

**EDENTON-CHOWAN  
BOARD OF EDUCATION  
Edenton, North Carolina**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2010**

# **EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**

## **List of Principal Officials**

**June 30, 2010**

### **BOARD OF EDUCATION**

Ricky Browder, Chairman

Win Dale

Gene Jordan, Vice Chairman

Kay Wright

Jean Bunch

Gil Burroughs

John Guard

### **OFFICE OF THE SUPERINTENDENT**

Dr. Allan Smith  
Superintendent

Emma Berry  
Finance Officer

### **INDIVIDUAL SCHOOLS**

Principals

Jamie Gillespie  
John A. Holmes High School

Tanya Turner  
Chowan Middle School

Sheila Evans  
D.F. Walker Elementary School

Amy Steinert  
White Oak Elementary School

**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**

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**DOUGLAS A. HOLLOWELL P.C.**

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DOUGLAS A. HOLLOWELL, C.P.A.  
DONNA HOLLOWELL WINBORNE, C.P.A.

**INDEPENDENT AUDITORS' REPORT**

To the Members of the Board  
Edenton-Chowan Board of Education  
Edenton, 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 Edenton-Chowan Board of Education, as of and for the year then ended June 30, 2010, which collectively comprise the Edenton-Chowan Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Edenton-Chowan Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Edenton-Chowan Board of Education as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, State Public School Fund, and Federal Grants 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 October 7, 2010 on our consideration of Edenton-Chowan Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

MEMBERS OF:

THE AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

THE VIRGINIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

THE NORTH CAROLINA  
ASSOCIATION OF CERTIFIED  
PUBLIC ACCOUNTANTS

Management's Discussion and Analysis is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in blue ink that reads "Douglas A. Hollowell, P.C." The signature is written in a cursive style with a large initial 'D'.

Douglas A. Hollowell, P.C.

October 7, 2010

## **Management's Discussion and Analysis**

This section of the Edenton-Chowan Board of Education's financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2010. This information should be read in conjunction with the audited financial statements included in this report.

### ***Financial Highlights***

- The ongoing economic recession and the impact on state and local budgets has continued to strain the fiscal resources of the school system. This impact was partially mitigated by additional federal stimulus dollars. The needs for capital improvements were addressed through the acquisition of a competitive grant from the North Carolina Energy Office and an additional appropriation from the Chowan County Commission to replace the roof on the gym at John A. Holmes High School. A supplemental appropriation from the County Commission of \$50,000 to the local current expense fund late in the fiscal year was also provided.

### ***Overview of the Financial Statements***

The audited financial statements of the Edenton-Chowan Board of Education consist of four components. They are as follows:

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

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

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds, proprietary funds, and fiduciary 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 proprietary and fiduciary funds are presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on the financial resources of each of the Board's major funds.

## **Government-wide Statements**

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

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

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

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

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

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

## **Fund Financial Statements**

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

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

Edenton-Chowan Board of Education has three types of funds:

*Governmental funds:* Most of the Board's basic services are included in the governmental funds, which generally focus on two things – how cash and other assets can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements, in the form of a reconciliation, explains the relationship (or differences) between the government-side and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, and the Federal Grants Fund. The governmental fund statements are shown as Exhibits 3, 4, 5 and 6 of this report.

*Proprietary funds:* Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. Edenton-Chowan Board of Education has two



proprietary funds – both enterprise funds – the School Food Service Fund and the Child Care Fund. The proprietary fund statements are shown as Exhibits 7, 8, and 9 of this report.

*Fiduciary fund:* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Edenton-Chowan Board of Education has two fiduciary funds –

- Project Graduation Fund – This consists of funds used to plan and support a chemical free celebration. This activity is not a school-sponsored event, but rather a project for the children undertaken by the parents. The funds are for the benefit of students in the district. This is accounted for as a private purpose trust fund.
- The Edenton-Chowan Educational Foundation, Inc. – This is a non-profit corporation. The affairs of the corporation are managed by a Board of Directors consisting of community members approved by the Edenton-Chowan Board of Education, together with the Superintendent of the Edenton-Chowan Schools. The purpose for which this corporation was organized is to promote and carry on educational, literary, scientific and charitable instruction and educational facilities both directly and by the application of the corporation's assets to the use of the Edenton-Chowan Schools Administrative Unit, or to any other corporation, trust, fund or foundation whose purposes and operations are dedicated to the promotion of means and opportunities for the education of the people of Chowan County.

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

**Financial Analysis of the Schools as a Whole**

Net assets is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$28,001,947 as of June 30, 2010. The largest component of net assets is invested in capital assets, net of related debt, of \$25,935,641. It comprises 93% of the total net assets.

Following is a summary of the Statement of Net Assets:

<b>Table 1</b>						
<b>Condensed Statement of Net Assets as of June 30, 2010</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>6/30/2010</b>	<b>6/30/2009</b>	<b>6/30/2010</b>	<b>6/30/2009</b>	<b>6/30/2010</b>	<b>6/30/2009</b>
Current assets	\$ 2,979,940	\$ 2,852,247	\$ 359,358	\$ 267,633	\$ 3,339,298	\$ 3,119,880
Capital assets	25,816,440	26,584,051	119,201	114,716	25,935,641	26,698,767
Total assets	<u>28,796,380</u>	<u>29,436,298</u>	<u>478,559</u>	<u>382,349</u>	<u>29,274,939</u>	<u>29,818,647</u>
Current liabilities	913,512	890,080	19,386	17,992	932,898	908,072
Long-term liabilities	318,050	312,698	-	-	318,050	312,698
Total liabilities	<u>1,231,562</u>	<u>1,202,778</u>	<u>19,386</u>	<u>17,992</u>	<u>1,250,948</u>	<u>1,220,770</u>
Invested in capital assets, net of related debt	25,816,440	26,584,051	119,201	114,716	25,935,641	26,698,767
Restricted net assets	227,954	237,245	-	-	227,954	237,245
Unrestricted net assets	1,520,424	1,412,224	317,928	249,641	1,838,352	1,661,865
Total net assets	<u>\$ 27,564,818</u>	<u>\$ 28,233,520</u>	<u>\$ 437,129</u>	<u>\$ 364,357</u>	<u>\$ 28,001,947</u>	<u>\$ 28,597,877</u>

Note that net assets decreased during the year, indicating a decline in the financial condition of the Board. The decrease in net assets (2%) was largely due to the decrease in capital assets in

the governmental activities. Unrestricted net assets increased in the business-type activities primarily because of decrease in expenditures in the School Food Service fund. Also note that the Board carries capital assets for which Chowan County carries the offsetting debt.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>6/30/2010</b>	<b>6/30/2009</b>	<b>6/30/2010</b>	<b>6/30/2009</b>	<b>6/30/2010</b>	<b>6/30/2009</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 459,574	\$ 459,436	\$ 359,742	\$ 408,430	\$ 819,316	\$ 867,866
Operating grants and contributions	17,256,464	17,160,043	845,780	822,049	18,102,244	17,982,092
Capital grants and contributions	185,000	270,125	22,044	-	207,044	270,125
<b>General revenues:</b>						
Other revenues	5,302,575	5,699,206	186	412	5,302,761	5,699,618
<b>Total revenues</b>	<b>23,203,613</b>	<b>23,588,810</b>	<b>1,227,752</b>	<b>1,230,891</b>	<b>24,431,365</b>	<b>24,819,701</b>
<b>Expenses:</b>						
<b>Governmental activities:</b>						
Instructional services	17,721,200	17,980,667	-	-	17,721,200	17,980,667
System-wide support services	5,068,722	5,123,959	-	-	5,068,722	5,123,959
Ancillary services	125,033	164,331	-	-	125,033	164,331
Non-programmed charges	7,601	(4,895)	-	-	7,601	(4,895)
Depreciation	835,072	818,828	-	-	835,072	818,828
<b>Business-type activities:</b>						
Food service	-	-	1,190,909	1,287,670	1,190,909	1,287,670
Child care	-	-	78,759	98,425	78,759	98,425
<b>Total expenses</b>	<b>23,757,628</b>	<b>24,082,890</b>	<b>1,269,668</b>	<b>1,386,095</b>	<b>25,027,296</b>	<b>25,468,985</b>
Transfers in (out)	(114,688)	(147,872)	114,688	147,872	-	-
Increase (decrease) in net assets	(668,703)	(641,952)	72,772	(7,332)	(595,931)	(649,284)
Beginning net assets	28,233,521	28,875,471	364,357	371,690	28,597,878	29,247,161
<b>Ending net assets</b>	<b>\$ 27,564,818</b>	<b>\$ 28,233,519</b>	<b>\$ 437,129</b>	<b>\$ 364,358</b>	<b>\$ 28,001,947</b>	<b>\$ 28,597,877</b>

