

Moore County Board of Education

Financial Statements

For the Fiscal Year Ended June 30, 2010

**MOORE COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS**

<u>Exhibit</u>	<u>Page No.</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
1 Statement of Net Assets	9
2 Statement of Activities	10
Fund Financial Statements:	
3 Balance Sheet - Governmental Funds	11
3 Reconciliation of the Balance Sheet to the Statement of Net Assets	11
4 Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
5 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
6 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and Annually Budgeted Major Special Revenue Fund	14
7 Statement of Net Assets - Proprietary Fund Types	15
8 Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund Types	16
9 Statement of Cash Flows - Proprietary Fund Types	17
10 Statement of Fiduciary Net Assets and Liabilities	18
Notes to the Basic Financial Statements	19
Individual Fund Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	34
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Federal Grants Fund	36
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Outlay Fund	37
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) School Food Service Fund	38
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) Child Care Fund	39
Statement of Changes in Assets and Liabilities Sandhills Region Education Consortium (SREC) Agency Fund	40
Compliance Section	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41
Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	43
Report on Compliance with Requirements that Could Have a Direct and Material Effect on 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.	45
Schedule of Findings and Questioned Costs	47
Summary Schedule of Prior Year's Audit Findings	49
Schedule of Expenditures of Federal and State Awards	50



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

November 29, 2010

To the Moore County Board of Education
Moore County, North Carolina

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010 on our consideration of Moore County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the BOE. The individual fund financial statements and budgetary 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 individual fund statements, budgetary schedules, and the accompanying schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Dixon Hughes PLLC

Southern Pines, North Carolina
November 29, 2010

MOORE COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

- Assets exceeded liabilities by \$103 million as of June 30, 2010. Our governmental activity revenues were \$126 million for the fiscal year ended June 30, 2010.
- We are nearing completion of Phase I of the Moore County Schools Master Facilities Plan, accomplishing the following:
 - Opened two new schools in August 2010 – Crain's Creek Middle School and West Pine Elementary School.
 - Completed addition projects at four schools – Highfalls Elementary School, Robbins Elementary School, Sandhills Farmlife Elementary School and Westmoore Elementary School.
 - Added additional classroom space at North Moore High School and Union Pines High School.
 - Made significant improvements to our athletic facilities: stadiums, fields, gymnasiums, field houses, tennis courts and concession facilities.
 - Completed a waterline project for Highfalls Elementary School, and a waterline and sewer line project for Westmoore Elementary School.
 - Began planning for a sewer line project at Cameron Elementary School.
 - Completed our classroom smart board initiative at all High Schools and Middle Schools.
- We are currently planning for Phase II of our Master Facilities Plan, and are working through our Board Facilities Committee to determine potential options for future capital projects.
- We have implemented our "Growing to Greatness" initiative, and have begun district-wide professional development designed to support our mission – "To provide engaging experiences that result in students learning what is needed to be successful citizens."
- We have submitted our Race to the Top funding application, requesting over \$1 million in federal grant funds for teacher professional development and district-wide technology enhancements.

Overview of the Financial Statements

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents a budgetary statement for the Board's nonmajor governmental fund 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.

MOORE COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds, proprietary 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 each of the financial resources of each of the Board's major funds.

Government-wide Statements

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

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

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

**MOORE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Moore County Board of Education has three types of funds:

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

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

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

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

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Moore County Board of Education has one fiduciary fund – an Agency Fund, which is used to account for moneys held for the Sandhills Region Education Consortium (SREC) for which the Board is the fiscal agent.

The fiduciary fund statement is shown as Exhibit 10.

Financial Analysis of the Board as a Whole

Net assets are an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$102.82 million as of June 30, 2010. The largest component of net assets is invested in capital assets, net of related debt, of \$98.73 million, which comprises 96.02% of the total net assets. Restricted and unrestricted net assets amounted to \$1.34 million and \$2.75 million, respectively.

