchase agreements in previous years. As a result, governmental activities' net assets as of June 30, 2010 decreased by the same amount. Such changes to governmental activities' net assets have been reflected in Exhibit 2.

Net assets in the School Food Service Fund were decreased by \$180,282 primarily to correct an error in the amount capitalized through construction projects in previous years. As a result, the School Food Service Fund's net assets as of June 30, 2010 decreased by the same amount. Such changes have been reflected in Exhibit 2 and Exhibit 7.

**CABARRUS COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2011**

| | Budget | Actual | Positive (Negative) Variance |
|------------------------------|-----------------------|-----------------------|------------------------------------|
| Revenues: | | | |
| State of North Carolina: | | | |
| More At Four | \$ 1,118,223 | \$ 915,060 | \$ (203,163) |
| Drop-out Prevention Grant | 40,759 | 2,404 | (38,355) |
| | <u>1,158,982</u> | <u>917,464</u> | <u>(241,518)</u> |
| Cabarrus County | <u>47,372,681</u> | <u>47,372,681</u> | <u>-</u> |
| U.S. Government: | | | |
| Headstart | 1,211,895 | 1,206,199 | (5,696) |
| JROTC | 244,800 | 221,449 | (23,351) |
| Total | <u>1,456,695</u> | <u>1,427,648</u> | <u>(29,047)</u> |
| Other : | | | |
| Fines and forfeitures | 1,540,000 | 1,527,313 | (12,687) |
| Medicaid reimbursements | 825,037 | 309,109 | (515,928) |
| Tuition and fees | 40,000 | 49,627 | 9,627 |
| Sales taxes | 165,000 | 157,679 | (7,321) |
| Reimbursements | | | |
| Interest | 15,000 | 12,439 | (2,561) |
| Miscellaneous | 3,065,281 | 1,574,014 | (1,491,267) |
| Indirect cost allocated | 634,884 | 609,308 | (25,576) |
| Total | <u>6,285,202</u> | <u>4,239,489</u> | <u>(2,045,713)</u> |
| Total revenues | <u>56,273,560</u> | <u>53,957,282</u> | <u>(2,316,278)</u> |
| Expenditures: | | | |
| Instructional services: | | | |
| Regular instructional | 11,938,327 | 11,828,334 | 109,993 |
| Special populations | 3,231,655 | 2,140,790 | 1,090,865 |
| Alternative programs | 3,412,208 | 2,331,774 | 1,080,434 |
| School leadership | 7,024,757 | 6,510,160 | 514,597 |
| Co-curricular | 159,540 | 159,119 | 421 |
| School-based support | 2,802,378 | 2,613,846 | 188,532 |
| Total instructional services | <u>28,568,865</u> | <u>25,584,023</u> | <u>2,984,842</u> |

CABARRUS COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2011

Exhibit A-1
(Continued)

| | Budget | Actual | Positive (Negative) Variance |
|---|-------------------|---------------------|------------------------------------|
| System-wide support services: | | | |
| Support and development | 468,100 | 412,259 | 55,841 |
| Special populations support and development | 44,330 | 40,396 | 3,934 |
| Technology support | 2,278,974 | 2,117,535 | 161,439 |
| Operational support | 21,621,333 | 19,835,988 | 1,785,345 |
| Financial and human resource services | 2,261,558 | 2,212,703 | 48,855 |
| System-wide pupil support services | 404,286 | 400,594 | 3,692 |
| Policy, leadership and public relations | 1,119,182 | 1,083,545 | 35,637 |
| Total system-wide support services | <u>28,197,763</u> | <u>26,103,020</u> | <u>2,094,743</u> |
| Ancillary services: | | | |
| Community | <u>60,000</u> | <u>59,761</u> | <u>239</u> |
| Non-Programmed charges | | | |
| Payments to other governments | <u>641,000</u> | <u>622,852</u> | <u>18,148</u> |
| Total expenditures | <u>57,467,628</u> | <u>52,369,656</u> | <u>5,097,972</u> |
| Revenues over (under) expenditures | (1,194,068) | 1,587,626 | 2,781,694 |
| Appropriated fund balance | <u>1,194,068</u> | <u>-</u> | <u>(1,194,068)</u> |
| Revenues and appropriated fund balance over expenditures | <u>\$ -</u> | 1,587,626 | <u>\$ 1,587,626</u> |
| Fund balances: | | | |
| Beginning of year, July 1 | | 6,119,929 | |
| Increase in reserve for inventories | | <u>79,410</u> | |
| End of year, June 30 | | <u>\$ 7,786,965</u> | |

