

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA

List of Principal Officials

June 30, 2012

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

Shelia Evans
John A. Holmes High School

Tanya Turner
Chowan Middle School

Mary Nixon
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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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, 2012, 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, 2012, 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 9, 2012 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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 8, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.



Douglas A. Hollowell, P.C.
Elizabeth City, North Carolina
October 9, 2012

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, 2012. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The ongoing fiscal difficulties and the loss of most of the federal stimulus dollars continue to place a strain on the school district's operating budget. A portion, but not all, of the lost federal stimulus dollars were replaced with state budgetary efforts. The increase in the state discretionary reduction and new requirements to revert additional state funds to pay for the North Carolina Virtual Public School has further eroded flexibility to meet the financial needs of the school district.

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 \$26,227,035 as of June 30, 2012. The largest component of net assets is invested in capital assets, net of related debt, of \$24,369,085. It comprises 93% of the total net assets.

Following is a summary of the Statement of Net Assets:

| Table 1 Condensed Statement of Net Assets as of June 30, 2012 | | | | | | |
|--|--------------------------------|----------------------|---------------------------------|-------------------|---------------------------------|----------------------|
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 6/30/2012 | 6/30/2011 | 6/30/2012 | 6/30/2011 | 6/30/2012 | 6/30/2011 |
| Current assets | \$ 2,896,597 | \$ 3,286,417 | \$ 399,196 | \$ 367,759 | \$ 3,295,793 | \$ 3,654,176 |
| Capital assets | 24,305,354 | 24,936,578 | 63,731 | 91,466 | 24,369,085 | 25,028,044 |
| Total assets | 27,201,951 | 28,222,995 | 462,927 | 459,225 | 27,664,878 | 28,682,220 |
| Current liabilities | 849,116 | 1,003,037 | 26,685 | 23,407 | 875,801 | 1,026,444 |
| Long-term liabilities | 562,042 | 221,731 | - | - | 562,042 | 221,731 |
| Total liabilities | 1,411,158 | 1,224,768 | 26,685 | 23,407 | 1,437,843 | 1,248,175 |
| Invested in capital assets, net of related debt | 24,305,354 | 24,936,578 | 63,731 | 91,466 | 24,369,085 | 25,028,044 |
| Restricted net assets | 420,739 | 639,254 | - | - | 420,739 | 639,254 |
| Unrestricted net assets | 1,064,700 | 1,422,395 | 372,511 | 344,352 | 1,437,211 | 1,766,747 |
| Total net assets | \$ 25,790,793 | \$ 26,998,227 | \$ 436,242 | \$ 435,818 | \$ 26,227,035 | \$ 27,434,045 |

Note that net assets decreased during the year, indicating a decline in the financial condition of the Board. The decrease in net assets (4%) 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 an increase in current assets 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.

| Table 2 | | | | | | |
|--|-------------------------|----------------------|--------------------------|-------------------|--------------------------|----------------------|
| Condensed Statement of Revenues, Expenses, and Changes in Net Assets | | | | | | |
| as of June 30, 2012 | | | | | | |
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 6/30/2012 | 6/30/2011 | 6/30/2012 | 6/30/2011 | 6/30/2012 | 6/30/2011 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 545,302 | \$ 603,441 | \$ 312,445 | \$ 356,568 | \$ 857,747 | \$ 960,009 |
| Operating grants and contributions | 16,190,577 | 16,846,997 | 977,967 | 926,031 | 17,168,544 | 17,773,028 |
| Capital grants and contributions | 163,350 | 131,638 | - | - | 163,350 | 131,638 |
| General revenues: | | | | | | |
| Other revenues | 5,428,783 | 5,787,525 | 178 | 254 | 5,428,961 | 5,787,779 |
| Total revenues | 22,328,012 | 23,369,601 | 1,290,590 | 1,282,853 | 23,618,602 | 24,652,454 |
| Expenses: | | | | | | |
| Governmental activities: | | | | | | |
| Instructional services | 16,946,231 | 17,562,633 | - | - | 16,946,231 | 17,562,633 |
| Instructional programs | - | - | - | - | - | - |
| System-wide support services | 5,571,550 | 5,323,743 | - | - | 5,571,550 | 5,323,743 |
| Supporting services | - | - | - | - | - | - |
| Ancillary services | 96,306 | 91,699 | - | - | 96,306 | 91,699 |
| Community service | - | - | - | - | - | - |
| Non-programmed charges | (1,834) | - | - | - | (1,834) | - |
| Interest on long-term debt | - | - | - | - | - | - |
| Depreciation | 804,828 | 841,761 | - | - | 804,828 | 841,761 |
| Business-type activities: | | | | | | |
| Food service | - | - | 1,327,356 | 1,340,668 | 1,327,356 | 1,340,668 |
| Child care | - | - | 81,175 | 81,896 | 81,175 | 81,896 |
| Total expenses | 23,417,081 | 23,819,836 | 1,408,531 | 1,422,564 | 24,825,612 | 25,242,400 |
| Transfers in (out) | (118,364) | (116,356) | 118,364 | 116,356 | - | - |
| Increase (decrease) in net assets | (1,207,433) | (566,591) | 423 | (23,355) | (1,207,010) | (589,946) |
| Beginning net assets | 26,998,226 | 27,564,818 | 435,819 | 459,173 | 27,434,045 | 28,023,991 |
| Prior period adjustment | - | - | - | - | - | - |
| Ending net assets | \$ 25,790,793 | \$ 26,998,227 | \$ 436,242 | \$ 435,818 | \$ 26,227,035 | \$ 27,434,045 |

Total governmental activities generated revenues of \$22.3 million while expenses in this category totaled \$23.4 million for the year ended June 30, 2012. Comparatively, revenues were \$23.3 million and expenses totaled \$23.8 million for the year ended June 30, 2011. After transfers to the business-type activities, the decrease in net assets stands at \$1,207,433 compared to a decrease in net assets of \$566,591 in 2011. Instructional services expenses comprised 72% of total governmental-type expenses while system-wide support services made up 24% of those expenses. County funding comprised 14.1% of total governmental revenue while unrestricted State funding added another 8.5% for 2012. In 2011, county funding was 15.5% and unrestricted State funding added 8.2%. Much of the remaining 77% of total governmental revenue consists of restricted State and federal money. This revenue represented 76% of total revenue in 2011. Business-type activities generated revenue of \$1.29 million and had expenses of \$1.41 million. Net assets increased in the business-type activities by \$423 after transfers in from the governmental activities of \$118,364.

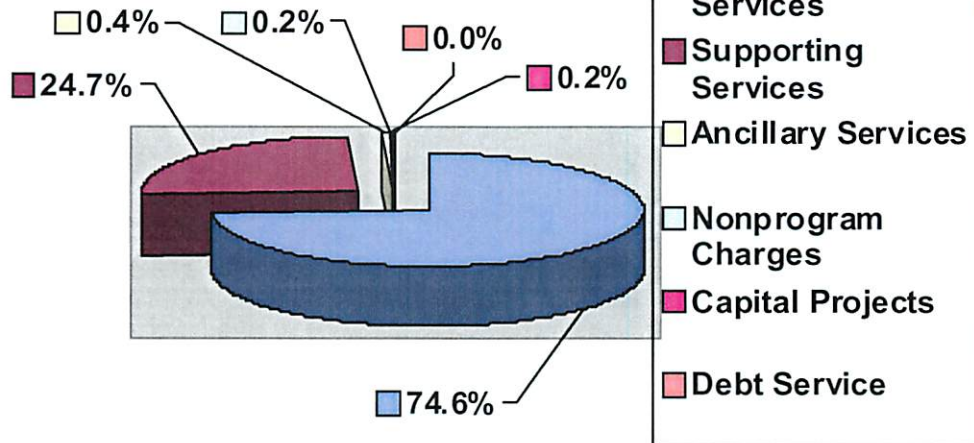
Financial Analysis of the Board's Funds

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 \$2,814,865, a \$425,761 decrease over last year. All of the Board's governmental funds had expenditures and other uses that exceeded revenues and other financing sources. The General Fund had an excess of expenditures over revenues of \$291,631; however, after a transfer out of \$68,881, the fund balance decreased by \$360,512. The Federal Grant Fund's revenues and expenditures decreased by \$692,996 over last year, while the State Public School Fund had an increase of \$249,590 over last year. The Capital Outlay Fund experienced an excess of expenditures over revenues of \$13,787. The Individual School Funds experienced an excess of expenditures over revenues of \$51,462.