Following is a summary of the Statement of Net Assets:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/10	6/30/09	6/30/10	6/30/09	6/30/10	6/30/09
Current assets	\$ 13,989,509	\$ 10,375,135	\$ 1,895,733	\$ 1,605,485	\$ 15,885,242	\$ 11,980,620
Capital assets	99,253,805	81,800,469	530,681	532,222	99,784,486	82,332,691
Total assets	113,243,314	92,175,604	2,426,414	2,137,707	115,669,728	94,313,331
Current liabilities	9,401,078	7,421,204	85,359	73,659	9,486,437	7,494,863
Long-term liabilities	3,293,583	3,711,132	71,474	79,742	3,365,057	3,790,874
Total liabilities	12,694,661	11,132,336	156,833	153,401	12,851,494	11,285,737
Invested in capital assets, net of related debt	98,203,221	79,916,082	530,681	532,222	98,733,902	80,448,304
Restricted net assets	1,337,451	1,291,884	-	-	1,337,451	1,291,884
Unrestricted net assets (deficit)	1,007,981	(164,898)	1,738,900	1,452,084	2,746,881	1,287,386
Total net assets	\$100,548,653	\$ 81,043,268	\$ 2,269,581	\$ 1,984,306	\$102,818,234	\$ 83,027,574

**MOORE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The net assets of the Board's governmental activities increased from \$81.04 million at June 30, 2009 to \$100.55 million at June 30, 2010, an increase of \$19.51 million. Capital assets, net of related debt, increased by \$18.29 million during the year due primarily to an increase in construction in progress for the ongoing construction of new schools. Restricted and unrestricted net assets increased by a combined total of \$1.22 million.

The net assets of our business-type activities increased \$285,000 for the year to \$2.27 million at June 30, 2010. This increase of \$285,000 is the amount of net income generated by our school food service operations during the 2010 fiscal year.

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

**Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years Ended June 30, 2010 and 2009**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/10	6/30/09	6/30/10	6/30/09	6/30/10	6/30/09
Revenues:						
Program revenues:						
Charges for services	\$ 3,455,084	\$ 3,841,718	\$ 2,195,463	\$ 2,378,512	\$ 5,650,547	\$ 6,220,230
Operating grants and contributions	72,019,968	73,254,214	2,957,473	2,832,391	74,977,441	76,086,605
Capital grants and contributions	578,028	1,117,691	26,651	-	604,679	1,117,691
General revenues:						
Other revenues	49,669,103	42,151,033	17,304	19,516	49,686,407	42,170,549
Total revenues	125,722,183	120,364,656	5,196,891	5,230,419	130,919,074	125,595,075
Expenses:						
Governmental activities:						
Instructional services	80,793,944	82,970,247	-	-	80,793,943	82,970,247
System-wide supporting services	21,521,433	21,273,208	-	-	21,521,433	21,273,208
Community services	145,474	100,286	-	-	145,474	100,286
Nonprogrammed charges	674,198	662,209	-	-	674,198	662,209
Interest on long-term debt	52,722	52,519	-	-	52,722	52,519
Unallocated depreciation expense	3,142,595	2,080,250	-	-	3,142,595	2,080,250
Business-type activities:						
School food service	-	-	4,353,008	4,997,689	4,353,008	4,997,689
Child care	-	-	445,040	361,379	445,040	361,379
Total expenses	106,330,366	107,138,719	4,798,048	5,359,068	111,128,414	112,497,787
Transfers in (out)	113,568	119,501	(113,568)	(119,501)	-	-
Increase (decrease) in net assets	19,505,385	13,345,438	285,275	(248,150)	19,970,660	13,097,288
Beginning net assets	81,043,268	67,697,830	1,984,306	2,232,456	83,027,574	69,930,286
Ending net assets	\$ 100,548,653	\$ 81,043,268	\$ 2,269,581	\$ 1,984,306	\$ 102,818,234	\$ 83,027,574

During the year ended June 30, 2010, our governmental activities generated revenues of \$125.72 million as well as total expenses of \$106.33 million. Transfers in from business-type activities during the year were \$114,000. These amounts combined result in the aforementioned increase in our net assets for governmental activities of \$19.51 million. Our primary sources of revenue were funding from the State of North Carolina, the County of Moore, and the United States government, which respectively comprised 59.8%, 24.9%, and 10.7% of our revenues. As would be expected, the major component of our expenditures was instructional programs, which accounted for 75.5% of our total expenditures during the most recent fiscal year. Of the remaining 24.5% of our total expenditures, 21.5% was attributable to supporting services.

MOORE COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

Our business-type activities generated revenue of \$5.20 million and had expenses of \$4.91 million (including transfers to governmental activities), resulting in an increase in net assets of \$285,000. This represents an increase of \$533,000 over the prior year decrease in net assets of \$248,000. This increase is primarily attributable to an increase of \$238,000 in federal reimbursements.