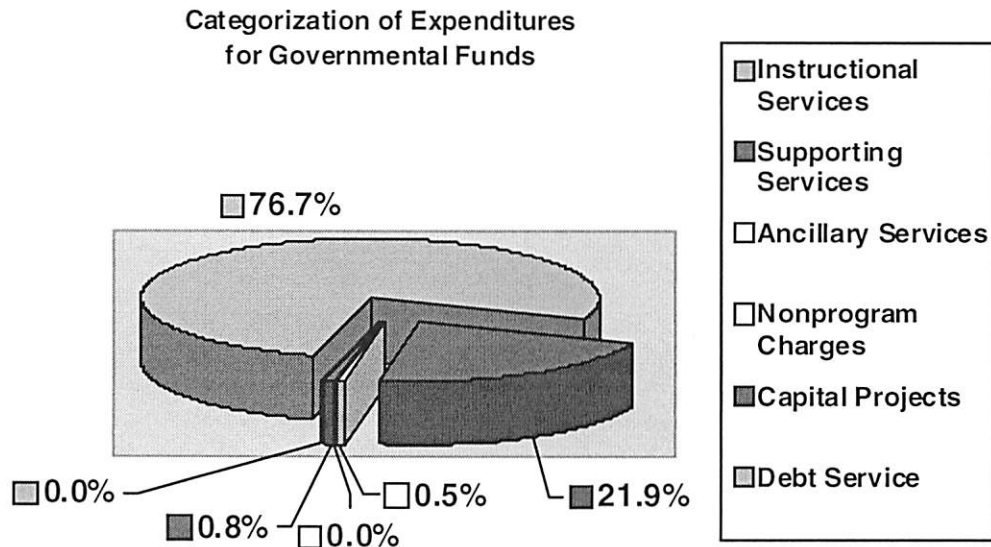
Total governmental activities generated revenues of \$23.2 million while expenses in this category totaled \$23.7 million for the year ended June 30, 2010. Comparatively, revenues were \$23.6 million and expenses totaled \$24 million for the year ended June 30, 2009. After transfers to the business-type activities, the decrease in net assets stands at \$668,703 compared to a decrease in net assets of \$641,952 in 2009. Instructional services expenses comprised 75% of total governmental-type expenses while system-wide support services made up 21% of those expenses. County funding comprised 13% of total governmental revenue while unrestricted State funding added another 8% for 2010. In 2009, county funding was 16% and unrestricted State funding added 6%. Much of the remaining 79% of total governmental revenue consists of restricted State and federal money. This revenue represented 78% of total revenue in 2009. Business-type activities generated revenue of \$1.22 million and had expenses of \$1.26 million. Net assets increased in the business-type activities by \$72,772 after transfers in from the governmental activities of \$114,688.

**Financial Analysis of the Board's Funds**

Governmental Funds: The focus of Edenton-Chowan 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 \$2,938,432, a \$116,288 increase over last year. All of the Board's governmental funds had revenues and other financing sources that exceeded expenditures and other uses. The General Fund had an increase in revenues over expenditures of \$278,906; however, after a transfer out of \$67,211, the fund balance increased by only \$211,695. The Federal Grant Fund's revenues and expenditures increased by \$1,873,831 over last year, while the State Public School Fund had a decrease of \$1,420,087 over last year. The Capital Outlay Fund experienced an excess of expenditures and other uses that exceeded revenues and other financing sources of \$86,116. The Individual School Funds experienced an excess of expenditures that exceeded revenues of \$9,291.

Proprietary Funds: The School Food Service Fund and the Child Care Fund reflected an increase in net assets over last year. Revenues in the School Food Service Fund decreased by \$54,633 while revenues in the Child Care Fund increased by \$5,945. Expenses decreased by \$118,805 in the School Food Service Fund and decreased by \$19,666 in the Child Care Fund. Non-operating revenue increased by \$23,505 in the School Food Service Fund. Capital contribution of \$22,044 was a source of the increase in net assets in the School Food Service Fund.



Expenditures presented on modified accrual basis of accounting.

**General Fund Budgetary Highlights**

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and to modify appropriations in light of the changes in revenue estimates. Increases in estimated revenues and corresponding increases in appropriations totaled \$501,056 in the General Fund.

### **Capital Assets**

Capital assets decreased by \$763,126 from the previous year. The following is a summary of the capital assets, net of depreciation at year-end.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>6/30/2010</b>	<b>6/30/2009</b>	<b>6/30/2010</b>	<b>6/30/2009</b>	<b>6/30/2010</b>	<b>6/30/2009</b>
Land	\$ 285,604	\$ 285,604	\$ -	\$ -	\$ 285,604	\$ 285,604
Buildings	24,272,854	24,896,825	-	-	24,272,854	24,896,825
Equipment and furniture	73,699	89,679	-	-	73,699	89,679
Vehicles	1,184,283	1,311,943	-	-	1,184,283	1,311,943
Food service equipment	-	-	115,826	109,991	115,826	109,991
Playground equipment	-	-	3,375	4,725	3,375	4,725
<b>Total</b>	<b>\$ 25,816,440</b>	<b>\$ 26,584,051</b>	<b>\$ 119,201</b>	<b>\$ 114,716</b>	<b>\$ 25,935,641</b>	<b>\$ 26,698,767</b>

### **Economic Factors**

State funds were reduced in 2009-2010 for several reasons. The change in the eligibility date for kindergarten registration resulted in a smaller than normal student enrollment thus reducing the average daily membership (ADM). The increase in the amount of the "discretionary reduction" mandated by the state also contributed to the financial shortfall.

### **Requests for Information**

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

Emma Berry, Finance Officer  
Edenton-Chowan Board of Education  
P.O. Box 206  
Edenton, NC 27932

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

**Edenton-Chowan Board of Education, North Carolina**  
**Statement of Net Assets**  
**June 30, 2010**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,964,020	\$ 277,208	\$ 3,241,228
Due from other governments	-	28,490	28,490
Accounts receivable	14,842	-	14,842
Inventories	-	54,738	54,738
Internal balances	1,078	(1,078)	-
Capital assets (Note 1)			
Land, improvements, and construction in progress	285,604	-	285,604
Other capital assets, net of depreciation	<u>25,530,836</u>	<u>119,201</u>	<u>25,650,037</u>
Total capital assets	<u>25,816,440</u>	<u>119,201</u>	<u>25,935,641</u>
Total assets	<u>28,796,380</u>	<u>478,559</u>	<u>29,274,939</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	41,508	-	41,508
Long term liabilities:			
Due within one year	872,004	19,386	891,390
Due in more than one year	<u>318,050</u>	<u>-</u>	<u>318,050</u>
Total liabilities	<u>1,231,562</u>	<u>19,386</u>	<u>1,250,948</u>
<b>NET ASSETS</b>			
Invested on capital assets, net of related debt	25,816,440	119,201	25,935,641
Restricted for:			
Individual schools	227,954	-	227,954
Unrestricted (deficit)	<u>1,520,424</u>	<u>339,972</u>	<u>1,860,396</u>
Total net assets	<u>\$ 27,564,818</u>	<u>\$ 459,173</u>	<u>\$ 28,023,991</u>