Proprietary Funds: The School Food Service Fund reflected an increase in net assets over last year and the Child Care Fund reflected a decrease in net assets over last year. Revenues in the School Food Service Fund decreased by \$28,193 while revenues in the Child Care Fund decreased by \$15,930. Expenses decreased by \$13,312 in the School Food Service Fund and \$721 in the Child Care Fund. Non-operating revenue increased by \$51,860 in the School Food Service Fund.

**Categorization of Expenditures
for Governmental Funds**



Expenditures presented on modified accrual basis of accounting.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and to modify appropriations in light of the changes in revenue estimates. Increases in estimated revenues and corresponding increases in appropriations totaled \$620,779 in the General Fund.

Capital Assets

Capital assets decreased by \$658,959 from the previous year. The following is a summary of the capital assets, net of depreciation at year-end.

| Table 3 | | | | | | |
|----------------------------------|--------------------------------|----------------------|---------------------------------|------------------|---------------------------------|----------------------|
| Summary of Capital Assets | | | | | | |
| as of June 30, 2012 | | | | | | |
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 6/30/2012 | 6/30/2011 | 6/30/2012 | 6/30/2011 | 6/30/2012 | 6/30/2011 |
| Land | \$ 285,604 | \$ 285,604 | \$ - | \$ - | \$ 285,604 | \$ 285,604 |
| Buildings | 22,804,561 | 23,476,498 | - | - | 22,804,561 | 23,476,498 |
| Equipment and furniture | 236,551 | 77,584 | - | - | 236,551 | 77,584 |
| Vehicles | 978,638 | 1,096,892 | - | - | 978,638 | 1,096,892 |
| Food service equipment | - | - | 63,056 | 89,441 | 63,056 | 89,441 |
| Playground equipment | - | - | 675 | 2,025 | 675 | 2,025 |
| Total | \$ 24,305,354 | \$ 24,936,578 | \$ 63,731 | \$ 91,466 | \$ 24,369,085 | \$ 25,028,044 |

Economic Factors

Additional increases in the state's discretionary reduction, the new reversion of state allocations to fund the North Carolina Virtual Public School, and the loss of most of the federal stimulus dollars have contributed to the overall shortage of available funds. The EduJobs federal stimulus funds were available but expired at the end of the 2011-2012 fiscal year. Sufficient local funds were appropriated to meet the nonsupplanting requirement for Low Wealth and Small County Supplemental Funds.

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, 2012

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,853,407 | \$ 355,814 | \$ 3,209,221 |
| Due from other governments | 26,353 | 22,999 | 49,352 |
| Inventories | - | 37,220 | 37,220 |
| Internal balances | 16,837 | (16,837) | - |
| Capital assets (Note 1) | | | |
| Land, improvements, and construction in progress | 285,604 | - | 285,604 |
| Other capital assets, net of depreciation | 24,019,750 | 63,731 | 24,083,481 |
| Total capital assets | <u>24,305,354</u> | <u>63,731</u> | <u>24,369,085</u> |
| Total assets | <u>27,201,951</u> | <u>462,927</u> | <u>27,664,878</u> |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | 29,314 | - | 29,314 |
| Deferred revenues | 52,418 | - | 52,418 |
| Long term liabilities: | | | |
| Due within one year | 767,384 | 26,685 | 794,069 |
| Due in more than one year | 562,042 | - | 562,042 |
| Total liabilities | <u>1,411,158</u> | <u>26,685</u> | <u>1,437,843</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 24,305,354 | 63,731 | 24,369,085 |
| Restricted for: | | | |
| Individual schools | 197,186 | - | 197,186 |
| School Capital Outlay | 120,788 | - | 120,788 |
| Support and Development Services | 102,765 | - | 102,765 |
| Unrestricted (deficit) | 1,064,700 | 372,511 | 1,437,211 |
| Total net assets | <u>\$ 25,790,793</u> | <u>\$ 436,242</u> | <u>\$ 26,227,035</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, 2012

Exhibit 2

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net | | |
|---|---------------------|----------------------|-----------------------------------|---------------------------------|--|--------------------------|----------------------|
| | | | | | Primary Government | | |
| Function/Programs | Expenses | Charges for Services | Operating Grants and Contribution | Capital Grants and Contribution | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| Instructional services | | | | | | | |
| Regular instructional | \$ 9,689,206 | \$ 13,805 | \$ 7,792,717 | \$ - | \$ (1,882,684) | \$ - | \$ (1,882,684) |
| Special populations | 2,291,514 | - | 2,182,548 | - | (108,966) | - | (108,966) |
| Alternative programs | 1,512,159 | - | 1,504,700 | - | (7,459) | - | (7,459) |
| School leadership | 1,168,058 | - | 842,660 | - | (325,398) | - | (325,398) |
| School-based support | 2,285,294 | 530,865 | 1,293,493 | 86,866 | (374,070) | - | (374,070) |
| System-wide support services | | | | | | | |
| Support and development | 618,936 | - | 127,071 | - | (491,865) | - | (491,865) |
| Special populations support and development | 103,367 | - | 284,489 | - | 181,122 | - | 181,122 |
| Alternative programs and services support and development | 64,651 | - | 112,029 | - | 47,378 | - | 47,378 |
| Technology support | 192,449 | - | - | - | (192,449) | - | (192,449) |
| Operational support | 3,441,688 | 632 | 447,593 | 76,484 | (2,916,979) | - | (2,916,979) |
| Financial and human resource | 476,995 | - | 1,024,536 | - | 547,541 | - | 547,541 |
| Accountability | 117,920 | - | 199,921 | - | 82,001 | - | 82,001 |
| System-wide pupil | - | - | 114,029 | - | 114,029 | - | 114,029 |
| Policy, leadership and public relations | 555,544 | - | 187,557 | - | (367,987) | - | (367,987) |
| Ancillary services | 96,306 | - | 3,401 | - | (92,905) | - | (92,905) |
| Non-programmed charges | (1,834) | - | 73,833 | - | 75,667 | - | 75,667 |
| Unallocated depreciation expense | 804,828 | - | - | - | (804,828) | - | (804,828) |
| Total governmental activities | <u>23,417,081</u> | <u>545,302</u> | <u>16,190,577</u> | <u>163,350</u> | <u>(6,517,852)</u> | <u>-</u> | <u>(6,517,852)</u> |
| Business-type activities: | | | | | | | |
| School food service | 1,327,356 | 273,104 | 977,967 | - | - | (76,285) | (76,285) |
| Child care | 81,175 | 39,341 | - | - | - | (41,834) | (41,834) |
| Total business-type activities | <u>1,408,531</u> | <u>312,445</u> | <u>977,967</u> | <u>-</u> | <u>-</u> | <u>(118,119)</u> | <u>(118,119)</u> |
| Total primary government | <u>\$24,825,612</u> | <u>\$ 857,747</u> | <u>\$17,168,544</u> | <u>\$ 163,350</u> | <u>(6,517,852)</u> | <u>(118,119)</u> | <u>(6,635,971)</u> |
| General revenues: | | | | | | | |
| Unrestricted county appropriations - operating | | | | | 3,147,750 | - | 3,147,750 |
| Unrestricted State appropriations - operating | | | | | 1,895,134 | - | 1,895,134 |
| Unrestricted Federal grants | | | | | 211,525 | | 211,525 |
| Investment earnings, unrestricted | | | | | 928 | 178 | 1,106 |
| Miscellaneous, unrestricted | | | | | 173,446 | - | 173,446 |
| Transfers | | | | | (118,364) | 118,364 | - |
| Total general revenues, special items, and transfer | | | | | <u>5,310,419</u> | <u>118,542</u> | <u>5,428,961</u> |
| Change in net assets | | | | | (1,207,433) | 423 | (1,207,010) |
| Net assets - beginning | | | | | 26,998,226 | 435,819 | 27,434,045 |
| Net assets - ending | | | | | <u>\$ 25,790,793</u> | <u>\$ 436,242</u> | <u>\$ 26,227,035</u> |