**CABARRUS COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL OUTLAY FUND
For the Year Ended June 30, 2011**

| | Budget | Actual | Variance Positive (Negative) |
|---|-------------------|-------------------|------------------------------------|
| Exhibit B-1 | | | |
| Revenues: | | | |
| State of North Carolina | \$ 367,211 | \$ 367,211 | \$ - |
| Cabarrus County | 23,312,411 | 17,700,234 | (5,612,177) |
| Other | 1,501,566 | 582,511 | (919,055) |
| Total revenues | <u>25,181,188</u> | <u>18,649,956</u> | <u>(6,531,232)</u> |
| Expenditures: | | | |
| Current: | | | |
| Instructional services | 1,006,245 | 934,418 | 71,827 |
| System-wide support services | 41,765 | 41,658 | 107 |
| Capital Outlay | 23,800,123 | 17,902,956 | 5,897,167 |
| Debt Service | | | |
| Principal | 1,312,403 | 1,312,403 | - |
| Interest | 49,990 | 49,990 | - |
| Total expenditures | <u>26,210,526</u> | <u>20,241,425</u> | <u>5,969,101</u> |
| Revenues under expenditures | (1,029,338) | (1,591,469) | (562,131) |
| Other financing sources: | | | |
| Installment purchase obligations issued | <u>1,029,338</u> | <u>1,029,338</u> | <u>-</u> |
| Revenues and other financing sources under expenditures | <u>\$ -</u> | <u>(562,131)</u> | <u>\$ (562,131)</u> |
| Fund balance: | | | |
| Beginning of year, July 1 | | <u>813,495</u> | |
| End of year, June 30 | | <u>\$ 251,364</u> | |

**CABARRUS COUNTY BOARD OF EDUCATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - FEDERAL GRANTS FUND
 For the Year Ended June 30, 2011**

| | <u>Budget</u> | <u>Actual</u> | <u>Positive (Negative) Variance</u> |
|------------------------------|-------------------|-------------------|---|
| Exhibit C-1 | | | |
| Revenues: | | | |
| U.S. Government | \$ 22,544,848 | \$ 21,118,150 | \$ (1,426,698) |
| Expenditures: | | | |
| Instructional services | 21,551,985 | 20,263,278 | 1,288,707 |
| System-wide support services | 645,734 | 530,176 | 115,558 |
| Non-Programmed charge | 347,129 | 324,696 | 22,433 |
| Total expenditures | <u>22,544,848</u> | <u>21,118,150</u> | <u>1,426,698</u> |
| Revenues over expenditures | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| Fund balances: | | | |
| Beginning of year, July 1 | | <u>-</u> | |
| End of year, June 30 | | <u>\$ -</u> | |

**CABARRUS COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-
GAAP) - SCHOOL FOOD SERVICE FUND
For the Year Ended June 30, 2011**