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

**Edenton-Chowan Board of Education, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

Exhibit 2

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
<b>Governmental Activities:</b>							
Instructional services							
Regular instructional	\$ 9,911,797	\$ 42,224	\$ 8,307,210	\$ -	\$ (1,562,363)	\$ -	\$ (1,562,363)
Special populations	2,363,870	-	2,331,086	-	(32,784)	-	(32,784)
Alternative programs	2,068,304	-	2,114,691	-	46,387	-	46,387
School leadership	1,117,283	-	694,857	-	(422,426)	-	(422,426)
School-based support	2,259,946	417,350	1,482,569	96,196	(263,831)	-	(263,831)
System-wide support services							
Support and development	468,729	-	78,455	-	(390,274)	-	(390,274)
Special populations support and development	98,309	-	330,751	-	232,442	-	232,442
Alternative programs and services support and development	49,074	-	95,825	-	46,751	-	46,751
Technology support	178,504	-	9,097	-	(169,407)	-	(169,407)
Operational support	3,257,592	-	181,725	88,804	(2,987,063)	-	(2,987,063)
Financial and human resource	442,401	-	880,709	-	438,308	-	438,308
Accountability	111,547	-	190,014	-	78,467	-	78,467
System-wide pupil	(2,169)	-	109,725	-	111,894	-	111,894
Policy, leadership and public relations	464,735	-	300,722	-	(164,013)	-	(164,013)
Ancillary services	125,033	-	22,044	-	(102,989)	-	(102,989)
Non-programmed charges	7,601	-	126,984	-	119,383	-	119,383
Unallocated depreciation expense	835,072	-	-	-	(835,072)	-	(835,072)
<b>Total governmental activities</b>	<b>23,757,628</b>	<b>459,574</b>	<b>17,256,464</b>	<b>185,000</b>	<b>(5,856,590)</b>	<b>-</b>	<b>(5,856,590)</b>
<b>Business-type activities:</b>							
School food service	1,168,865	303,686	845,780	22,044	-	2,645	2,645
Child care	78,759	56,056	-	-	-	(22,703)	(22,703)
<b>Total business-type activities</b>	<b>1,247,624</b>	<b>359,742</b>	<b>845,780</b>	<b>22,044</b>	<b>-</b>	<b>(20,058)</b>	<b>(20,058)</b>
<b>Total primary government</b>	<b>\$ 25,005,252</b>	<b>\$ 819,316</b>	<b>\$ 18,102,244</b>	<b>\$ 207,044</b>	<b>(5,856,590)</b>	<b>(20,058)</b>	<b>(5,876,648)</b>
<b>General revenues:</b>							
Unrestricted county appropriations - operating					3,115,135	-	3,115,135
Unrestricted State appropriations - operating					1,871,896	-	1,871,896
Unrestricted Federal grants					89,763	-	89,763
Investment earnings, unrestricted					2,100	186	2,286
Miscellaneous, unrestricted					223,681	-	223,681
Transfers					(114,688)	114,688	-
<b>Total general revenues and transfers</b>					<b>5,187,887</b>	<b>114,874</b>	<b>5,302,761</b>
Change in net assets					(668,703)	94,816	(573,887)
Net assets - beginning					28,233,521	364,357	28,597,878
Net assets - ending					<b>\$ 27,564,818</b>	<b>\$ 459,173</b>	<b>\$ 28,023,991</b>

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



## **FUND FINANCIAL STATEMENTS**

**Edenton-Chowan Board of Education, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

**Exhibit 3**

	Major Funds			Non-major Funds	Total Governmental Funds
	General	State Public School	Federal Grants	Other Governmental Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,688,438	\$ -	\$ -	\$ 275,582	\$ 2,964,020
Accounts receivable	14,842	-	-	-	14,842
Due from other funds	1,428	-	-	-	1,428
Total assets	<u>\$ 2,704,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275,582</u>	<u>\$ 2,980,290</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 41,508	\$ -	\$ -	\$ -	\$ 41,508
Due to other funds	-	-	-	350	350
Total liabilities	<u>41,508</u>	<u>-</u>	<u>-</u>	<u>350</u>	<u>41,858</u>
Fund balances:					
Reserved for:					
Grants and other Designations	315,350	-	-	-	315,350
State Statute	16,270	-	-	-	16,270
Unreserved, Designated for subsequent years' expenditures	800,000	-	-	-	800,000
Unreserved, Designated for Extended Curriculum	36,007	-	-	-	36,007
Unreserved, Designated for Medicaid	174,617	-	-	-	174,617
Unreserved, General Fund	1,320,956	-	-	-	1,320,956
Unreserved, reported in:					
Special Revenue Funds	-	-	-	227,954	227,954
Capital Projects Fund	-	-	-	47,278	47,278
Total fund balances	<u>2,663,200</u>	<u>-</u>	<u>-</u>	<u>275,232</u>	<u>2,938,432</u>
Total liabilities and fund balances	<u>\$ 2,704,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275,582</u>	

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

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

25,816,440

Some liabilities, including bonds payable and accrued interest, are not due in the current period and therefore are not reported in the funds (Note 4).

(1,190,054)

\$ 27,564,818

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

**Edenton-Chowan Board of Education, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**

Exhibit 4

	Major Funds			Non-major	Total Governmental Funds
	General	State Public School	Federal Grant Fund	Other Governmental Funds	
<b>REVENUES</b>					
State of North Carolina	\$ 636,675	\$ 14,825,908	\$ -	\$ 88,304	\$ 15,550,887
Chowan County	3,115,135	-	-	-	3,115,135
U. S. Government	145,465	-	3,581,485	-	3,726,950
Contributions and donations	-	-	-	96,196	96,196
Other	486,628	-	-	417,350	903,978
Total revenues	<u>4,383,903</u>	<u>14,825,908</u>	<u>3,581,485</u>	<u>601,850</u>	<u>23,393,146</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Instructional services					
Regular instructional	555,994	9,075,464	242,208	-	9,873,666
Special population	118,810	1,450,467	812,575	-	2,381,852
Alternative programs	271,307	493,216	1,306,128	-	2,070,651
School leadership	243,294	685,313	189,918	-	1,118,525
School-based support	215,874	1,192,640	320,836	522,837	2,252,187
System-wide support services					
Support and development	160,779	236,711	61,869	-	459,359
Special populations support and development	-	46,485	51,990	-	98,475
Alternative programs and services support and development	-	-	49,340	-	49,340
Technology support	42,972	124,825	9,097	-	176,894
Operational support	2,071,473	975,459	169,175	-	3,216,107
Financial and human resources	88,544	190,014	164,188	-	442,746
Accountability	2,448	109,725	-	-	112,173
Policy, leadership and public relation	220,305	198,404	54,841	-	473,550
Ancillary services	101,665	-	22,044	-	123,709
Non-programmed charges	11,532	(292)	127,276	-	138,516
<b>Capital outlay:</b>					
Real property and buildings	-	-	-	168,204	168,204
Furniture and equipment	-	-	-	6,216	6,216
Buses and motor vehicles	-	-	-	-	-
<b>Debt service:</b>					
Principal	-	-	-	-	-
Total expenditures	<u>4,104,997</u>	<u>14,778,431</u>	<u>3,581,485</u>	<u>697,257</u>	<u>23,162,170</u>
Excess (deficiency) of revenues over expenditures	<u>278,906</u>	<u>47,477</u>	<u>-</u>	<u>(95,407)</u>	<u>230,976</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers (to) from other funds	(67,211)	(47,477)	-	-	(114,688)
Total other financing sources (uses)	<u>(67,211)</u>	<u>(47,477)</u>	<u>-</u>	<u>-</u>	<u>(114,688)</u>
Net change in fund balance	211,695	-	-	(95,407)	116,288
Fund balances-beginning	2,451,505	-	-	370,639	2,822,144
Fund balances-ending	<u>\$ 2,663,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275,232</u>	<u>\$ 2,938,432</u>

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

**Edenton-Chowan Board of Education, North Carolina  
Statement of Revenues, Expenses, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2010**

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

Net changes in fund balances - total governmental funds	\$	116,288
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.		(767,611)
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 transactions 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.		-
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		<u>(17,380)</u>
Total changes in net assets of governmental activities	\$	<u>(668,703)</u>

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

**Edenton-Chowan Board of Education, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Balance - Budget and Actual**  
**General Fund and Annually Budgeted Major Special Revenue Fund**  
**For the Year Ended June 30, 2010**

	<u>General Fund</u>			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
State of North Carolina	\$ 251,732	\$ 623,801	\$ 636,675	\$ 12,874
Chowan County	3,065,660	3,065,660	3,115,135	49,475
U. S. Government	-	-	145,465	145,465
Other	195,000	323,987	486,628	162,641
Total revenues	<u>3,512,392</u>	<u>4,013,448</u>	<u>4,383,903</u>	<u>370,455</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services:				
Regular	864,626	748,688	555,994	192,694
Special populations	46,080	110,750	118,810	(8,060)
Alternative programs	74,181	341,580	271,307	70,273
School leadership	239,437	263,358	243,294	20,064
School-based support	231,268	245,987	215,874	30,113
School-wide support services:				
Support and development	456,405	401,765	160,779	240,986
Special populations support				
Technology support	32,752	75,988	42,972	33,016
Operational support	1,986,995	2,083,741	2,071,473	12,268
Financial and human resource	106,009	99,633	88,544	11,089
Accountability	5,000	5,000	2,448	2,552
Policy, leadership and public relations	211,729	246,729	220,305	26,424
Ancillary services	57,910	109,468	101,665	7,803
Non-programmed charges	-	11,761	11,532	229
Total expenditures	<u>4,312,392</u>	<u>4,744,448</u>	<u>4,104,997</u>	<u>639,451</u>
Revenues over (under) expenditures	<u>(800,000)</u>	<u>(731,000)</u>	<u>278,906</u>	<u>1,009,906</u>
Other financing sources (uses):				
Transfers to other funds	-	(69,000)	(67,211)	1,789
Fund balance appropriated	800,000	800,000	-	(800,000)
Total other financing sources (uses)	<u>800,000</u>	<u>731,000</u>	<u>(67,211)</u>	<u>(798,211)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>211,695</u>	<u>\$ 211,695</u>
Fund balances, beginning of year			<u>2,451,505</u>	
Fund balances, end of year			<u>\$ 2,663,200</u>	