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, 2012

Exhibit 3

| | Major Funds | | | Non-major | Total Governmental Funds |
|--|---------------------|------------------------|-------------------|--------------------------------|--------------------------------|
| | General | State Public School | Federal Grants | Other Governmental Funds | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,535,433 | \$ - | \$ - | \$ 317,974 | \$ 2,853,407 |
| Accounts receivable | 26,353 | - | - | - | 26,353 |
| Due from other funds | 16,837 | - | - | - | 16,837 |
| Total assets | <u>\$ 2,578,623</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 317,974</u> | <u>\$ 2,896,597</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 29,314 | \$ - | \$ - | \$ - | \$ 29,314 |
| Deferred revenue | 52,418 | - | - | - | 52,418 |
| Total liabilities | <u>81,732</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>81,732</u> |
| Fund balances: | | | | | |
| Restricted: | | | | | |
| Stabilization by State Statute | 43,190 | - | - | - | 43,190 |
| School Capital Outlay | - | - | - | 120,788 | 120,788 |
| Individual Schools | - | - | - | 197,186 | 197,186 |
| Restricted for NERESA Regional Dues | 102,765 | - | - | - | 102,765 |
| Assigned: | | | | | |
| Subsequent years expenditures | 790,142 | - | - | - | 790,142 |
| Committed: | | | | | |
| Medicaid | 247,287 | - | - | - | 247,287 |
| Extended Curriculum | 26,837 | - | - | - | 26,837 |
| Unassigned: | <u>1,286,670</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,286,670</u> |
| Total fund balances | <u>2,496,891</u> | <u>-</u> | <u>-</u> | <u>317,974</u> | <u>2,814,865</u> |
| Total liabilities and fund balances | <u>\$ 2,578,623</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 317,974</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.

24,305,354

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).

(1,329,426)
\$ 25,790,793

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, 2012

Exhibit 4

| | Major Funds | | | Non-major | Total Governmental Funds |
|--|---------------------|------------------------|-------------------|--------------------------------|--------------------------------|
| | General | State Public School | Federal Grants | Other Governmental Funds | |
| REVENUES | | | | | |
| State of North Carolina | \$ 550,559 | \$ 14,982,415 | \$ - | \$ 76,484 | \$ 15,609,458 |
| Chowan County | 3,147,750 | - | - | 101,045 | 3,248,795 |
| U. S. Government | 271,788 | - | 2,430,091 | - | 2,701,879 |
| Contributions and donations | - | - | - | 86,866 | 86,866 |
| Other | 282,595 | - | - | 530,865 | 813,459 |
| Total revenues | <u>4,252,692</u> | <u>14,982,415</u> | <u>2,430,091</u> | <u>795,260</u> | <u>22,460,458</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Instructional services | | | | | |
| Regular instructional | 870,889 | 8,611,073 | 299,276 | - | 9,781,238 |
| Special population | 68,678 | 1,588,480 | 605,206 | - | 2,262,364 |
| Alternative programs | 330,277 | 485,491 | 680,999 | - | 1,496,767 |
| School leadership | 171,397 | 791,745 | 186,727 | - | 1,149,869 |
| School-based support | 222,616 | 1,278,842 | 118,358 | 669,193 | 2,289,009 |
| System-wide support services | | | | | |
| Support and development | 400,006 | 214,465 | 71 | - | 614,542 |
| Special populations support and development | - | 48,729 | 53,839 | - | 102,568 |
| Alternative programs and services support and development | - | - | 63,300 | - | 63,300 |
| Technology support | 45,218 | 147,778 | - | - | 192,996 |
| Operational support | 1,883,338 | 1,087,778 | 381,291 | 152,241 | 3,504,648 |
| Financial and human resources | 100,637 | 371,912 | - | - | 472,549 |
| Accountability | 1,422 | 114,029 | - | - | 115,451 |
| Policy, leadership and public relations | 360,721 | 193,281 | - | - | 554,002 |
| Ancillary services | 89,124 | (122) | 3,523 | - | 92,525 |
| Non-programmed charges | - | (549) | 37,501 | - | 36,952 |
| Capital outlay: | | | | | |
| Real property and buildings | - | - | - | 19,179 | 19,179 |
| Furniture and equipment | - | - | - | 13,896 | 13,896 |
| Buses and motor vehicles | - | - | - | 6,000 | 6,000 |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Total expenditures | <u>4,544,323</u> | <u>14,932,932</u> | <u>2,430,091</u> | <u>860,509</u> | <u>22,767,855</u> |
| Excess (deficiency) of revenues over expenditures | <u>(291,631)</u> | <u>49,483</u> | <u>-</u> | <u>(65,249)</u> | <u>(307,397)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers (to) from other funds | (68,881) | (49,483) | - | - | (118,364) |
| Total other financing sources (uses) | <u>(68,881)</u> | <u>(49,483)</u> | <u>-</u> | <u>-</u> | <u>(118,364)</u> |
| Net change in fund balance | (360,512) | - | - | (65,249) | (425,761) |
| Fund balances-beginning | 2,857,403 | - | - | 383,223 | 3,240,626 |
| Fund balances-ending | <u>\$ 2,496,891</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 317,974</u> | <u>\$ 2,814,865</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
Governmental Funds
For the Year Ended June 30, 2012

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

| | |
|---|--------------|
| Net changes in fund balances - total governmental funds | \$ (425,761) |
|---|--------------|

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.

(631,224)

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

(150,448)

Total changes in net assets of governmental activities

\$ (1,207,433)

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

Edenton-Chowan Board of Education, North Carolina
General Fund and Annually Budgeted Major Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

| | General Fund | | | Variance with Final Budget- Positive (Negative) |
|--|--------------------|------------------|---------------------|--|
| | Original | Final | Actual | |
| Revenues: | | | | |
| State of North Carolina | \$ 345,387 | \$ 657,387 | \$ 550,559 | \$ (106,828) |
| Chowan County | 3,342,765 | 3,342,765 | 3,147,750 | (195,015) |
| U. S. Government | - | 148,979 | 271,788 | 122,809 |
| Other | 34,805 | 139,605 | 282,595 | 142,990 |
| Total revenues | <u>3,722,957</u> | <u>4,288,736</u> | <u>4,252,692</u> | <u>(36,044)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services: | | | | |
| Regular instructional | 880,458 | 939,804 | 870,889 | 68,915 |
| Special populations | 33,046 | 113,146 | 68,678 | 44,468 |
| Alternative programs | 394,781 | 397,781 | 330,277 | 67,504 |
| School leadership | 237,406 | 240,013 | 171,397 | 68,616 |
| School-based support | 46,497 | 259,117 | 222,616 | 36,501 |
| School-wide support services: | | | | |
| Support and development | 537,023 | 487,523 | 400,006 | 87,517 |
| Special populations support | | | | |
| Technology support | 44,890 | 45,890 | 45,218 | 672 |
| Operational support | 1,781,560 | 1,948,916 | 1,883,338 | 65,578 |
| Financial and human resource | 109,093 | 108,643 | 100,637 | 8,006 |
| Accountability | 5,000 | 5,000 | 1,422 | 3,578 |
| Policy, leadership and public relations | 369,498 | 369,498 | 360,721 | 8,777 |
| Ancillary services | 57,869 | 122,569 | 89,124 | 33,445 |
| Contingency | 250,000 | 250,000 | - | 250,000 |
| Total expenditures | <u>4,747,121</u> | <u>5,287,900</u> | <u>4,544,323</u> | <u>743,577</u> |
| Revenues over (under) expenditures | <u>(1,024,164)</u> | <u>(999,164)</u> | <u>(291,631)</u> | <u>707,533</u> |
| Other financing sources (uses): | | | | |
| Transfers to other funds | - | (25,000) | (68,881) | (43,881) |
| Fund balance appropriated | 1,024,164 | 1,024,164 | - | (1,024,164) |
| Total other financing sources (uses) | <u>1,024,164</u> | <u>999,164</u> | <u>(68,881)</u> | <u>(1,068,045)</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ -</u> | <u>(360,512)</u> | <u>\$ (360,512)</u> |
| Fund balances, beginning of year | | | 2,857,403 | |
| Fund balances, end of year | | | <u>\$ 2,496,891</u> | |