The increase in the net assets of our governmental activities during the fiscal year ended June 30, 2010 of \$19.51 million represented an improvement of \$6.17 million in comparison to the \$13.34 increase experienced during the fiscal year ended June 30, 2009. Our governmental activity revenues increased \$5.36 million when compared to the fiscal year ended June 30, 2009, while expenses declined \$808,000 over this same period. The increase in revenues was primarily attributable to revenues associated with the American Recovery and Reinvestment Act of 2009 that also lead to with an increase in revenues in the Federal Grants Fund of \$5.21 million. The increase in expenses was largely attributable to a combined increase of \$4.76 million for instructional programs in the Federal Grants Fund.

Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of \$7.58 million at June 30, 2010, a \$1.32 million increase when compared to the prior year. Total revenues and other financing sources increased by \$5.36 million, or 4.45%, during the year, primarily due to increases in Federal funding of \$5.29 million. Total expenditures declined \$808,000 when compared to the prior year with the decline being primarily attributable to decreased expenditures in the State Public School Fund of \$6.31 million and increased expenditures in the Federal Grants Fund of \$5.21 million, respectively.

Proprietary Funds: The Board's business-type funds reported combined net assets of \$2.27 million at June 30, 2010, a \$285,000 increase when compared to the prior year. The School Food Service Fund generated net income of \$285,000 during the year ended June 30, 2010 compared to \$248,000 net loss during the prior year, an increase of \$533,000. As previously discussed, this increase is primarily attributable to an increase of \$238,000 in federal reimbursements. The Board's Child Care Fund reported increases in both revenues and expenses compared to the prior year, resulting in net income before contributions and transfers of \$113,000 in the current year compared to \$120,000 in the prior year. In both years, the net income of the Child Care Fund was transferred to the Individual Schools Fund.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for increases in revenue and expenditure expectations. For the year, the Board finished with revenues in excess of expenditures of \$977,000, net of the change in the reserve for inventories, of \$152,000.

Capital Assets

Total primary government capital assets increased by \$17.45 million compared to the previous year due primarily to additions of \$22.78 million in construction for new schools. The following is a summary of the capital assets, net of depreciation at year-end.

**MOORE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/10	6/30/09	6/30/10	6/30/09	6/30/10	6/30/09
Land	\$ 1,300,779	\$ 1,300,779	\$ -	\$ -	\$ 1,300,779	\$ 1,300,779
Construction in Progress	2,359,594	15,745,735	-	-	2,359,594	15,745,735
Buildings and improvements	91,414,760	61,265,042	-	-	91,414,760	61,265,042
Equipment and furniture	1,529,469	319,440	530,681	532,222	2,060,150	851,662
Vehicles	2,592,366	3,069,578	-	-	2,592,366	3,069,578
Computers	56,837	99,895	-	-	56,837	99,895
Total	\$99,253,805	\$ 81,800,469	\$ 530,681	\$ 532,222	\$99,784,486	\$ 82,332,691

Debt Outstanding

During the year, the Board's outstanding debt increased by \$691,000. The Board borrowed \$243,000 during the year under installment purchase contracts to finance the purchase of school buses and activity buses. Repayments of installment purchase obligations totaled \$1.08 million for the year. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used.

Economic Factors

- The Board anticipates stable to slightly increased enrollment over the next five years. We are currently discussing Phase II of our School Master Facilities plan, which includes additional classroom space throughout the school district.
- County funding is a major source of income for the Board; therefore the County's economic outlook directly affects that of the schools. Moore County's economy remains strongly rooted in health care, tourism, retirement, manufacturing, and agriculture. Along with the national and state economy, our local economy has felt the impacts of the recent recession.
- Healthcare continues to abound as the largest industrial sector in Moore County. Tourism is our second largest industrial sector, followed by retail trade. The services sector continues to provide more new jobs while traditional manufacturing, such as textiles, continue to decline. Our unemployment rate is currently 10%.
- The economic recession had a significant impact on our operations for the last 2 fiscal years. Our State revenues have declined by \$7.3 million per year, with no immediate signs of improvement. To help with the decrease in State funds, Federal Stimulus funds provided \$5.2 million per year for 2 fiscal years – 2009-2010 and 2010-2011; however, these funds end with the 2010-2011 fiscal year. The economy has not recovered to pre-recession levels; with unemployment still hovering around 10%, we expect no significant budget improvement over the next 3 fiscal years. Without additional funding sources, or improvements in the State economy, we expect a decrease in our overall budget in 2011-2012 and future years.