Exhibit D-1

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|---|---------------------|---------------------|------------------------------------|
| Operating revenues | <u>\$ 6,033,236</u> | <u>\$ 5,610,394</u> | <u>\$ (422,842)</u> |
| Operating expenditures: | | | |
| Business support services | | 12,366,841 | |
| Capital outlay | | 151,378 | |
| Total operating expenditures | <u>12,542,400</u> | <u>12,518,219</u> | <u>24,181</u> |
| Operating loss | <u>(6,509,164)</u> | <u>(6,907,825)</u> | <u>(398,661)</u> |
| Nonoperating revenues: | | | |
| Federal reimbursements | | 6,174,311 | |
| Federal commodities | | 782,180 | |
| State reimbursements | | 9,355 | |
| Indirect costs not paid | | 433,575 | |
| Interest earned | | 1,124 | |
| Loss on disposal of capital assets | | (908) | |
| Total nonoperating revenues | <u>6,509,164</u> | <u>7,399,637</u> | <u>890,473</u> |
| Revenues over expenditures | <u>\$ -</u> | <u>\$ 491,812</u> | <u>\$ 491,812</u> |
| Reconciliation of modified accrual to full accrual basis: | | | |
| Revenues over expenditures | | \$ 491,812 | |
| Depreciation | | (456,359) | |
| Capital outlay | | 151,378 | |
| Increase in inventory | | 17,501 | |
| Capital contributions | | 750,934 | |
| Transfer from other fund | | 45,000 | |
| Increase in accrued salaries and benefits | | 74,115 | |
| Decrease in compensated absences payable | | 12,808 | |
| Change in net assets (full accrual) | | <u>\$ 1,087,189</u> | |

**CABARRUS COUNTY BOARD OF EDUCATION
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-
 GAAP) - KIDS PLUS
 For the Year Ended June 30, 2011**

Exhibit E-1

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|---|------------------|---------------------|------------------------------------|
| Operating revenues | \$ 2,859,700 | \$ 2,438,785 | \$ (420,915) |
| Operating expenditures: | | | |
| Business support services | <u>2,859,700</u> | <u>2,584,784</u> | <u>274,916</u> |
| Revenues under expenditures | <u>\$ -</u> | <u>\$ (145,999)</u> | <u>\$ (145,999)</u> |
| Reconciliation of modified accrual to full accrual basis: | | | |
| Revenues under expenditures | | \$ (145,999) | |
| Depreciation | | (1,289) | |
| Decrease in compensated absences payable | | <u>10,014</u> | |
| Change in net assets (full accrual) | | <u>\$ (137,274)</u> | |

COMPLIANCE SECTION



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

To the Cabarrus County Board of Education
Concord, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cabarrus County Board of Education, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the Cabarrus County Board of Education, North Carolina's basic financial statements, and have issued our report thereon dated September 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Anderson Smith & Wike PLLC

*September 29, 2011
Statesville, North Carolina*



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

To the Cabarrus County Board of Education
Concord, North Carolina

Compliance

We have audited the compliance of Cabarrus County Board of Education, North Carolina, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Cabarrus County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the Cabarrus County Board of Education, North Carolina's management. Our responsibility is to express an opinion on the Cabarrus County Board of Education's compliance based on our audit.

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

In our opinion, the Cabarrus County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Cabarrus County Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Cabarrus County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cabarrus County Board of Education's internal control over compliance.

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

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

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

Anderson Smith & Wike PLLC

*September 29, 2011
Statesville, North Carolina*



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

To the Cabarrus County Board of Education
Concord, North Carolina

Compliance

We have audited the compliance of the Cabarrus County Board of Education, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2011. The Cabarrus County Board of Education's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the Cabarrus County Board of Education, North Carolina's management. Our responsibility is to express an opinion on the Cabarrus County Board of Education's compliance based on our audit.

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

In our opinion, the Cabarrus County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Cabarrus County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Cabarrus County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major State program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cabarrus County Board of Education's internal control over compliance.