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

Edenton-Chowan Board of Education, North Carolina
General Fund and Annually Budgeted Major Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

| | State Public School Fund | | | Variance with Final Budget- Positive (Negative) |
|--|---------------------------------|----------------------|----------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| State of North Carolina | <u>\$ 14,703,794</u> | <u>\$ 15,219,926</u> | <u>\$ 14,982,415</u> | <u>\$ (237,511)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services: | | | | |
| Regular instructional | 8,596,333 | 8,695,403 | 8,611,073 | 84,330 |
| Special populations | 1,593,529 | 1,593,529 | 1,588,480 | 5,049 |
| Alternative programs | 571,044 | 564,362 | 485,491 | 78,871 |
| School leadership | 765,072 | 800,072 | 791,745 | 8,327 |
| School-based support | 1,165,842 | 1,290,842 | 1,278,842 | 12,000 |
| School-wide support services: | | | | |
| Support and development | 230,801 | 235,675 | 214,465 | 21,210 |
| Special populations support and development | 47,133 | 52,133 | 48,729 | 3,404 |
| Technology support | 124,527 | 150,508 | 147,778 | 2,730 |
| Operational support | 895,490 | 1,093,379 | 1,087,778 | 5,601 |
| Financial and human resource | 364,538 | 374,538 | 371,912 | 2,626 |
| Accountability | 109,349 | 119,349 | 114,029 | 5,320 |
| Policy, leadership and public relations | 192,126 | 197,126 | 193,281 | 3,845 |
| Ancillary services | - | - | (122) | 122 |
| Non-programmed charges | - | - | (549) | 549 |
| Total expenditures | <u>14,655,784</u> | <u>15,166,916</u> | <u>14,932,932</u> | <u>233,984</u> |
| Revenues over (under) expenditures | <u>48,010</u> | <u>53,010</u> | <u>49,483</u> | <u>(3,527)</u> |
| Other financing sources (uses): | | | | |
| Transfers to other funds | <u>(48,010)</u> | <u>(53,010)</u> | <u>(49,483)</u> | <u>3,527</u> |
| Total other financing sources (uses) | <u>(48,010)</u> | <u>(53,010)</u> | <u>(49,483)</u> | <u>3,527</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| Fund balances, beginning of year | | | <u>-</u> | |
| 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
General Fund and Annually Budgeted Major Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

| | Federal Grants Fund | | | Variance with Final Budget- Positive (Negative) |
|--|----------------------------|---------------------|---------------------|--|
| | Original | Final | Actual | |
| Revenues: | | | | |
| U. S. Government | <u>\$ 1,922,934</u> | <u>\$ 3,631,791</u> | <u>\$ 2,430,091</u> | <u>\$ (1,201,700)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services: | | | | |
| Regular instructional | 438,961 | 529,019 | 299,276 | 229,743 |
| Special populations | 434,677 | 768,585 | 605,206 | 163,379 |
| Alternative programs | 501,128 | 694,284 | 680,999 | 13,285 |
| School leadership | 1,418 | 208,163 | 186,727 | 21,436 |
| School-based support | 35,762 | 144,790 | 118,358 | 26,432 |
| School-wide support services: | | | | |
| Support and development | - | 500 | 71 | 429 |
| Special populations support and development | 47,488 | 57,488 | 53,839 | 3,649 |
| Alternative programs and services support and development | 60,426 | 65,426 | 63,300 | 2,126 |
| Operational support | - | 391,161 | 381,291 | 9,870 |
| Ancillary services | - | 7,500 | 3,523 | 3,977 |
| Non-programmed charges | 403,074 | 764,875 | 37,501 | 727,374 |
| Total expenditures | <u>1,922,934</u> | <u>3,631,791</u> | <u>2,430,091</u> | <u>1,201,700</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| Fund balances, beginning of year | | | <u>-</u> | |
| 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, 2012

| | Enterprise Funds | | |
|---|----------------------------|-------------------|-------------------|
| | Major Fund | Major Fund | |
| | School Food Service | Child Care | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 355,814 | \$ - | \$ 355,814 |
| Due from other governments | 22,999 | - | 22,999 |
| Inventories | 37,220 | - | 37,220 |
| Total current assets | <u>416,033</u> | <u>-</u> | <u>416,033</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Food service equipment, net | 63,056 | - | 63,056 |
| Child care equipment, net | - | 675 | 675 |
| Total noncurrent assets | <u>63,056</u> | <u>675</u> | <u>63,731</u> |
| Total assets | <u>\$ 479,089</u> | <u>\$ 675</u> | <u>\$ 479,764</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Compensated absences | \$ 26,685 | \$ - | \$ 26,685 |
| Due to other funds | - | 16,837 | 16,837 |
| Total current liabilities | <u>26,685</u> | <u>16,837</u> | <u>43,522</u> |
| NET ASSETS | | | |
| Invested on capital assets, net of related debt | 63,056 | 675 | 63,731 |
| Unrestricted | <u>389,348</u> | <u>(16,837)</u> | <u>372,511</u> |
| Total net assets | <u>452,404</u> | <u>(16,162)</u> | <u>436,242</u> |
| Total Liabilities and Net Assets | <u>\$ 479,089</u> | <u>\$ 675</u> | <u>\$ 479,764</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, 2012

| | Enterprise Fund | | |
|---|----------------------------|--------------------|--------------------|
| | Major Fund | Major Fund | |
| | School Food Service | Child Care | Total |
| OPERATING REVENUES | | | |
| Food sales | \$ 273,104 | \$ - | \$ 273,104 |
| Child care fees | - | 39,341 | 39,341 |
| Total operating revenues | <u>273,104</u> | <u>39,341</u> | <u>312,445</u> |
| OPERATING EXPENSES | | | |
| Food cost: | | | |
| Purchase of food | 469,896 | - | 469,896 |
| Donated commodities | 60,501 | - | 60,501 |
| Salaries and benefits | 607,046 | 79,825 | 686,871 |
| Indirect costs | 93,659 | - | 93,659 |
| Materials and supplies | 59,763 | - | 59,763 |
| Depreciation | 26,385 | 1,350 | 27,735 |
| Contracted services | 207 | - | 207 |
| Travel | 7,982 | - | 7,982 |
| Workshops | 312 | - | 312 |
| Other | 1,605 | - | 1,605 |
| Total operating expenses | <u>1,327,356</u> | <u>81,175</u> | <u>1,408,531</u> |
| Operating income (loss) | <u>(1,054,252)</u> | <u>(41,834)</u> | <u>(1,096,086)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Federal reimbursements | 917,466 | - | 917,466 |
| Federal commodities | 60,501 | - | 60,501 |
| Interest earned | 178 | - | 178 |
| Total nonoperating revenues (expenses) | <u>978,145</u> | <u>-</u> | <u>978,145</u> |
| Income (loss) before transfers | (76,107) | (41,834) | (117,941) |
| Transfers from other funds | <u>93,364</u> | <u>25,000</u> | <u>118,364</u> |
| Change in net assets | <u>17,257</u> | <u>(16,834)</u> | <u>423</u> |
| Total net assets - beginning | <u>435,147</u> | <u>672</u> | <u>435,819</u> |
| Total net assets - ending | <u>\$ 452,404</u> | <u>\$ (16,162)</u> | <u>\$ 436,242</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 Fiscal Year Ended June 30, 2012