Requests for Information

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

Tim Lussier, Director of Public Information and Community Services
Moore County Board of Education
P.O. Box 1180
Carthage, NC 28327

**MOORE COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
June 30, 2010**

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 10,489,727	\$ 1,604,935	\$ 12,094,662
Due from other governments	2,879,126	95,722	2,974,848
Receivables (net)	211,495	6,107	217,602
Inventories	404,161	188,969	593,130
Prepays	5,000	-	5,000
Capital assets:			
Land, improvements, and construction in progress	3,660,373	-	3,660,373
Other capital assets, net of depreciation	95,593,432	530,681	96,124,113
Total capital assets	<u>99,253,805</u>	<u>530,681</u>	<u>99,784,486</u>
 Total assets	 <u>113,243,314</u>	 <u>2,426,414</u>	 <u>115,669,728</u>
Liabilities			
Accounts payable and accrued expenses	250,383	1,872	252,255
Accrued salaries and wages payable	4,470,543	-	4,470,543
Unearned revenue	1,691,363	27,297	1,718,660
Long-term liabilities:			
Due within one year	2,988,789	56,190	3,044,979
Due in more than one year	<u>3,293,583</u>	<u>71,474</u>	<u>3,365,057</u>
 Total liabilities	 <u>12,694,661</u>	 <u>156,833</u>	 <u>12,851,494</u>
Net assets			
Invested in capital assets, net of related debt	98,203,221	530,681	98,733,902
Restricted for:			
Individual schools	1,337,451	-	1,337,451
Unrestricted	<u>1,007,981</u>	<u>1,738,900</u>	<u>2,746,881</u>
 Total net assets	 <u>\$ 100,548,653</u>	 <u>\$ 2,269,581</u>	 <u>\$ 102,818,234</u>

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

**MOORE COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010**

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		
						Governmental Activities	Business-type Activities	Total
Primary government:								
Governmental activities:								
Instructional services:	\$ 43,663,069	\$ -	\$ 37,204,098	\$ -	\$ (6,458,971)	\$ -	\$ (6,458,971)	
Regular instructional	13,042,243	-	11,379,405	-	(1,662,838)	-	(1,662,838)	
Special populations	4,027,418	-	-	-	(4,027,418)	-	(4,027,418)	
Co-curricular	8,248,815	-	6,563,716	-	(1,685,099)	-	(1,685,099)	
Alternative programs and services	5,695,836	-	4,189,162	-	(1,506,674)	-	(1,506,674)	
Student leadership services	6,116,563	3,336,607	4,764,811	-	1,984,855	-	1,984,855	
School-based support services:								
System-wide support services:								
Support and development	319,836	-	228,640	-	(91,196)	-	(91,196)	
Special population support and development	196,886	-	99,973	-	(96,913)	-	(96,913)	
Alternative programs and services support	192,965	-	80,231	-	(112,734)	-	(112,734)	
Technology support services	1,349,923	-	111,317	-	(1,238,606)	-	(1,238,606)	
Operational support services	16,434,008	118,477	5,886,007	578,028	(10,051,494)	-	(10,051,494)	
Financial and human resources services	773,866	-	213,081	-	(560,785)	-	(560,785)	
Accountability	313,707	-	184,372	-	(129,335)	-	(129,335)	
Policy, leadership and public services	1,940,244	-	1,165,435	-	(774,809)	-	(774,809)	
Ancillary services	145,474	-	37,760	-	(107,714)	-	(107,714)	
Nonprogrammed charges	674,198	-	106,394	-	(567,804)	-	(567,804)	
Interest on long-term debt	52,722	-	5,566	-	(47,156)	-	(47,156)	
Unallocated depreciation expense	3,142,595	-	-	-	(3,142,595)	-	(3,142,595)	
Total governmental activities	106,330,366	3,455,084	72,019,968	578,028	(30,277,286)	-	(30,277,286)	
Business-type activities:								
School food service	4,953,008	1,636,855	2,957,473	26,651	-	267,971	267,971	
Child care	445,040	558,608	-	-	-	113,568	113,568	
Total business-type activities	4,798,048	2,195,463	2,957,473	26,651	-	381,539	381,539	
Total primary government	\$ 111,128,414	\$ 5,650,547	\$ 74,977,441	\$ 604,679	(30,277,286)	381,539	(29,895,747)	
General revenues:								
Unrestricted county appropriations - operating					24,935,195	-	24,935,195	
Unrestricted county appropriations - capital					733,950	-	733,950	
Unrestricted county appropriations - contributed capital					22,775,576	-	22,775,576	
Investment earnings, unrestricted					130,401	17,304	147,705	
Miscellaneous, unrestricted					1,093,981	-	1,093,981	
Transfers in (out)					113,568	(113,568)	-	
Total general revenues and transfers					49,782,671	(96,264)	49,686,407	
Change in net assets					19,505,385	285,275	19,790,660	
Net assets - beginning					81,043,268	1,984,306	83,027,574	
Net assets - ending					\$ 100,548,653	\$ 2,269,581	\$ 102,818,234	