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

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

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

Anderson Smith & Wike PLLC

*September 29, 2011
Statesville, North Carolina*

**CABARRUS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes X_no
- Significant deficiency(ies) identified that are not considered to be material weaknesses: ___yes X_none reported
- Noncompliance material to financial statements noted ___yes X_no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___yes X_no
- Significant deficiency(ies) identified that are not considered to be material weaknesses: ___yes X_none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 ___yes X_no

Identification of major federal programs:

| <u>CFDA Numbers</u> | <u>Names of Federal Program or Cluster</u> |
|---------------------|---|
| 84.010 | Title I Cluster |
| 84.389 | Title I Grants to Local Education Agencies ARRA – Title I Grants to Local Education Agencies |
| 84.027 | Special Education Cluster |
| 84.173 | Handicapped – State Grants |
| 84.391 | Handicapped – Preschool Grants |
| 84.392 | ARRA – Handicapped State Grants ARRA – Handicapped Preschool Grants |
| 84.394 | State Fiscal Stabilization Fund – ARRA |
| 93.600 | Headstart |

**CABARRUS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Dollar threshold used to distinguish between
Type A and Type B Programs

\$ 885,069

Auditee qualified as low-risk auditee?

yes no

State Awards

Internal control over major State programs:

- Material weakness(es) identified?

yes no

- Significant deficiency(ies) identified
that are not considered to be
material weaknesses:

yes none reported

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

Unqualified

Any audit findings disclosed that are required to be reported
in accordance with the State Single Audit Implementation Act

yes no

Identification of major State programs:

Program Name

State Public School Fund

School Buses

More at Four

School Technology Fund

Vocational Education – State Months of Employment

**CABARRUS COUNTY BOARD OF EDUCATION
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2011**

Section II. Financial Statement Findings

Finding: None Reported

Section III. Federal Award Findings and Questioned Costs

Finding: None Reported

Section IV. State Award Findings and Questioned Costs

Finding: None Reported

**CABARRUS COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

No findings that would have been reported under the criteria provided in the revised Circular

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

| <u>Grantor/Pass-through</u> <u>Grantor/Program Title</u> | <u>Federal</u> <u>CFDA</u> <u>Number</u> | <u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u> | <u>Expenditures</u> |
|---|--|---|---------------------|
| Federal Grants: | | | |
| <u>U.S. Department of Agriculture</u> | | | |
| Food and Nutrition Service | | | |
| Passed-through the N.C. Department of Public Instruction: | | | |
| Child Nutrition Cluster: | | | |
| Noncash Assistance (Commodities): | | | |
| National School Lunch Program | 10.555 | | \$ 782,180 |
| Cash Assistance: | | | |
| School Breakfast Program | 10.553 | | 1,309,088 |
| National School Lunch Program | 10.555 | | 4,865,223 |
| Cash Assistance Subtotal | | | 6,174,311 |
| Total Child Nutrition Cluster | | | 6,956,491 |
| <u>U.S. Department of Education</u> | | | |
| Office of Elementary and Secondary Education | | | |
| Passed-through the N.C. Department of Public Instruction: | | | |
| Education Consolidation and Improvement Act of 1981 | | | |
| Improving America School Act of 1994 (IASA) | | | |
| Title I, Grants to Local Educational Agencies | | | |
| Title I Cluster | | | |
| Educationally Deprived Children | 84.010 | PRC 050 | 2,768,147 |
| Educationally Deprived Children - ARRA | 84.389 | PRC 141 | 985,380 |
| Total Title I Cluster | | | 3,753,527 |
| Title I - School Improvement Cluster | | | |
| Title I - School Improvement Grant | 84.377 | PRC 105 | 463,668 |
| Title I - School Improvement Grant - ARRA | 84.388 | PRC 142 | 50,975 |
| Total Title I - School Improvement Cluster | | | 514,643 |
| Title IV, Part A, Safe and Drug Free Schools | | | |
| Improving Teacher Quality | 84.186 | PRC 048 | 34,627 |
| State Fiscal Stabilization Fund - ARRA | 84.367 | PRC 103 | 707,573 |
| | 84.394 | PRC 140 | 7,499,313 |
| Education for Homeless Children and Youth Cluster: | | | |
| Education for Homeless Children and Youth | 84.196 | PRC 026 | 29,319 |
| Education for Homeless Children and Youth - ARRA | 84.387 | PRC 148 | 11,265 |
| Total Education for Homeless Children and Youth Cluster | | | 40,584 |
| Educational Technology | 84.318 | PRC 107 | 1,201 |
| Education Jobs Fund - ARRA | 84.410 | PRC 155 | 22,395 |
| Language Acquisition Grant | 84.365 | PRC 104 | 209,726 |