Exhibit 9

| | Enterprise Funds | | |
|---|--------------------------------------|--------------------------|---------------------|
| | Major Fund School Food Service | Major Fund Child Care | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 273,104 | \$ 39,341 | \$ 312,445 |
| Cash paid for goods and services | (627,237) | - | (627,237) |
| Cash paid to employees for services | (509,527) | (79,825) | (589,352) |
| Net cash provided (used) by operating activities | <u>(863,660)</u> | <u>(40,484)</u> | <u>(904,144)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Increase in due to other funds | - | 15,484 | 15,484 |
| Transfers in | - | 25,000 | 25,000 |
| Federal reimbursements | 932,886 | - | 932,886 |
| Net cash provided (used) by nonoperating financing activities | <u>932,886</u> | <u>40,484</u> | <u>973,370</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of capital assets | <u>-</u> | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest on investments | 178 | - | 178 |
| Net increase (decrease) in cash and cash equivalents | 69,404 | - | 69,404 |
| Balances-beginning of the year | 286,410 | - | 286,410 |
| Balances-end of the year | <u>\$ 355,814</u> | <u>\$ -</u> | <u>\$ 355,814</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ (1,054,252) | \$ (41,834) | \$ (1,096,086) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 26,385 | 1,350 | 27,735 |
| Donated commodities consumed | 60,501 | - | 60,501 |
| Salaries paid by special revenue fund | 93,364 | - | 93,364 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in inventory | 7,063 | - | 7,063 |
| Increase (decrease) in accounts payable | (879) | - | (879) |
| Increase (decrease) in compensated absences | 4,157 | - | 4,157 |
| Total adjustments | <u>190,592</u> | <u>1,350</u> | <u>191,942</u> |
| Net cash provided (used) by operating activities | <u>\$ (863,660)</u> | <u>\$ (40,484)</u> | <u>\$ (904,144)</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 Fiscal Year Ended June 30, 2012

Exhibit 9

Noncash investing, capital, and financing activities:

The General Fund paid salaries and benefits of \$43,881 to administrative personnel of the School Food Service Fund during the fiscal year. The State Public School Fund paid salaries and benefits of \$49,483 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 \$60,501 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$60,501 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 Fiduciary Net Assets
Fiduciary Fund
June 30, 2012

Exhibit 10

| | <u>Private Purpose Educational Foundation</u> | <u>Agency Fund Project Graduation</u> |
|--|---|---|
| Assets | | |
| Cash and cash equivalents | \$ 660,291 | \$ 2,990 |
| Total Assets | <u>\$ 660,291</u> | <u>\$ 2,990</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Miscellaneous liabilities | \$ - | \$ 2,990 |
| Total liabilities | <u>-</u> | <u>2,990</u> |
| Net Assets | | |
| Assets held in trust for private purpose | 660,291 | - |
| Total Liabilities and Net Assets | <u>\$ 660,291</u> | <u>\$ 2,990</u> |

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 Fund
For the Fiscal Year Ended June 30, 2012

Exhibit 11

| | <u>Private Purpose Educational Foundation</u> |
|---------------------------------|---|
| Additions: | |
| Contributions and other revenue | <u>\$ 10,381</u> |
| Deductions: | |
| Scholarships | 10,350 |
| Other | <u>4,446</u> |
| | <u>14,796</u> |
| Change in net assets | (4,415) |
| Beginning net assets | <u>664,706</u> |
| Ending net assets | <u><u>\$ 660,291</u></u> |

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, 2012

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.

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.

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.

EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

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 and is reported as an enterprise fund.

Child Care Fund. The Child Care Fund is used to account for the child care program within the school system and is reported as an enterprise fund.

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, 2012

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

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by 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. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities and Fund Equity

1. 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 STIF is managed by the staff of the Department of State Treasurer and is operated in accordance with state laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

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

2. Cash and Cash Equivalents

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

EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

3. Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost.

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

4. 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 |

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

5. Long-Term Obligations

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

EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

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, 2012 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records, of the current portion of compensated absences.

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

7. Net Assets/Fund Balances

Net Assets

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

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

Restricted for NERESA Regional Dues – portion of fund balance restricted for NERESA Regional Dues

EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

Restricted for Chowan Hospital Grant – portion of fund balance restricted by Chowan Hospital Grant

Restricted for Dropout Prevention Grant – portion of fund balance that can only be used for Dropout Prevention program

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

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

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

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

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 \$22,975,928 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) | \$ 38,064,607 |
| Less - Accumulated Depreciation | <u>(13,759,253)</u> |
| | 24,305,354 |

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>(1,329,426)</u> |
| Total adjustment | <u><u>\$ 22,975,928</u></u> |

EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

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 \$(781,672) as follows:

| | |
|---|---------------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities | \$ 279,737 |
| 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. | (910,961) |
| 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 | |
| Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources | (150,448) |
| | <u>\$ (781,672)</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.

II. 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.

EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

At June 30, 2012, the Board had deposits with banks with a carrying amount of \$3,209,171 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$3,414,618 and \$366,149, respectively. Of these balances, \$389,094 was covered by federal depository insurance, and \$3,075,524 was covered by collateral held under the pooling method. At June 30, 2012, the Board had \$50 cash on hand.

2. Investments

Interest Rate Risk. The Board of Education does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rate. At June 30, 2012, the Board of Education had \$660,291 invested with the State Treasurer in the Short Term Investment Fund (STIF). The Department of Stats STIF had a weighted maturity of 0.17 years as of June 30, 2012.

Credit Risk. The STIF is unrated and is authorized under NC General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate treasuries and agencies, and money market instruments. The Board has no policy on credit risk.

3. Accounts Receivable

Receivables at the government-wide level as of June 30, 2012, were as follows:

| | Due from other funds (internal balances) | Due from other governments | Total |
|--------------------------|---|----------------------------------|-----------------|
| Governmental activities: | | | |
| General Fund | \$ 16,837 | \$ 26,353 | \$ 43,190 |
| Business-type activities | | | |
| School Food Service | \$ - | \$ 22,999 | \$ 22,999 |
| Child Care | (16,837) | - | (16,837) |
| | <u>\$ (16,837)</u> | <u>\$ 22,999</u> | <u>\$ 6,162</u> |

Due for other governments consists of the following:

| | | |
|---------------------------|------------------|------------------------|
| Governmental activities: | | |
| General Fund | \$ 5,086 | ROTC Reimbursement |
| General Fund | 2,884 | Fines and Forfeitures |
| General Fund | 18,383 | Medicaid reimbursement |
| Total General Fund | <u>\$ 26,353</u> | |
| Business-type activities: | | |
| School Food Service Fund | <u>\$ 22,999</u> | USDA reimbursement |

EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

4. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|----------------|-----------|----------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 285,604 | \$ - | \$ - | \$ 285,604 |
| Total capital assets not being depreciated | <u>285,604</u> | <u>-</u> | <u>-</u> | <u>285,604</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 33,661,899 | 95,885 | - | 33,757,784 |
| Equipment and furniture | 965,227 | 177,852 | - | 1,143,079 |
| Vehicles | <u>2,872,140</u> | <u>6,000</u> | <u>-</u> | <u>2,878,140</u> |
| Total capital assets being depreciated | <u>37,499,266</u> | <u>279,737</u> | <u>-</u> | <u>37,779,003</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 10,185,401 | 767,822 | - | 10,953,223 |
| Equipment and furniture | 887,643 | 18,885 | - | 906,528 |
| Vehicles | <u>1,775,248</u> | <u>124,254</u> | <u>-</u> | <u>1,899,502</u> |
| Total accumulated depreciation | <u>12,848,292</u> | <u>910,961</u> | <u>-</u> | <u>13,759,253</u> |
| Total capital assets being depreciated, net | <u>24,650,974</u> | | | <u>24,019,750</u> |
| Governmental activity capital assets, net | <u>\$ 24,936,578</u> | | | <u>\$ 24,305,354</u> |