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

**MOORE COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010**

Exhibit 3

	Major Funds				Non-Major Fund	Total Governmental Funds
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants	
Assets						
Cash and cash equivalents	\$ 7,902,242	\$ 1,691,363	\$ 645,703	\$ 250,419	\$ -	\$ 10,489,727
Due from other governments	-	2,482,255	-	-	396,871	2,879,126
Accounts receivable	65,495	-	-	146,000	-	211,495
Due from other funds	-	-	691,748	-	-	691,748
Inventories	404,161	-	-	-	-	404,161
Prepays	5,000	-	-	-	-	5,000
Total assets	8,376,898	4,173,618	1,337,451	396,419	396,871	14,681,257
Liabilities and fund balances						
Liabilities:						
Accounts payable and accrued expenses	228,687	-	-	-	21,696	250,383
Accrued salaries and wages payable	1,613,113	2,482,255	-	-	375,175	4,470,543
Due to other funds	691,748	-	-	-	-	691,748
Unearned revenue	-	1,691,363	-	-	-	1,691,363
Total liabilities	2,533,548	4,173,618	-	-	396,871	7,104,037
Fund balances:						
Reserved for:						
Inventories	404,161	-	-	-	-	404,161
Prepays	5,000	-	-	-	-	5,000
State statute	65,495	-	691,748	146,000	-	903,243
Unreserved:						
Designated for subsequent year's expenditures	3,995,860	-	-	235,068	-	4,230,928
Undesignated, reported in:						
General Fund	1,372,834	-	-	-	-	1,372,834
Special Revenue Funds	-	-	645,703	-	-	645,703
Capital Projects Fund	-	-	-	15,351	-	15,351
Total fund balances	5,843,350	-	1,337,451	396,419	-	7,577,220
Total liabilities and fund balances	\$ 8,376,898	\$ 4,173,618	\$ 1,337,451	\$ 396,419	\$ 396,871	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 99,253,805

Some liabilities, including those for compensated absences and installment purchase obligations, are not due and payable in the current period and therefore are not reported in the funds. (6,282,372)

Net assets of governmental activities \$ 100,548,653

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

**MOORE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010**

	Major Funds				Non-Major Fund	Total Governmental Funds
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants	
Revenues:						
State of North Carolina	\$ 364,306	\$ 60,450,068	\$ -	\$ 578,028	\$ -	\$ 61,392,402
Moore County	24,935,195	-	-	733,950	-	25,669,145
U.S. Government	210,773	-	-	-	10,772,823	10,983,596
Other	1,490,592	-	3,336,607	180,659	-	5,007,858
Total revenues	27,000,866	60,450,068	3,336,607	1,492,637	10,772,823	103,053,001
Expenditures:						
Current:						
Instructional services:						
Regular instructional	7,206,510	32,930,107	-	-	3,368,236	43,504,853
Special populations	1,649,462	7,981,033	-	-	3,398,372	13,028,867
Co-curricular	618,679	-	3,404,608	-	-	4,023,287
Alternative programs and services	1,676,639	3,696,093	-	-	2,867,623	8,240,355
School leadership services	1,500,832	4,189,162	-	-	-	5,689,994
School-based support	1,345,479	4,075,164	-	-	689,647	6,110,290
System-wide support services:						
Support and development services	90,868	228,640	-	-	-	319,508
Special population support and	96,711	50,721	-	-	49,252	196,684
Alternative programs and services	112,536	3,762	-	-	76,469	192,767
Technology support services	1,237,222	111,317	-	-	-	1,348,539
Operational support services	7,808,388	5,607,530	-	-	78,477	13,494,395
Financial and human resource services	559,991	109,451	-	-	103,630	773,072
Accountability Services	129,013	184,372	-	-	-	313,385
Policy, leadership, and public relations	772,819	1,165,435	-	-	-	1,938,254
Ancillary services	107,714	3,037	-	-	34,723	145,474
Non-programmed charges	674,198	-	-	-	106,394	780,592
Debt service:						
Principal retirements	389,620	108,678	-	578,028	-	1,076,326
Interest and fees	47,156	5,566	-	-	-	52,722
Capital outlay:						
Land, buildings, and site improvements	-	-	-	607,179	-	607,179
Furnishings and equipment	-	-	-	137,136	-	137,136
Vehicles and other	-	-	-	267,223	-	267,223
Total expenditures	26,023,837	60,450,068	3,404,608	1,589,566	10,772,823	102,240,902
Revenues over (under) expenditures	977,029	-	(68,001)	(96,929)	-	812,099
Other financing sources:						
Installment purchase obligations issued	-	-	-	242,523	-	242,523
Transfers from other funds	-	-	113,568	-	-	113,568
Total other financing sources	-	-	113,568	242,523	-	356,091
Net change in fund balance	977,029	-	45,567	145,594	-	1,168,190
Fund balances:						
Beginning of year	4,714,447	-	1,291,884	250,825	-	6,257,156
Increase in reserve for inventory	151,874	-	-	-	-	151,874
End of year	\$ 5,843,350	\$ -	\$ 1,337,451	\$ 396,419	\$ -	\$ 7,577,220