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

**Edenton-Chowan Board of Education, North Carolina  
Statement of Revenues, Expenses, and Changes in Fund Balance - Budget and Actual  
General Fund and Annually Budgeted Major Special Revenue Fund  
For the Year Ended June 30, 2010**

	State Public School Fund			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
State of North Carolina	\$ 14,463,052	\$ 15,216,426	\$ 14,825,908	\$ (390,518)
Total revenues	14,463,052	15,216,426	14,825,908	(390,518)
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services:				
Regular	9,295,069	9,183,443	9,075,464	107,979
Special populations	1,406,160	1,456,160	1,450,467	5,693
Alternative programs	639,697	639,697	493,216	146,481
School leadership	714,392	714,392	685,313	29,079
School-based support	963,791	1,193,791	1,192,640	1,151
School-wide support services:				
Support and development	143,886	243,886	236,711	7,175
Special populations support and development	38,083	58,083	46,485	11,598
Technology support	111,503	126,503	124,825	1,678
Operational support	559,035	984,035	975,459	8,576
Financial and human resource	182,956	192,956	190,014	2,942
Accountability	104,390	111,890	109,725	2,165
System-wide pupil support	45,484	45,484	-	45,484
Policy, leadership and public relations	258,606	258,606	198,404	60,202
Ancillary services	-	7,500	-	7,500
Non-programmed charges	-	-	(292)	292
Total expenditures	14,463,052	15,216,426	14,778,431	437,995
Revenues over (under) expenditures	-	-	47,477	47,477
Other financing sources (uses):				
Transfers to other funds	-	-	(47,477)	(47,477)
Total other financing sources (uses)	-	-	(47,477)	(47,477)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	-	\$ -
Fund balances, beginning of year			-	
Fund balances, end of year			\$ -	

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

**Edenton-Chowan Board of Education, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Balance - Budget and Actual**  
**General Fund and Annually Budgeted Major Special Revenue Fund**  
**For the Year Ended June 30, 2010**

	<u>Federal Grants Fund</u>			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
U. S. Government	\$ 2,716,031	\$ 4,724,495	\$ 3,581,485	\$ (1,143,010)
Total revenues	<u>2,716,031</u>	<u>4,724,495</u>	<u>3,581,485</u>	<u>(1,143,010)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services:				
Regular	209,310	273,068	242,208	30,860
Special populations	411,644	847,303	812,575	34,727
Alternative programs	411,412	1,465,108	1,306,128	158,980
School leadership	116,685	193,604	189,918	3,686
School-based support	172,412	456,118	320,836	135,281
School-wide support services:				
Support and development	73,684	87,386	61,869	25,517
Special populations support and development	50,210	52,289	51,990	299
Alternative programs and services support and development	59,696	60,566	49,340	11,226
Technology support	9,339	9,697	9,097	600
Operational support	209,212	168,735	169,175	(440)
Financial and human resource	168,895	169,539	164,188	5,351
Policy, leadership and public relations	52,649	60,246	54,841	5,405
Ancillary services	22,044	22,944	22,044	900
Non-programmed charges	748,839	857,894	127,276	730,618
Total expenditures	<u>2,716,031</u>	<u>4,724,495</u>	<u>3,581,485</u>	<u>1,143,011</u>
Revenues over (under) expenditures	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning of year			-	
Fund balances, end of year			<u>\$ -</u>	

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

**Edenton-Chowan Board of Education, North Carolina**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	<b>Enterprise Funds</b>		
	<b>Major Fund</b>	<b>Major Fund</b>	<b>Total</b>
	<b>School Food Service</b>	<b>Child Care</b>	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 277,208	\$ -	\$ 277,208
Due from other governments	28,490	-	28,490
Due from other funds	-	350	350
Inventories	54,738	-	54,738
Total current assets	<u>360,436</u>	<u>350</u>	<u>360,786</u>
Noncurrent assets:			
Capital assets:			
Food service equipment, net	115,826	-	115,826
Child care equipment, net	-	3,375	3,375
Total noncurrent assets	<u>115,826</u>	<u>3,375</u>	<u>119,201</u>
Total assets	<u>\$ 476,262</u>	<u>\$ 3,725</u>	<u>\$ 479,987</u>
<b>LIABILITIES</b>			
Current liabilities:			
Compensated absences	\$ 19,386	\$ -	\$ 19,386
Due to other funds	-	1,428	1,428
Total current liabilities	<u>19,386</u>	<u>1,428</u>	<u>20,814</u>
<b>NET ASSETS</b>			
Invested on capital assets, net of related debt	115,826	3,375	119,201
Unrestricted	<u>341,050</u>	<u>(1,078)</u>	<u>339,972</u>
Total net assets	<u>456,876</u>	<u>2,297</u>	<u>459,173</u>
Total Liabilities and Net Assets	<u>\$ 476,262</u>	<u>\$ 3,725</u>	<u>\$ 479,987</u>

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



**Edenton-Chowan Board of Education, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

	<b>Enterprise Fund</b>		<b>Total</b>
	<b>Major Fund</b>	<b>Nonmajor Fund</b>	
	<b>School Food Service</b>	<b>Child Care</b>	
<b>OPERATING REVENUES</b>			
Food sales	\$ 303,686	\$ -	\$ 303,686
Child care fees	-	56,056	56,056
Total operating revenues	<u>303,686</u>	<u>56,056</u>	<u>359,742</u>
<b>OPERATING EXPENSES</b>			
Food cost:			
Purchase of food	419,485	-	419,485
Donated commodities	56,244	-	56,244
Salaries and benefits	553,426	77,409	630,835
Indirect costs	58,620	-	58,620
Materials and supplies	44,406	-	44,406
Depreciation	26,445	1,350	27,795
Travel	8,200	-	8,200
Workshops	250	-	250
Other	1,789	-	1,789
Total operating expenses	<u>1,168,865</u>	<u>78,759</u>	<u>1,247,624</u>
Operating income (loss)	<u>(865,179)</u>	<u>(22,703)</u>	<u>(887,882)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal reimbursements	785,491	-	785,491
Federal commodities	56,244	-	56,244
Kindergarten breakfast	4,045	-	4,045
Interest earned	186	-	186
Total nonoperating revenues (expenses)	<u>845,966</u>	<u>-</u>	<u>845,966</u>
Income (loss) before contributions and transfers	(19,213)	(22,703)	(41,916)
<b>OTHER FINANCING SOURCES</b>			
Capital contribution	22,044	-	22,044
Transfers from other funds	89,688	25,000	114,688
Total other financing sources	<u>111,732</u>	<u>25,000</u>	<u>136,732</u>
Change in net assets	92,519	2,297	94,816
Total net assets - beginning	364,357	-	364,357
Total net assets - ending	<u>\$ 456,876</u>	<u>\$ 2,297</u>	<u>\$ 459,173</u>