Depreciation was charged to governmental functions as follows:

| | |
|---------------------------|-------------------|
| Unallocated depreciation | \$ 804,828 |
| Business support services | 106,133 |
| Total | <u>\$ 910,961</u> |

EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|-----------|-----------|--------------------|
| Business-type activities: | | | | |
| School Food Service Fund: | | | | |
| Capital assets being depreciated: | | | | |
| Food service equipment | \$ 530,819 | \$ - | \$ - | \$ 530,819 |
| Total capital assets being depreciated | 530,819 | - | - | 530,819 |
| Less accumulated depreciation for: | | | | |
| Food service equipment | 441,378 | 26,385 | - | 467,763 |
| Total accumulated depreciation | 441,378 | 26,385 | - | 467,763 |
| School Food Service capital assets, net | <u>89,441</u> | | | <u>63,056</u> |
| Other Business-type Activity Programs | | | | |
| Capital assets being depreciated: | | | | |
| Playground equipment | 16,200 | - | - | 16,200 |
| Less accumulated depreciation for: | | | | |
| Playground equipment | 14,175 | 1,350 | - | 15,525 |
| Other enterprise funds capital assets, net | 2,025 | | | 675 |
| Business-type activities capital assets, net | <u>\$ 91,466</u> | | | <u>\$ 63,731</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 13.12% 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, 2012, 2011, and 2010, and were \$1,760,423, \$1,476,130, and \$1,249,972, 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

EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

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, 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, 2012, 2011, and 2010, the School Board paid all annual required contribution to the Plan for postemployment healthcare benefits of \$670,893, \$684,802, and \$642,844, respectively. These contributions represented 5.00%, 4.93%, and 4.50% 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

EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

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 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, 2012, 2011, and 2010, the Board paid all annual required contributions to the DIPNC for disability benefits of \$69,773, \$73,744, and \$74,284, respectively. These contributions represented 0.52%, 0.52%, and 0.52% of covered payroll, respectively.

3. Accounts Payable

Accounts payable as of June 30, 2012 is as follows:

| | <u>Vendors</u> |
|--------------------------|----------------|
| Governmental activities: | |
| General Fund | \$ 29,314 |

EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

4. Deferred Revenues

The balance in deferred revenues at year-end is composed of the flex spending account.

5. 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 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.

EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA
Notes to the Financial Statements
For the year ended June 30, 2012

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, 2012:

| | Balance June 30, 2011 | Increases | Decreases | Balance June 30, 2012 | Current Portion |
|----------------------------------|--------------------------|-------------------|-------------------|--------------------------|--------------------|
| <i>Governmental activities:</i> | | | | | |
| Compensated absences | \$ 1,178,978 | \$ 917,832 | \$ 767,384 | \$ 1,329,426 | \$ 767,384 |
| Total | <u>\$ 1,178,978</u> | <u>\$ 917,832</u> | <u>\$ 767,384</u> | <u>\$ 1,329,426</u> | <u>\$ 767,384</u> |
| <i>Business-type activities:</i> | | | | | |
| Compensated absences | <u>\$ 22,528</u> | <u>\$ 30,380</u> | <u>\$ 26,223</u> | <u>\$ 26,685</u> | <u>\$ 26,685</u> |

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

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2012, 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 | 43,881 |
| From the State Public School Fund to the School Food Service Fund | 49,483 |
| | <u>\$ 118,364</u> |

D. Fund Balance

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

| | |
|---|---------------------|
| Total fund balance - General Fund | \$ 2,496,891 |
| Less: | |
| Stabilization for State Statute | 43,190 |
| Restricted for NERESA Regional Dues | 102,765 |
| Appropriated Fund Balance for 2013 budget | 790,142 |
| Reserved for Medicaid | 247,287 |
| Reserved for Extended Curriculum | 26,837 |
| Remaining Fund Balance | \$ 1,286,670 |

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
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

| | 2012 | | Variance |
|---------------------------------|------------------|------------------|------------------------|
| | Budget | Actual | Positive (Negative) |
| Revenues: | | | |
| State of North Carolina: | | | |
| Other | \$ 657,387 | \$ 550,559 | \$ (106,828) |
| U. S. Government | 148,979 | 271,788 | 122,809 |
| Chowan County: | | | |
| Appropriation from general fund | 3,342,765 | 3,147,750 | (195,015) |
| Other: | | | |
| Activity Bus fund | - | 19,315 | - |
| Fines and forfeitures | - | 59,537 | - |
| Indirect cost allocations | - | 133,077 | - |
| Interest earned on investments | - | 928 | - |
| Miscellaneous revenue | - | 12,865 | - |
| NERESA regional dues | - | 16,185 | - |
| Sales tax | - | 26,882 | - |
| Tuition and fees | - | 13,805 | - |
| Total | 139,605 | 282,595 | 142,990 |
| Total revenues | 4,288,736 | 4,252,692 | (36,044) |
| Expenditures: | | | |
| Instructional services | | | |
| Regular instructional | 939,804 | 870,889 | 68,915 |
| Special populations | 113,146 | 68,678 | 44,468 |
| Alternative programs | 372,781 | 330,277 | 42,504 |
| School leadership | 240,013 | 171,397 | 68,616 |
| School-based support | 259,117 | 222,616 | 36,501 |
| Total | 1,924,861 | 1,663,857 | 261,004 |

Edenton-Chowan Board of Education, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

| | 2012 | | Variance |
|---|------------------|---------------------|------------------------|
| | Budget | Actual | Positive (Negative) |
| Support Services: | | | |
| Support and development | 487,523 | 400,006 | 87,517 |
| Technology support | 45,890 | 45,218 | 672 |
| Operational support | 1,948,916 | 1,883,338 | 65,578 |
| Financial and human resources | 108,643 | 100,637 | 8,006 |
| Accountability | 5,000 | 1,422 | 3,578 |
| Policy, leadership and public relations | 369,498 | 360,721 | 8,777 |
| Total | <u>2,965,470</u> | <u>2,791,342</u> | <u>174,128</u> |
| Ancillary services | <u>147,569</u> | <u>89,124</u> | <u>58,445</u> |
| Contingency | <u>250,000</u> | <u>-</u> | <u>250,000</u> |
| Total expenditures | <u>5,287,900</u> | <u>4,544,323</u> | <u>743,577</u> |
| Excess of revenues over expenditures | <u>(999,164)</u> | <u>(291,631)</u> | <u>707,533</u> |
| Other financing sources (uses): | | | |
| Fund balance appropriated | 1,024,164 | - | (1,024,164) |
| Operating transfer in (out) | <u>(25,000)</u> | <u>(68,881)</u> | <u>(43,881)</u> |
| Total | <u>999,164</u> | <u>(68,881)</u> | <u>(1,068,045)</u> |
| Excess of revenue and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>(360,512)</u> | <u>\$ (360,512)</u> |
| Fund balance: | | | |
| Beginning of year, July 1 | | 2,857,403 | |
| End of year, June 30 | | <u>\$ 2,496,891</u> | |

Edenton-Chowan Board of Education, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

| | Individual School Funds | Total Special Revenue Funds | Capital Outlay Funds | Total Nonmajor Governmental Funds |
|--------------------------------------|----------------------------|-----------------------------------|-------------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 197,186 | \$ 197,186 | \$ 120,788 | \$ 317,974 |
| Total assets | <u>\$ 197,186</u> | <u>\$ 197,186</u> | <u>\$ 120,788</u> | <u>\$ 317,974</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | |
| Unreserved | 197,186 | 197,186 | 120,788 | 317,974 |
| Total fund balances | <u>197,186</u> | <u>197,186</u> | <u>120,788</u> | <u>317,974</u> |
| Total liabilities and fund balances | <u>\$ 197,186</u> | <u>\$ 197,186</u> | <u>\$ 120,788</u> | <u>\$ 317,974</u> |