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

**MOORE COUNTY BOARD OF EDUCATION
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2010**

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 1,168,190
Change in fund balance due to change in reserve for inventory	151,874
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 and contributed capital were greater (less) than depreciation in the current period.	17,454,028
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Loss on disposal of capital assets	(692)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	833,803
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated absences	<u>(101,818)</u>
Total changes in net assets of governmental activities	<u>\$ 19,505,385</u>

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

**MOORE COUNTY BOARD OF EDUCATION
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010**

	General Fund			State Public School Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
Revenues:							
State of North Carolina	\$ 360,000	\$ 360,000	\$ 364,306	\$ 57,170,135	\$ 60,533,655	\$ 60,450,068	\$ (83,587)
Moore County	24,935,195	24,935,195	24,935,195	-	-	-	-
U.S. Government	105,000	207,000	210,773	-	-	-	-
Other	1,489,000	1,486,000	1,490,592	-	-	-	-
Total revenues	<u>26,869,195</u>	<u>26,988,195</u>	<u>27,000,866</u>	<u>57,170,135</u>	<u>60,533,655</u>	<u>60,450,068</u>	<u>(83,587)</u>
Expenditures:							
Current:							
Instructional services	16,273,900	16,147,200	13,997,601	53,576,364	52,924,113	52,871,559	52,554
System-wide support services	11,190,100	11,407,800	10,807,548	3,479,527	7,492,262	7,461,228	31,034
Ancillary services	92,000	116,000	107,714	-	3,036	3,037	(1)
Nonprogrammed charges	672,000	675,000	674,198	-	-	-	-
Debt service	461,000	462,000	436,776	114,244	114,244	114,244	-
Total expenditures	<u>28,689,000</u>	<u>28,808,000</u>	<u>26,023,837</u>	<u>57,170,135</u>	<u>60,533,655</u>	<u>60,450,068</u>	<u>83,587</u>
Revenues over (under) expenditures	(1,819,805)	(1,819,805)	977,029	-	-	-	-
Fund balance appropriated	<u>1,819,805</u>	<u>1,819,805</u>	-	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ 977,029	\$ -	\$ -	\$ -	\$ -
Fund balances:							
Beginning of year			4,714,447				
Increase (decrease) in reserve for inventory			151,874				
End of year			<u>\$ 5,843,350</u>				

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

**MOORE COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPES
June 30, 2010**

Exhibit 7

	Enterprise		
	Major Fund	Non-major Fund	Total
	School Food Service	Child Care	
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,604,935	\$ -	\$ 1,604,935
Accounts receivable	6,107	-	6,107
Due from other governments	95,722	-	95,722
Inventories	188,969	-	188,969
Total current assets	<u>1,895,733</u>	<u>-</u>	<u>1,895,733</u>
Noncurrent assets:			
Capital assets:			
Equipment, furniture and vehicles, net	<u>530,681</u>	<u>-</u>	<u>530,681</u>
Total assets	<u>2,426,414</u>	<u>-</u>	<u>2,426,414</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	1,872	-	1,872
Unearned revenue	27,297	-	27,297
Compensated absences	127,664	-	127,664
Total current liabilities	<u>156,833</u>	<u>-</u>	<u>156,833</u>
Noncurrent liabilities:			
Compensated absences	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>156,833</u>	<u>-</u>	<u>156,833</u>
Net assets			
Invested in capital assets	530,681	-	530,681
Unrestricted	<u>1,738,900</u>	<u>-</u>	<u>1,738,900</u>
Total net assets	<u>\$ 2,269,581</u>	<u>\$ -</u>	<u>\$ 2,269,581</u>