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

**Edenton-Chowan Board of Education, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

**Exhibit 9**

	Enterprise Funds		
	Major Fund	Major Fund	Total
	School Food Service	Child Care	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 307,071	\$ 56,056	\$ 363,127
Cash paid for goods and services	(524,804)	-	(524,804)
Cash paid to employees for services	(462,344)	(77,409)	(539,753)
Net cash provided (used) by operating activities	<u>(680,077)</u>	<u>(21,353)</u>	<u>(701,430)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Decrease on due to other funds	-	(3,647)	(3,647)
Transfers in	-	25,000	25,000
Federal reimbursements	789,536	-	789,536
Net cash provided (used) by nonoperating financing activities	<u>789,536</u>	<u>21,353</u>	<u>810,889</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(32,280)	-	(32,280)
Capital contribution	22,044	-	22,044
Net cash provided (used) by capital and related financing activities	<u>(10,236)</u>	<u>-</u>	<u>(10,236)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	186	-	186
Net increase (decrease) in cash and cash equivalents	99,409	-	99,409
Balances-beginning of the year	177,799	-	177,799
Balances-end of the year	<u>\$ 277,208</u>	<u>\$ -</u>	<u>\$ 277,208</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (865,179)	\$ (22,703)	\$ (887,882)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	26,445	1,350	27,795
Donated commodities consumed	56,244	-	56,244
Salaries paid by special revenue fund	89,688	-	89,688
Changes in assets and liabilities:			
(increase) decrease in due from other government	3,385	-	3,385
(Increase) decrease in inventory	7,946	-	7,946
Increase (decrease) in compensated absences	1,394	-	1,394
Total adjustments	<u>185,102</u>	<u>1,350</u>	<u>186,452</u>
Net cash provided (used) by operating activities	<u>\$ (680,077)</u>	<u>\$ (21,353)</u>	<u>\$ (701,430)</u>

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

**Edenton-Chowan Board of Education, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

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**Exhibit 9**

**Noncash investing, capital, and financing activities:**

The General Fund paid salaries and benefits of \$42,211 to administrative personnel of the School Food Service Fund during the fiscal year. The State Public School Fund paid salaries and benefits of \$47,477 to administrative personnel of the School Food Service Fund during the fiscal year. These payments are reflected as an operating transfer in and an operating expense on Exhibit 8.

The School Food Service Fund received donated commodities with a value of \$56,244 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$56,244 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 8.

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

**Edenton-Chowan Board of Education, North Carolina**  
**Statement of Net Assets**  
**Fiduciary Funds**  
**June 30, 2010**

**Exhibit 10**

	<b>Private Purpose Trust Fund</b>	<b>Agency Fund</b>
	<b>Educational Foundation</b>	<b>Project Graduation</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 670,890	\$ 2,987
Total Assets	\$ 670,890	\$ 2,987
<b>Liabilities and Net Assets</b>		
Liabilities:		
Miscellaneous liabilities	\$ -	\$ 2,987
Total liabilities	-	2,987
<b>Net Assets</b>		
Assets held in trust for private purpose	670,890	-
Total Liabilities and Net Assets	\$ 670,890	\$ 2,987

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

**Edenton-Chowan Board of Education, North Carolina**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2010**

**Exhibit 11**

	<b>Private Purpose Trust Fund</b>	
	<b>Educational Foundation</b>	<b>Total</b>
<b>Additions:</b>		
Contributions and other revenue	\$ 18,181	\$ 18,181
<b>Deductions:</b>		
Scholarships	26,500	26,500
Other	13,046	13,046
	39,546	39,546
 Change in net assets	 (21,365)	 (21,365)
 Beginning net assets	 692,255	 692,255
Ending net assets	\$ 670,890	\$ 670,890

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2010**

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I. Summary of Significant Accounting Policies

The accounting policies of the Edenton-Chowan Board of Education conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The Edenton-Chowan 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 Chowan County, North Carolina. The Board receives State, local and federal government funding and must adhere to the legal requirements of each funding entity. As required by generally accepted accounting principles, these financial statements present the Edenton-Chowan Board of Education.

B. Basis of Presentation – Fund Accounting

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

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

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

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

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.

**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2010**

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*Federal Grants Fund.* The Federal Grants Fund includes appropriations from the Department of Public Instruction for the current operating expenditures of the public school system.

The Board reports the following major enterprise funds:

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

The Board reports the following fiduciary funds:

*Agency Funds* - Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the Board holds on behalf of others. The Board maintains the following agency funds: *Project Graduation Fund.* The purpose of Project Graduation is to plan and support a chemical free celebration. This activity is not a school-sponsored event, but rather a project for the children undertaken by parents. The money is for the benefit of students in the district.

*Private Purpose Trust Fund* - The Board has a private purpose trust fund, the Edenton-Chowan Educational Foundation, Inc. This is a non-profit corporation. The affairs of the corporation are managed by a Board of Directors consisting of the duly elected members of the Edenton-Chowan Board of Education, together with the Superintendent of the Edenton-Chowan Schools. The purpose for which this corporation was organized is to promote and carry on educational, literary, scientific and charitable instruction and educational facilities both directly and by the application of the corporation's assets to the use of the Edenton-Chowan Schools Administrative Unit, or to any other corporation, trust, fund or foundation whose purposes and operations are dedicated to the promotion of means and opportunities for the education of the people of Chowan County.

**C. Measurement Focus and Basis of Accounting**

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

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



**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2010**

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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.

The Board has implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and related standards. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

**D. Budgetary Data**

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by 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 departmental level for the capital projects and enterprise funds and at the function level for the general fund and special revenue funds. The superintendent is authorized by the governing board to transfer appropriations within a fund between sub-functions and objects of expenditures within a function without limitations on amount transferred. Such transfers must be reported to the governing board at its next regular meeting. Transfers between funds require governing board approval. Amendments which alter the county appropriation or transfer moneys to or from the Capital Projects Fund also require the approval of the Chowan County Board of Commissioners. The budgeted amounts reflected in the accompanying financial statements recognize budget revisions made for the year as approved.

**E. Assets, Liabilities and Fund Equity**

**1. Deposit and Investments**

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The moneys deposited in the STIF are pooled with that of State agencies and similar institutions. Investments are restricted to those enumerated in G.S. 147-69-1.

**2. Cash and Cash Equivalents**

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

**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2010**

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**3. Inventories**

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. The inventories of the Board's General Fund consist of expendable materials and supplies, which are recorded as expenditures when purchased. The General Fund inventories do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reserved.

Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

**4. Capital Assets**

The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1983 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. Land and buildings have been restated as of June 30, 1986 to reflect estimated historical cost. The total of these estimates is not considered large enough that any errors would be material when fixed assets are considered as a whole.

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items that are purchased and used in large quantities such as student desks are capitalized.

Chowan 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
Fencing	25
Improvements	20
Activity buses	20
School buses	15
Equipment and furniture	10
Vehicles	6
Computer equipment	3

**5. Long-Term Obligations**

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

**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2010**

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6. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2010 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records, of the current portion of compensated absences.

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

7. Net Assets/Fund Balances

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

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

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

The governmental fund types classify fund balances as follows:

RESERVED

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

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

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

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

UNRESERVED

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

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

**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2010**

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8. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$24,626,386 consists of several elements as follows:

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)	\$ 38,361,674
Less - Accumulated Depreciation	<u>(12,545,234)</u>
	25,816,440

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:

Compensated Absences	<u>(1,190,054)</u>
Total adjustment	<u>\$ 24,626,386</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(784,991) as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 168,204
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(935,815)

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>(17,380)</u>
	<u>\$ (784,991)</u>

3. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2010**

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II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2010, the Board reported expenditures within the following funds that violated State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance.

General Fund:	
Special populations	\$ 8,060
State Public School Fund:	
Transfer to other funds	\$ 47,477
Federal Grants Fund:	
Operational Support	\$ 440
Capital Outlay Fund:	
Renovations to JAH	\$ 88,304
Food Service Fund:	
Capital outlay	\$ 32,280
Child Care Fund:	
Salaries and Wages	\$ 409

*Corrective Action Plan:* Management will monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2010, the Board had deposits with banks with a carrying amount of \$3,245,145. The bank balances with the financial institutions was \$3,353,340. Of these balances, \$339,013 was covered by federal depository insurance, and \$3,014,327 was covered by collateral held under the pooling method. At June 30, 2010, the Board had \$50 cash on hand.

**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2010**

2. Investments

At June 30, 2010, the Board of Education had \$669,910 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.6 years at June 30, 2010. The Board has no policy for managing interest rate risk or credit risk.

3. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 285,604	\$ -	\$ -	\$ 285,604
Total capital assets not being depreciated	285,604	-	-	285,604
<b>Capital assets being depreciated:</b>				
Buildings	33,493,695	168,204	-	33,661,899
Equipment and furniture	945,188	-	-	945,188
Vehicles	3,468,982	-	-	3,468,982
Total capital assets being depreciated	37,702,773	168,204	-	38,076,069
<b>Less accumulated depreciation for:</b>				
Buildings	8,596,870	792,175	-	9,389,045
Equipment and furniture	855,509	15,980	-	871,489
Vehicles	2,157,039	127,660	-	2,284,699
Total accumulated depreciation	10,681,081	935,815	-	12,545,233
Total capital assets being depreciated, net	27,021,692			25,530,836
<b>Governmental activity capital assets, net</b>	<b>\$ 27,307,296</b>			<b>\$ 25,816,440</b>
	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>School Food Service Fund:</b>				
<b>Capital assets being depreciated:</b>				
Food service equipment	\$ 498,539	\$ 32,280	\$ -	\$ 530,819
Total capital assets being depreciated	498,539	32,280	-	530,819
<b>Less accumulated depreciation for:</b>				
Food service equipment	388,548	26,445	-	414,993
Total accumulated depreciation	361,465	26,445	-	414,993
<b>School Food Service capital assets, net</b>	<b>137,074</b>			<b>115,826</b>
<b>Other Business-type Activity Programs</b>				
<b>Capital assets being depreciated:</b>				
Playground equipment	16,200	-	-	16,200
<b>Less accumulated depreciation for:</b>				
Playground equipment	11,475	1,350	-	12,825
Other enterprise funds capital assets, net	4,725			3,375
<b>Business-type activities capital assets, net</b>	<b>\$ 141,799</b>			<b>\$ 119,201</b>

**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2010**

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Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 835,072
Business support services	<u>100,743</u>
Total	<u>\$ 935,815</u>

4. Pensions Plan Obligations

a. Teachers' and State Employees' Retirement System

*Plan Description.* Edenton-Chowan 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 State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 8.14% of annual covered payroll. The contribution requirements of plan members and Edenton-Chowan Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2010, 2009, and 2008, and were \$1,249,972, \$1,242,763, and \$1,224,902, respectively, equal to the required contributions for each year.

b. Other Post-Employment Benefits

1. Healthcare Benefits

*Plan Description.* The post retirement benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Director 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 employees making contributions to the Plan.

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

*Funding Policy:* The Comprehensive Major Medical Plan is administered by the Executive Administrator and the Board of Trustees of the Plan, which establish premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006,

**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
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**For the year ended June 30, 2010**

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future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2010, 2009, and 2008, the School Board paid all annual required contribution to the Plan for postemployment healthcare benefits of \$642,844, \$625,962, and \$641,393, respectively. These contributions represented 4.5%, 4.1%, and 4.1% of covered payroll, respectively.

5. Long-term Disability Benefits

*Plan Description.* Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan. The DIPNC is administered by the board of Trustees of the Teachers' and State Employees' Retirement System. Long-term disability benefits are payable as an other postemployment benefit for 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 employees 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 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 provide the following requirements are met: (1) the employee has five or more years of contribution 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 of or permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service at any age.

For members with five or more years of membership service as of July 31, 2007, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the



**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
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**For the year ended June 30, 2010**

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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, and other federal agency or any payments made under the provisions of G.S. 127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which you might be entitled should you become age 62 during the first 36 months. After 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and 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 separate from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2010, 2009, and 2008, the Board paid all annual required contributions to the DIPNC for disability benefits of \$74,284, \$79,390, and \$81,347, respectively. These contributions represented 0.52%, 0.52%, and 0.52% of covered payroll, respectively.

3. Accounts Payable

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

	<u>Vendors</u>
Governmental Activities:	
General	<u>\$ 41,508</u>

4. Risk Management

The Board is exposed to various risks of losses to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has annual aggregate limit for general liability of \$2,550,000 and an annual aggregate limit of \$2,550,000 for errors and omission claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory workers' compensation coverage is purchased through private insurers (or self-insured by the local board). Coverage is provided to the extent employees are paid from Federal or local funds. Workers' Compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing administered by the North Carolina Department of Public Instruction. This insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess

**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2010**

reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction.

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

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

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

5. Long-Term Liabilities

a. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2010:

<i>Governmental activities:</i>	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010	Current Portion
Compensated absences	\$ 1,172,674	\$ 889,384	\$ 872,004	\$ 1,190,054	\$ 872,004
Total	<u>\$ 1,172,674</u>	<u>\$ 889,384</u>	<u>\$ 872,004</u>	<u>\$ 1,190,054</u>	<u>\$ 872,004</u>
 <i>Business-type activities:</i>					
Compensated absences	<u>\$ 17,992</u>	<u>\$ 25,417</u>	<u>\$ 24,023</u>	<u>\$ 19,386</u>	<u>\$ 19,386</u>

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

C. Interfund Balances and Activity

*Transfers to/from other funds*

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

	Amount
From the General Fund to the Child Care Fund	\$ 25,000
From the General Fund to the School Food Service Fund	42,211
From the State Public School Fund to the School Food Service Fund	<u>47,477</u>
	<u>\$ 114,688</u>

**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2010**

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IV. 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.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**Edenton-Chowan Board of Education, North Carolina**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2010**

	2010		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
State of North Carolina:			
Other	\$ 623,801	\$ 636,675	\$ 12,874
Total	<u>623,801</u>	<u>636,675</u>	<u>12,874</u>
U. S. Government	-	145,465	145,465
Chowan County:			
Appropriation from general fund	3,065,660	3,115,135	49,475
Total	<u>3,065,660</u>	<u>3,115,135</u>	<u>49,475</u>
Other:			
Activity Bus fund	15,000	17,191	2,191
RESA-East Carolina grant	35,050	25,656	(9,394)
Extended Curriculum	-	36,008	36,008
Fines and forfeitures	90,000	70,982	(19,018)
Indirect cost allocations	65,000	189,534	124,534
Interest earned on investments	10,000	2,100	(7,900)
Miscellaneous revenue	27,885	38,566	10,681
NC PANC	11,602	-	(11,602)
NERESA regional dues	39,450	42,050	2,600
Sales tax	30,000	22,317	(7,683)
Tuition and fees	-	42,224	42,224
Total	<u>323,987</u>	<u>486,628</u>	<u>162,641</u>
<b>Total revenues</b>	<u>4,013,448</u>	<u>4,383,903</u>	<u>370,455</u>
<b>Expenditures:</b>			
Instructional services			
Regular instructional	748,688	555,994	192,694
Special populations	110,750	118,810	(8,060)
Alternative programs	341,580	271,307	70,273
School leadership	263,358	243,294	20,064
School-based support	245,987	215,874	30,113
Total	<u>1,710,363</u>	<u>1,405,279</u>	<u>305,084</u>

**Edenton-Chowan Board of Education, North Carolina**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2010**

	2010		Variance Positive (Negative)
	Budget	Actual	
<b>Support Services:</b>			
Support and development	401,765	160,779	240,986
Technology support	75,988	42,972	33,016
Operational support	2,083,741	2,071,473	12,268
Financial and human resources	99,633	88,544	11,089
Accountability	5,000	2,448	2,552
Policy, leadership and public relations	<u>246,729</u>	<u>220,305</u>	<u>26,424</u>
Total	<u>2,912,856</u>	<u>2,586,521</u>	<u>326,335</u>
Ancillary services	<u>109,468</u>	<u>101,665</u>	<u>7,803</u>
Non-programmed charges	<u>11,761</u>	<u>11,532</u>	<u>229</u>
<b>Total expenditures</b>	<u>4,744,448</u>	<u>4,104,997</u>	<u>639,451</u>
<b>Excess of revenues over expenditures</b>	<u>(731,000)</u>	<u>278,906</u>	<u>1,009,906</u>
<b>Other financing sources (uses):</b>			
Fund balance appropriated	800,000	-	(800,000)
Operating transfer in (out)	<u>(69,000)</u>	<u>(67,211)</u>	<u>1,789</u>
Total	<u>731,000</u>	<u>(67,211)</u>	<u>(798,211)</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>211,695</u>	<u>\$ 211,695</u>
<b>Fund balance:</b>			
Beginning of year, July 1		<u>2,451,505</u>	
End of year, June 30		<u>\$ 2,663,200</u>	

**Edenton-Chowan Board of Education, North Carolina  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010**

	<b>Individual School Funds</b>	<b>Total Special Revenue Funds</b>	<b>Capital Outlay Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 228,304	\$ 228,304	\$ 47,278	\$ 275,582
Total assets	<u>\$ 228,304</u>	<u>\$ 228,304</u>	<u>\$ 47,278</u>	<u>\$ 275,582</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ 350	\$ 350	\$ -	\$ 350
Total liabilities	<u>350</u>	<u>350</u>	<u>-</u>	<u>350</u>
Fund balances:				
Unreserved	<u>227,954</u>	<u>227,954</u>	<u>47,278</u>	<u>275,232</u>
Total fund balances	<u>227,954</u>	<u>227,954</u>	<u>47,278</u>	<u>275,232</u>
Total liabilities and fund balances	<u>\$ 228,304</u>	<u>\$ 228,304</u>	<u>\$ 47,278</u>	<u>\$ 275,582</u>