Edenton-Chowan Board of Education, North Carolina
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Fund Balance
For the Fiscal Year Ended June 30, 2012

| | Individual School Funds | Total Nonmajor Special Revenue Funds | Capital Outlay Fund | Total Nonmajor Governmental Funds |
|---|----------------------------|--|------------------------|---|
| Revenues: | | | | |
| Chowan County | | | | |
| Land Transfer Tax | \$ - | \$ - | \$ 101,045 | \$ 101,045 |
| Total Chowan County | - | - | 101,045 | 101,045 |
| U. S. Government | | | | |
| State of North Carolina | | | | |
| Public School Building Capital Fund-Lottery | - | - | 76,484 | 76,484 |
| Total State of North Carolina | - | - | 76,484 | 76,484 |
| Other revenue: | | | | |
| Contributions and donations | 86,866 | 86,866 | - | 86,866 |
| Clubs and organizations | 132,713 | 132,713 | - | 132,713 |
| Fundraisers | 197,921 | 197,921 | - | 197,921 |
| Athletics | 148,895 | 148,895 | - | 148,895 |
| Activity bus | 51,336 | 51,336 | - | 51,336 |
| Total other revenue | 617,731 | 617,731 | - | 617,731 |
| Total revenues | 617,731 | 617,731 | 177,529 | 795,260 |
| Expenditures: | | | | |
| Instructional services: | | | | |
| School-based support | 669,193 | 669,193 | - | 669,193 |
| Support Services: | | | | |
| Operational support | - | - | 152,241 | 152,241 |
| Capital outlay: | | | | |
| Real property and buildings | - | - | 19,179 | 19,179 |
| Furniture and equipment | - | - | 13,896 | 13,896 |
| Buses and motor vehicles | - | - | 6,000 | 6,000 |
| Total expenditures | 669,193 | 669,193 | 191,316 | 860,509 |
| Revenues over (under) expenditures | (51,462) | (51,462) | (13,787) | (65,249) |
| Fund balance, July 1 | 248,648 | 248,648 | 134,575 | 383,223 |
| Fund balance, June 30 | \$ 197,186 | \$ 197,186 | \$ 120,788 | \$ 317,974 |

Edenton-Chowan Board of Education, North Carolina
Capital Outlay Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

| | 2012 | | Variance |
|--|----------------|-------------------|------------------------|
| | Budget | Actual | Positive (Negative) |
| Revenues: | | | |
| Chowan County: | | | |
| Land Transfer Tax | \$ 183,500 | \$ 101,045 | \$ (82,455) |
| Total Chowan County | <u>183,500</u> | <u>101,045</u> | <u>(82,455)</u> |
| State of North Carolina: | | | |
| Public School Building Capital Fund-Lottery | 274,884 | 76,484 | (198,400) |
| Total State of North Carolina | <u>274,884</u> | <u>76,484</u> | <u>(198,400)</u> |
| Total revenue | <u>458,384</u> | <u>177,529</u> | <u>(280,855)</u> |
| Expenditures: | | | |
| Operational Support Services | 169,500 | 152,241 | 17,259 |
| Category I (Real Property & Buildings) | - | 19,179 | (19,179) |
| Category II (Furnishings & Equipment) | 288,884 | 13,896 | 274,988 |
| Category III (Buses and Motor Vehicles) | <u>-</u> | <u>6,000</u> | <u>(6,000)</u> |
| Total expenditures | <u>458,384</u> | <u>191,316</u> | <u>267,068</u> |
| Revenues over expenditures | <u>-</u> | <u>(13,787)</u> | <u>(13,787)</u> |
| Other financing sources: | | | |
| Fund balance appropriated | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of revenue and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>(13,787)</u> | <u>\$ (13,787)</u> |
| Fund Balance, July 1 | | 134,575 | |
| Fund Balance, June 30 | | <u>\$ 120,788</u> | |

Edenton-Chowan Board of Education, North Carolina
School Food Service Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2012

| | 2012 | | Variance Positive (Negative) |
|--|--------------------|--------------------|------------------------------------|
| | Budget | Actual | |
| Operating revenues, food sales | <u>\$ 400,500</u> | <u>\$ 273,104</u> | <u>\$ (127,396)</u> |
| Operating expenditures: | | | |
| Business support services: | | | |
| Purchase of food | - | 462,834 | - |
| Donated commodities | - | 60,501 | - |
| Salaries and benefits | - | 602,888 | - |
| Indirect costs | - | 93,659 | - |
| Materials and supplies | - | 59,763 | - |
| Contracted services | - | 207 | - |
| Travel | - | 7,982 | - |
| Workshops | - | 312 | - |
| Other | - | 1,605 | - |
| Total business support services | <u>1,443,604</u> | <u>1,289,751</u> | <u>153,853</u> |
| Operating loss | <u>(1,043,104)</u> | <u>(1,016,647)</u> | <u>26,457</u> |
| Nonoperating revenues (expenditures): | | | |
| Federal reimbursements | 891,571 | 917,466 | 917,466 |
| Federal commodities | 60,502 | 60,501 | 60,501 |
| Interest earned | | 178 | 178 |
| Total nonoperating revenues (expenditures) | <u>952,073</u> | <u>978,145</u> | <u>26,072</u> |
| Excess of revenues over (under) expenditures before other financing sources | (91,031) | (38,502) | 52,529 |
| Other financing sources: | | | |
| Transfer from other funds | <u>91,031</u> | <u>93,364</u> | <u>2,333</u> |
| Excess of revenues and other sources over expenditures | <u>\$ -</u> | <u>54,862</u> | <u>\$ 54,862</u> |
| Reconciliation of modified accrual to full accrual: | | | |
| Reconciling items: | | | |
| Depreciation | | (26,385) | |
| Increase in accrued vacation pay | | (4,158) | |
| Decrease in inventory | | (7,062) | |
| Net Income (full accrual) | | <u>\$ 17,257</u> | |

Edenton-Chowan Board of Education, North Carolina
Child Care Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2012

| | 2012 | | Variance Positive (Negative) |
|---|-----------------|--------------------|------------------------------------|
| | Budget | Actual | |
| Revenues: | | | |
| Child care fees | \$ 55,000 | \$ 39,341 | \$ (15,659) |
| Total revenues | <u>55,000</u> | <u>39,341</u> | <u>(15,659)</u> |
| Expenditures: | | | |
| Regular community service: | | | |
| Salaries and wages | <u>80,000</u> | <u>79,825</u> | <u>175</u> |
| Total regular community service | <u>80,000</u> | <u>79,825</u> | <u>175</u> |
| Revenues over expenditures | <u>(25,000)</u> | <u>(40,484)</u> | <u>(15,484)</u> |
| Other financing sources: | | | |
| Operating transfer in (out) | <u>25,000</u> | <u>25,000</u> | <u>-</u> |
| Total other financing sources | <u>25,000</u> | <u>25,000</u> | <u>-</u> |
| Revenues and other sources over expenditures | <u>\$ -</u> | <u>(15,484)</u> | <u>\$ (15,484)</u> |
| Reconciliation from budgetary basis (modified accrual) to full accrual | | | |
| Reconciling items: | | | |
| Depreciation | | <u>(1,350)</u> | |
| Net Income | | <u>\$ (16,834)</u> | |

Edenton-Chowan Board of Education, North Carolina
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2012

| | Balance June 30, 2011 | Additions | Deductions | Balance June 30, 2012 |
|-------------------------------|-----------------------------|-----------|------------|-----------------------------|
| Project Graduation | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 2,989 | \$ 1 | \$ - | \$ 2,990 |
| Liabilities: | | | | |
| Miscellaneous liabilities | \$ 2,989 | \$ 1 | \$ - | \$ 2,990 |
| Total All Agency Funds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 2,989 | \$ 1 | \$ - | \$ 2,990 |
| Liabilities: | | | | |
| Miscellaneous liabilities | \$ 2,989 | \$ 1 | \$ - | \$ 2,990 |

COMPLIANCE SECTION

DOUGLAS A. HOLLOWELL P.C.