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

MOORE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2010

Exhibit 8

	Enterprise		Total
	Major Fund School Food Service	Non-major Fund Child Care	
Operating revenues:			
Food sales	\$ 1,636,855	\$ -	\$ 1,636,855
Child care fees	-	558,608	558,608
Total operating revenues	<u>1,636,855</u>	<u>558,608</u>	<u>2,195,463</u>
Operating expenses:			
Food cost:			
Purchase of food	1,668,877	-	1,668,877
Donated commodities	279,737	-	279,737
Salaries and benefits	1,989,261	445,040	2,434,301
Materials and supplies	193,587	-	193,587
Repairs and maintenance	14,474	-	14,474
Contracted services	44,487	-	44,487
Depreciation	103,523	-	103,523
Non-capitalized equipment	6,994	-	6,994
Other	52,068	-	52,068
Total operating expenses	<u>4,353,008</u>	<u>445,040</u>	<u>4,798,048</u>
Operating income (loss)	<u>(2,716,153)</u>	<u>113,568</u>	<u>(2,602,585)</u>
Nonoperating revenues:			
Federal reimbursements	2,661,153	-	2,661,153
Federal commodities	279,737	-	279,737
State reimbursements	16,583	-	16,583
Interest earned	17,304	-	17,304
Total nonoperating revenues	<u>2,974,777</u>	<u>-</u>	<u>2,974,777</u>
Income before contributions and transfers	258,624	113,568	372,192
Capital contributions	26,651	-	26,651
Transfers to other funds	-	(113,568)	(113,568)
Total contributions and transfers	<u>26,651</u>	<u>(113,568)</u>	<u>(86,917)</u>
Change in net assets	285,275	-	285,275
Net assets, beginning of year	<u>1,984,306</u>	<u>-</u>	<u>1,984,306</u>
Net assets, end of year	<u>\$ 2,269,581</u>	<u>\$ -</u>	<u>\$ 2,269,581</u>

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

MOORE COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2010

Exhibit 9

	Enterprise		Total
	Major Fund School Food Service	Non-major Fund Child Care	
Cash flows from operating activities:			
Cash received from customers	\$ 1,650,431	\$ 558,608	\$ 2,209,039
Cash paid for goods and services	(1,986,107)	-	(1,986,107)
Cash paid to employees for services	(1,994,902)	(445,040)	(2,439,942)
Net cash provided (used) by operating activities	<u>(2,330,578)</u>	<u>113,568</u>	<u>(2,217,010)</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	-	(113,568)	(113,568)
Federal and state reimbursements	2,678,788	-	2,678,788
Net cash provided (used) by noncapital activities	<u>2,678,788</u>	<u>(113,568)</u>	<u>2,565,220</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(75,331)	-	(75,331)
Cash flows from investing activities:			
Interest earned on investments	17,304	-	17,304
Net increase in cash and cash equivalents	290,183	-	290,183
Cash and cash equivalents, beginning of year	1,314,752	-	1,314,752
Cash and cash equivalents, end of year	<u>\$ 1,604,935</u>	<u>\$ -</u>	<u>\$ 1,604,935</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (2,716,153)	\$ 113,568	\$ (2,602,585)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	103,523	-	103,523
Donated commodities	279,737	-	279,737
Changes in assets and liabilities:			
Decrease in accounts receivable	6,375	-	6,375
Increase in inventories	(7,492)	-	(7,492)
Increase in accounts payable and accrued expenses	1,872	-	1,872
Decrease in unearned revenue	(5,641)	-	(5,641)
Increase in compensated absences payable	7,201	-	7,201
Total adjustments	<u>385,575</u>	<u>-</u>	<u>385,575</u>
Net cash provided (used) by operating activities	<u>\$ (2,330,578)</u>	<u>\$ 113,568</u>	<u>\$ (2,217,010)</u>

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$279,737 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8.

Assets with a value of \$26,651 were donated and are presented as contributed capital on Exhibit 8.