**Edenton-Chowan Board of Education, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2010**

	Individual School Funds	Total Nonmajor Special Revenue Funds	Capital Outlay Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
Chowan County:				
General appropriation	\$ -	\$ -	\$ -	\$ -
Total Chowan County	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
U. S. Government:				
State of North Carolina:				
Public School Building Capital Fund-Lottery	-	-	88,304	88,304
Total State of North Carolina	<u>-</u>	<u>-</u>	<u>88,304</u>	<u>88,304</u>
Other revenue:				
Contributions and donations	96,196	96,196	-	96,196
Clubs and organizations	92,908	92,908	-	92,908
Fundraisers	203,381	203,381	-	203,381
Athletics	121,061	121,061	-	121,061
Total other revenue	<u>513,546</u>	<u>513,546</u>	<u>-</u>	<u>513,546</u>
Total revenues	<u>513,546</u>	<u>513,546</u>	<u>88,304</u>	<u>601,850</u>
<b>Expenditures:</b>				
Instructional services:				
School-based support	<u>522,837</u>	<u>522,837</u>	<u>-</u>	<u>522,837</u>
Capital outlay:				
Real property and buildings	-	-	168,204	168,204
Furniture and equipment	-	-	6,216	6,216
Total	<u>-</u>	<u>-</u>	<u>174,420</u>	<u>174,420</u>
Total expenditures	<u>522,837</u>	<u>522,837</u>	<u>174,420</u>	<u>697,257</u>
Excess of revenues over (under) expenditures	(9,291)	(9,291)	(86,116)	(95,407)
Fund balance, July 1	<u>237,245</u>	<u>237,245</u>	<u>133,394</u>	<u>370,639</u>
Fund balance, June 30	<u>\$ 227,954</u>	<u>\$ 227,954</u>	<u>\$ 47,278</u>	<u>\$ 275,232</u>



**Edenton-Chowan Board of Education, North Carolina**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Capital Outlay Fund**  
**For the Year Ended June 30, 2010**

	2010		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Chowan County:			
Restricted portion of sales tax	\$ -	\$ -	\$ -
Total Chowan County	<u>-</u>	<u>-</u>	<u>-</u>
State of North Carolina:			
Public School Building Capital Fund-Lottery	-	88,304	88,304
Total State of North Carolina	<u>-</u>	<u>88,304</u>	<u>88,304</u>
Total revenue	<u>-</u>	<u>88,304</u>	<u>88,304</u>
<b>Expenditures:</b>			
Capital outlay:			
Real property and buildings:			
<u>D. F. Walker Elementary School:</u>			
<u>Chowan Middle School:</u>			
Roofing Project	79,900	79,900	-
<u>John A. Holmes High School:</u>			
Renovations to JAH/Armory-QZAB	-	88,304	(88,304)
Total real property and buildings	<u>79,900</u>	<u>168,204</u>	<u>(88,304)</u>
Furniture and equipment:			
White Oak Elementary School	7,000	6,216	784
Total furniture and equipment	<u>7,000</u>	<u>6,216</u>	<u>784</u>
Buses and motor vehicles:			
Total expenditures	<u>86,900</u>	<u>174,420</u>	<u>(87,520)</u>
Revenues over expenditures	<u>(86,900)</u>	<u>(86,116)</u>	<u>784</u>
Other financing sources:			
Fund balance appropriated	86,900	-	(86,900)
Total other financing sources (uses)	<u>86,900</u>	<u>-</u>	<u>(86,900)</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(86,116)</u>	<u>\$ (86,116)</u>
Fund Balance, July 1		133,394	
Fund Balance, June 30		<u>\$ 47,278</u>	

**Edenton-Chowan Board of Education, North Carolina**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**Food Service Fund**  
**For the Year Ended June 30, 2010**

	2010		Variance Positive (Negative)
	Budget	Actual	
Operating revenues, food sales	<u>\$ 400,500</u>	<u>\$ 303,686</u>	<u>\$ (96,814)</u>
Operating expenditures:			
Business support services:			
Purchase of food		411,539	
Donated commodities		56,244	
Salaries and benefits		552,032	
Indirect costs		58,620	
Materials and supplies		44,406	
Travel		8,200	
Workshops		250	
Other		1,789	
Total business support services	<u>1,347,745</u>	<u>1,133,080</u>	<u>214,665</u>
Capital outlay	-	32,280	(32,280)
Total operating expenditures	<u>1,347,745</u>	<u>1,165,360</u>	<u>182,385</u>
Operating loss	<u>(947,245)</u>	<u>(861,674)</u>	<u>85,571</u>
Nonoperating revenues (expenditures):			
Federal reimbursements		785,491	
Federal commodities		56,244	
Kindergarten breakfast		4,045	
Interest earned		186	
Total nonoperating revenues (expenditures)	<u>859,245</u>	<u>845,966</u>	<u>13,279</u>
Excess of revenues over (under) expenditures before other financing sources	(88,000)	(15,708)	72,292
Other financing sources:			
Capital contribution	-	22,044	22,044
Transfer from other funds	88,000	89,688	1,688
Total other financing sources	<u>88,000</u>	<u>111,732</u>	<u>23,732</u>
Excess of revenues and other sources over expenditures	<u>\$ -</u>	96,024	<u>\$ 96,024</u>
Reconciliation of modified accrual to full accrual:			
Reconciling items:			
Depreciation		(26,445)	
Capital outlay		32,280	
Increase in accrued vacation pay		(1,394)	
Decrease in inventory		(7,946)	
Net Income (full accrual)		<u>\$ 92,519</u>	

**Edenton-Chowan Board of Education, North Carolina**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**Child Care Fund**  
**For the Year Ended June 30, 2010**

	2010		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Child care fees	\$ 52,000	\$ 56,056	\$ 4,056
<b>Total revenues</b>	<u>52,000</u>	<u>56,056</u>	<u>4,056</u>
<b>Expenditures:</b>			
Regular community service:			
Salaries and wages	77,000	77,409	(409)
<b>Total regular community service</b>	<u>77,000</u>	<u>77,409</u>	<u>(409)</u>
<b>Revenues over expenditures</b>	<u>(25,000)</u>	<u>(21,353)</u>	<u>3,647</u>
<b>Other financing sources:</b>			
Operating transfer in (out)	25,000	25,000	-
<b>Total other financing sources</b>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
<b>Revenues and other sources over expenditures</b>	<u>\$ -</u>	3,647	<u>\$ 3,647</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual</b>			
<b>Reconciling items:</b>			
Depreciation		(1,350)	
<b>Net Income</b>		<u>\$ 2,297</u>	

**Edenton-Chowan Board of Education, North Carolina**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the year ended June 30, 2010**

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<b>Project Graduation</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,986	\$ 1	\$ -	\$ 2,987
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 2,986	\$ 1	\$ -	\$ 2,987
<b>Total All Agency Funds</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,986	\$ 1	\$ -	\$ 2,987
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 2,986	\$ 1	\$ -	\$ 2,987

## **COMPLIANCE SECTION**

# DOUGLAS A. HOLLOWELL P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

1880 WEST CITY DRIVE  
P.O. BOX 1387  
ELIZABETH CITY, NORTH CAROLINA 27906  
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DOUGLAS A. HOLLOWELL, C.P.A.  
DONNA HOLLOWELL WINBORNE, C.P.A.

## **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 Members of the Board  
Edenton-Chowan Board of Education  
Edenton, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the Edenton-Chowan Board of Education, as of and for the year ended June 30, 2010, which collectively comprises the Edenton-Chowan Board of Education's basic financial statements, and have issued our report thereon dated October 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Edenton-Chowan 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 Edenton-Chowan Board of Education'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 the 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 Edenton-Chowan 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

#### MEMBERS OF:

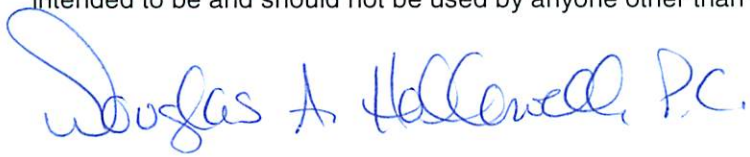
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CERTIFIED PUBLIC ACCOUNTANTS

THE NORTH CAROLINA  
ASSOCIATION OF CERTIFIED  
PUBLIC ACCOUNTANTS

under *Government Auditing Standards*.

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.