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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, 2012, which collectively comprises the Edenton-Chowan Board of Education's basic financial statements, and have issued our report thereon dated October 9, 2012. 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:

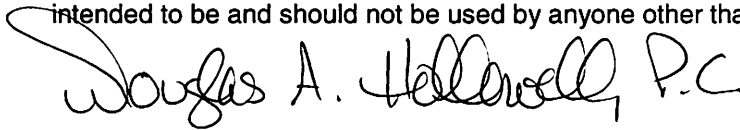
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under *Government Auditing Standards*.

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 black ink that reads "Douglas A. Hollowell, P.C." The signature is written in a cursive, flowing style.

Douglas A. Hollowell, P.C.
Elizabeth City, North Carolina
October 9, 2012

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, 2012. 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, 2012.

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 black ink that reads "Douglas A. Hollowell, P.C.". The signature is written in a cursive, flowing style with a large loop at the beginning.

Douglas A. Hollowell, P.C.
Elizabeth City, North Carolina
October 9, 2012

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 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, 2012. 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, 2012.

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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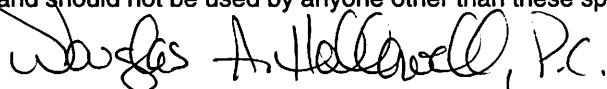
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the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable 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 black ink, reading "Douglas A. Hollowell, P.C.", with a large, stylized initial "D" and "H".

Douglas A. Hollowell, P.C.
Elizabeth City, North Carolina
October 9, 2012

EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

| |
|--|
| Section I. Summary of Auditors' Results |
|--|

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant Deficiency(ies) identified
that are not considered to be
material weaknesses ☐ yes ☒ none reported

Noncompliance material to financial
statements noted ☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant Deficiency(ies) identified
that are not considered to be
material weaknesses ☐ yes ☒ none reported

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

Any audit findings disclosed that are
required to be reported in accordance
with Section 510(a) of Circular A-133 ☐ yes ☒ no

Identification of major federal programs:

| CFDA Numbers | Names of Federal Program or Cluster |
|-----------------------------|--------------------------------------|
| 10.553, 10.555, & 10.582 | Child Nutrition Cluster |
| 84.367 | Title II - Improving Teacher Quality |
| 84.410 | Education Jobs Program - ARRA |

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

Auditee qualified as low-risk auditee? ☒ yes ☐ no

State Awards

Internal control over major State programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant Deficiency(ies) identified
that are not considered to be
material weaknesses ☐ yes ☒ none reported

EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

| |
|---|
| 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

Vocational Education-State: Months of Employment

| |
|---|
| 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, 2012

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, 2012

There are no matters to report.

EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2012

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State/ Pass-through Grantor's Number</u> | <u>Expenditures</u> |
|---|------------------------------------|---|---------------------|
| Federal Grants: | | | |
| <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>60,501</u> |
| Non-Cash Assistance | | | <u>60,501</u> |
| Cash Assistance | | | |
| Passed-through the N.C. Department of Public Instruction: | | | |
| School Breakfast Program | 10.553 | | \$ 234,605 |
| National School Lunch Program | 10.555 | | 633,464 |
| After School Snack Program | 10.555 | | 6,348 |
| Seamless Summer Program | 10.555 | | 3,474 |
| Fresh Fruits and Vegetables Program | 10.582 | | <u>45,924</u> |
| Total Cash Assistance | | | <u>923,815</u> |
| Total U. S. Department of Agriculture | | | <u>984,316</u> |
| <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 | <u>604,612</u> |
| School Improvement Cluster | | | |
| Title I Grants to Local Education Agencies (Title I, Part A of ESEA) - School Improvements | 84.010 | PRC 105 | <u>5,794</u> |
| Twenty-First Century Community Learning Centers Cluster | | | |
| Twenty-First Century Community Learning Centers | 84.287 | PRC 110 | <u>200,000</u> |
| Career and Technical Education - Basic Grants to States - Program Development | 84.048 | PRC 017 | <u>37,674</u> |

EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2012

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | State/ Pass-through Grantor's Number | Expenditures |
|--|------------------------------------|---|---------------------|
| <u>Special Education Cluster:</u> | | | |
| Special Education - Grants to States (IDEA, Part B) - Education of the Handicapped | 84.027 | PRC 060 | 303,043 |
| IDEA - Children with Disabilities - Risk Pool | 84.027 | PRC 114 | 162,931 |
| IDEA VI-B Special Needs Targeted Assistance | 84.027 | PRC 118 | 36,019 |
| Special Education - Preschool Grants (IDEA Preschool) - Capacity and Building Improvement Grants | 84.173 | PRC 044 | 8,237 |
| Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped | 84.173 | PRC 049 | 47,795 |
| IDEA - Early Coordinated Early Intervention Services (CEIS) | 84.173 | PRC 070 | 43,404 |
| IDEA VI-B Special Education State Improvement Grant | 84.323 | PRC 082 | 21,668 |
| ARRA - Special Education - Grants to States (VI-B) | 84.391 | PRC 144 | 36,752 |
| IDEA Targeted Assistance for Pre-School | 84.392 | PRC 119 | 9,999 |
| Total Special Education Cluster | | | <u>669,848</u> |
| <u>Education Technology State Grants Cluster</u> | | | |
| Education Technology State Grants (Enhancing Education through technology Program) | 84.318 | PRC 108 | 14,560 |
| ARRA - Education Technology State Grants (Enhancing Education through technology Program) | 84.386 | PRC 147 | <u>62,430</u> |
| Total Education Technology State Grants Cluster | | | <u>76,990</u> |
| Race to the Top | 84.395 | PRC 156 | 36,449 |
| Rural and Low Income Schools | 84.358 | PRC 109 | 31,528 |
| Education Jobs Program - ARRA | 84.410 | PRC 155 | 550,249 |
| Teacher Quality Enhancement | 84.367 | PRC 103 | <u>157,059</u> |
| Total U. S. Department of Education | | | <u>2,370,203</u> |
| <u>U.S. Department of Energy</u> | | | |
| Direct Program: | | | |
| Energy Efficiency and Conservation Block Grant Program | 81.128 | PRC 341 | <u>31,714</u> |
| <u>U.S. Department of Education</u> | | | |
| Passed through Elizabeth City State University | | | |
| Problem Based Learning Initiative | 84.363 | PRC 346 | <u>16,382</u> |
| <u>U.S. Department of Health and Human Services</u> | | | |
| Division of Social Services: | | | |
| Medical Assistance Program | 93.999 | | 126,503 |
| Abstinence Education Program | 93.235 | PRC 101 | <u>59,888</u> |
| Total U. S. Department of Health and Human Services | | | <u>186,391</u> |
| <u>U.S. Department of Defense</u> | | | |
| Direct Program: | | | |
| ROTC | None | NC53 | <u>60,248</u> |
| Total federal assistance | | | <u>3,649,254</u> |

EDENTON-CHOWAN BOARD OF EDUCATION, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2012

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | State/ Pass-through Grantor's Number | Expenditures |
|---|------------------------------------|---|---------------------|
| State Grants: | | | |
| Cash Assistance | | | |
| <u>N. C. Department of Public Instruction:</u> | | | |
| State Public School Fund | | | \$ 14,108,146 |
| Driver Training - SPSF | | PRC 012 | 44,797 |
| School Technology Fund - SPSF | | PRC 015 | 23,506 |
| Vocational Education | | | |
| - State Months of Employment | | PRC 013 | 683,607 |
| - Program Support Funds | | PRC 014 | 122,358 |
| NC Pre-K Program | | | 278,618 |
| Dropout Prevention | | #12662 | 164,042 |
| Passed-through Chowan County: | | | |
| Public School Building Bonds - Lottery | | | 76,484 |
| Total N. C. Department of Public Instruction | | | 15,501,558 |
| <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 | | | 57,928 |
| Non-Cash Assistance | | | |
| <u>N. C. Department of Public Instruction:</u> | | | |
| Textbooks | | | 8,295 |
| Total State Assistance | | | 15,617,781 |
| Total federal and State Assistance | | | \$ 19,267,035 |

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