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

| | Federal CFDA Number | State/ Pass-through Grantor's Number | Expenditures |
|---|---------------------------|---|--------------------------|
| Office of Special Education and Rehabilitative Services | | | |
| Passed-through the N.C. Department of Public Instruction: | | | |
| Special Education Cluster: | | | |
| Individuals with Disabilities Education Act | | | |
| Special Education - Grants to States | 84.027 | PRC 060 | 4,195,148 |
| Special Education - Targeted Assistance | 84.027 | PRC 118 | 31,532 |
| Special Education - Targeted Assistance | 84.173 | PRC 119 | 20,444 |
| Special Education - Children with Disabilities | 84.027 | PRC 070 | 743,619 |
| Special Education - Capacity Building / Improvement | 84.027 | PRC 044 | 209,664 |
| Special Education - Grants to States - ARRA | 84.391 | PRC 144 | 2,608,061 |
| Special Education - Preschool Grants - ARRA | 84.392 | PRC 145 | 96,485 |
| Special Education - Special Risk Pool | 84.027 | PRC 114 | 44,230 |
| Special Education - Preschool Grants | 84.173 | PRC 049 | 95,908 |
| Total Special Education Cluster | | | <u>8,045,091</u> |
| Title VI-B, Education of the Handicapped | 84.323 | PRC 082 | <u>2,910</u> |
| Office of Vocational and Adult Education | | | |
| Passed-through the N.C. Department of Public Instruction: | | | |
| Carl D. Perkins Vocational and Applied Technology | | | |
| Education Act Amendments of 1990 | | | |
| Basic Grants to States | | | |
| Program Development | 84.048 | PRC 017 | <u>223,428</u> |
| Tech-Prep Education | 84.243 | PRC 023 | <u>63,132</u> |
| Total U.S. Department of Education | | | <u>21,118,150</u> |
| <u>U.S. Department of Health and Human Services</u> | | | |
| Health Resources and Services Administration | | | |
| Direct Program: | | | |
| Headstart | 93.600 | | <u>1,206,199</u> |
| <u>U.S. Department of Defense</u> | | | |
| Direct Program: | | | |
| JROTC | None | | <u>221,449</u> |
| Total Federal Assistance | | | <u>29,502,289</u> |

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

| | Federal CFDA Number | State/ Pass-through Grantor's Number | Expenditures |
|---|---------------------------|---|------------------------------|
| State Grants: | | | |
| Cash Assistance: | | | |
| <u>N.C. Department of Public Instruction (cash assistance):</u> | | | |
| State Public School Fund | | | 124,901,382 |
| Vocational Education | | | |
| State Months of Employment | | PRC 013 | 6,551,731 |
| Program Support Funds | | PRC 014 | 201,550 |
| Driver Training | | PRC 012 | 657,937 |
| School Technology Fund | | PRC 015 | 742,754 |
| | | | <u>133,055,354</u> |
| <u>N.C. Department of Public Instruction (noncash assistance)</u> | | | |
| School Buses | | | 367,211 |
| Textbooks | | | <u>182,519</u> |
| | | | <u>549,730</u> |
| <u>N.C. Department of Agriculture</u> | | | |
| State Kindergarten Breakfast Funds | | | <u>9,355</u> |
| <u>N.C. Department of Health and Human Services</u> | | | |
| Division of Child Development: | | | |
| More at Four | | | <u>915,060</u> |
| <u>N.C. General Assembly</u> | | | |
| Drop-Out Prevention Grant | | | <u>2,404</u> |
| Total State Assistance | | | <u>134,531,903</u> |
| Total Federal and State Assistance | | | <u>\$ 164,034,192</u> |

Notes to the Schedule of Expenditures of Federal and State Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Cabarrus County Board of Education and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.