A handwritten signature in blue ink that reads "Douglas A. Hollowell, P.C." The signature is written in a cursive style with a large initial 'D'.

Douglas A. Hollowell, P.C.  
October 7, 2010

# DOUGLAS A. HOLLOWELL P.C.

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DOUGLAS A. HOLLOWELL, C.P.A.  
DONNA HOLLOWELL WINBORNE, C.P.A.

## 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 Members of the Board  
Edenton-Chowan Board of Education  
Edenton, North Carolina

### Compliance

We have audited the Edenton-Chowan Board of Education's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Edenton-Chowan Board of Education's major federal programs for the year ended June 30, 2010. The Edenton-Chowan Board of Education's major federal programs are identified in the summary of auditor's 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 federal programs is the responsibility of the Edenton-Chowan Board of Education's management. Our responsibility is to express an opinion on the Edenton-Chowan 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 Edenton-Chowan 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 of the Edenton-Chowan Board of Education's compliance with those requirements.

In our opinion, the Edenton-Chowan Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

The management of the Edenton-Chowan 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 Edenton-Chowan Board of Education's internal control over compliance with 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

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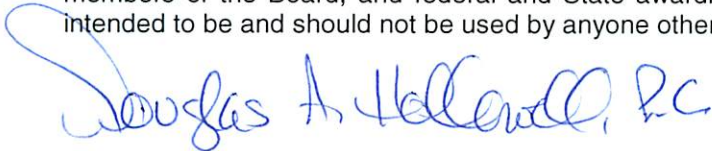


compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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 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.

A handwritten signature in blue ink that reads "Douglas A. Hollowell, P.C." The signature is written in a cursive style with a large initial 'D'.

Douglas A. Hollowell, P.C.  
October 7, 2010

# DOUGLAS A. HOLLOWELL P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
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DOUGLAS A. HOLLOWELL, C.P.A.  
DONNA HOLLOWELL WINBORNE, C.P.A.

## 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 Members of the Board  
Edenton-Chowan Board of Education  
Edenton, North Carolina

### Compliance

We have audited the Edenton-Chowan Board of Education's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010. The Edenton-Chowan Board of Education's major State programs are identified in the summary of auditor's 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 Edenton-Chowan Board of Education's management. Our responsibility is to express an opinion on the Edenton-Chowan 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 Edenton-Chowan 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 of the Edenton-Chowan Board of Education's compliance with those requirements.

In our opinion, the Edenton-Chowan 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, 2010.

### Internal Control Over Compliance

The management of the Edenton-Chowan Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Edenton-Chowan Board of Education's internal control over compliance with

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the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board'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.

A handwritten signature in blue ink that reads "Douglas A. Hollowell, P.C." with a large, stylized flourish at the beginning.

Douglas A. Hollowell, P.C.  
October 7, 2010

**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2010

<b>Section I. Summary of Auditors' Results</b>
--

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 \_\_\_ X yes    \_\_\_ 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:

CFDA Numbers	Names of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.318, 84.386	Education Technology Grants
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.394	State Fiscal Stabilization Fund
84.010, 84.389	Title I, Part A Cluster
84.010, 84.389	Title I School Improvement Cluster

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

Auditee qualified as low-risk auditee? \_\_\_ X yes    \_\_\_ no

State Awards

Internal control over major State programs:

Material weakness(es) identified? \_\_\_ yes    X no

Significant Deficiency(ies) identified  
that are not considered to be  
material weaknesses \_\_\_ yes    X none reported

**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2010

**Section I. Summary of Auditors' Results (contd.)**

State Awards (contd.)

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     X  no

Identification of major State programs:

Program Name  
State Public School Fund

**Section II. Financial Statement Findings**

None reported.

**Section III. Federal Award Findings and Questioned Costs**

None reported.

**Section IV. State Award Findings and Questioned Costs**

None reported.

**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
**CORRECTIVE ACTION PLAN**  
**For the Year Ended June 30, 2010**

There are no matters to report.

**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended June 30, 2010**

**Finding: 2009-1**

Status: This finding has been corrected.

**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the Year Ended June 30, 2010

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Expenditures</u>
<b>Federal Grants:</b>			
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities)			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555		<u>56,244</u>
Non-Cash Assistance			56,244
Cash Assistance			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553		\$ 203,994
National School Lunch Program	10.555		<u>586,398</u>
Total Cash Assistance			<u>790,392</u>
Total Child Nutrition			846,636
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Discretionary Grants Limited Liability	10.579	PRC 149	<u>22,044</u>
Total U. S. Department of Agriculture			868,680
<u>U.S. Department of Education</u>			
Cash Assistance			
Passed-through the N.C. Department of Public Instruction:			
Title I, Part A Cluster			
Title I Grants to Local Education Agencies (Title I, Part A of ESEA)	84.010	PRC 050	703,769
ARRA-Title I Grants to Local Education Agencies	84.389	PRC 141	<u>237,658</u>
Total Title I, Part A Cluster			941,427
School Improvement Cluster			
Title I Grants to Local Education Agencies (Title I, Part A of ESEA) - School Improvements	84.010	PRC 105	359,797
ARRA-School Improvement Grants, Recovery Act	84.389	PRC 142	<u>120,672</u>
Total School Improvement Cluster			480,469
Safe and Drug Free Schools and Communities, Title IV, Part A	84.186	PRC 048	9,690
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA, Part B) - Education of the Handicapped	84.027	PRC 060	472,823
IDEA - Children with Disabilities - Risk Pool	84.027	PRC 114	148,109
Special Education - Preschool Grants (IDEA Preschool) - Capacity and Building Improvement Grants	84.173	PRC 044	5,175
Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped	84.173	PRC 049	24,991
ARRA - Special Education - Grants to States (VI-B)	84.391	PRC 144	<u>226,218</u>
Total Special Education Cluster:			<u>877,316</u>



**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the Year Ended June 30, 2010

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Expenditures</u>
Career and Technical Education - Basic Grants to States - Program Development	84.048	PRC 017	43,581
Education Technology State Grants Cluster			
Education Technology State Grants (Enhancing Education through technology Program)	84.318	PRC 107, 108	71,099
ARRA - Education Technology State Grants (Enhancing Education through technology Program)	84.386	PRC 146, 147	<u>146,697</u>
Total Education Technology State Grants Cluster			<u>217,796</u>
Learn and Serve Grant	94.005	PRC 064	15,000
Risk Watch			731
Rural Education	84.358	PRC 109	86,526
School Improvement Grant			4,144
Special Education - State Personnel Development	84.323	PRC 082	29,080
State Fiscal Stabilization Fund	84.394	PRC 140	705,660
Teacher Quality Enhancement	84.367	PRC 103	<u>152,895</u>
Total U. S. Department of Education			<u>3,564,315</u>
<u>U.S. Department of Health and Human Services</u>			
Division of Social Services:			
Medical Assistance Program	93.999		<u>89,765</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
ROTC	None	NC53	<u>50,956</u>
Total federal assistance			<u>4,573,716</u>
<b>State Grants:</b>			
Cash Assistance			
<u>N. C. Department of Public Instruction:</u>			
State Public School Fund			\$ 13,694,369
Driver Training - SPSF		PRC 012	85,188
School Technology Fund - SPSF		PRC 015	77,012
Vocational Education			
- State Months of Education		PRC 013	815,199
- Program Support Funds		PRC 014	148,816
More at Four Pre-Kindergarten Program			284,726
State Breakfast Program			4,048
Dropout Prevention		#12662	114,274
Passed-through Chowan County:			
Public School Building Bonds - Lottery			<u>88,304</u>
Total N. C. Department of Public Instruction			15,311,936

**EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2010**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>State/ Pass-through Grantor's Number</b>	<b>Expenditures</b>
<u>N. C. Department of Health and Human Services:</u>			
School Nurse Grant			50,000
<u>Department of Juvenile Justice:</u>			
Juvenile Crime Prevention Program			58,166
<u>N. C. State University</u>			
N. C. Quest Smart Grant		#551051	24,455
Non-Cash Assistance			
<u>N. C. Department of Public Instruction:</u>			
Textbooks			<u>4,478</u>
Total State Assistance			<u>15,449,035</u>
Total federal and State Assistance			<u>\$ 20,022,751</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 Edenton-Chowan Board of Education and is from amounts presented in, or used in the preparation of the basic financial statements. Therefore some amounts presented in this schedule may differ from amounts presented on the modified 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 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.

2. The following are clustered by the NC Department of Public Instruction and are treated separately for state audit requirement purposes: School Improvement Cluster