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

**MOORE COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
June 30, 2010**

Exhibit 10

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ <u>252,599</u>
Liabilities	
Due to Sandhills Region Education Consortium (SREC)	<u>252,599</u>
Net Assets	<u>\$ -</u>

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

**MOORE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Moore County Board of Education conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Moore County Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Moore County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Board's funds, 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.

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.

**MOORE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

Individual Schools Fund. The Individual Schools Fund includes revenues and expenditures of the activity funds of the individual schools. The primary revenue sources include funds held on the behalf of various clubs and organizations, receipts from athletic events, and proceeds from various fund raising activities. The primary expenditures are for athletic teams, club programs, activity buses, and instructional needs.

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

The Board reports the following major enterprise fund:

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

The Board reports the following fiduciary fund:

Agency Fund. The Agency Fund is used to account for moneys held for the Sandhills Region Education Consortium for which the Board is the fiscal agent.

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.

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.

**MOORE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

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 purpose level for all annually budgeted funds. The superintendent is authorized by the governing board to transfer appropriations within a fund without limitation and without a report being made. The superintendent is not authorized to transfer contingency appropriations within a fund, nor may he transfer amounts between funds. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

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

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

2. Cash and Cash Equivalents

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

3. Inventories

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

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

**MOORE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

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, 1990 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

For capital assets utilized in governmental activities having an estimated useful life of two or more years, it is the policy of the Board to capitalize infrastructure costing more than \$100,000, buildings costing more than \$20,000 and all other capital assets costing more than \$5,000. For capital assets utilized in business-type activities, the Board's policy is to capitalize those assets costing more than \$1,000 with an estimated useful life of two or more years. The cost of normal repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

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

	<u>Years</u>
Buildings and improvements	15 - 50
Equipment and furniture	5 - 12
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.

6. Compensated Absences

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

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

7. Net Assets/Fund Balances

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

**MOORE COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2010**

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

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

The governmental fund types classify fund balances as follows:

Reserved:

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

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

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

Unreserved:

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

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

8. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. The net adjustment of \$92,971,433 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$145,189,233
Less accumulated depreciation	<u>(45,935,428)</u>
Net capital assets	99,253,805
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchases	(1,050,584)
Compensated absences	<u>(5,231,788)</u>
Total adjustment	<u>\$ 92,971,433</u>

**MOORE COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2010**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$54,499,605 as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 21,434,769
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	(3,980,741)
New installment financing obtained during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities – it affects only the government-wide statement of net assets	(242,523)
Principal payments on installment financing are recorded as a use of funds on the fund statements but affect only the statement of net assets in the government-wide statements	1,076,326
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(101,818)
Loss on disposal of assets	(692)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	151,874
Total adjustment	<u>\$ 18,337,195</u>

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

**MOORE COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2010**

At June 30, 2010, the Board had deposits with banks and savings and loans with a carrying amount of \$1,312,739 and with the State Treasurer of \$1,691,363. The bank balances with the financial institutions and the State Treasurer were \$1,442,834 and \$2,325,379, respectively. Of these balances, \$459,003 was covered by federal depository insurance and \$3,309,179 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30, 2010, the Board's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>
Department of State Treasurer Short Term Investment Fund (STIF)	\$ 9,343,159	1.6 years	Unrated

Interest Rate Risk. The Board of Education does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Department of State Treasurer Short Term Investment Fund (STIF) had a weighted average maturity of 1.6 years as of June 30, 2010.

Credit Risk. The STIF is unrated and is authorized under North Carolina 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.

Concentration of Credit Risk. The Board places no limit on the amount the Board may invest in any one issuer.

3. Accounts Receivable

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

	<u>Due from other funds (Internal Balances)</u>	<u>Due from other governments</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ (691,748)	\$ -	\$ 65,495	\$ (626,253)
Other governmental activities	<u>691,748</u>	<u>2,879,126</u>	<u>146,000</u>	<u>3,716,874</u>
Total	<u>\$ -</u>	<u>\$ 2,879,126</u>	<u>\$ 211,495</u>	<u>\$ 3,090,621</u>
Business-type activities:				
School Food Service	<u>\$ -</u>	<u>\$ 95,722</u>	<u>\$ 6,107</u>	<u>\$ 101,829</u>

**MOORE COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2010**

Due from other governments consists of the following:

Governmental activities:			
State Public School Fund	2,482,255	Operating funds from DPI	
Federal Grants Fund	<u>396,871</u>	Federal grant funds	
Total	<u>\$ 2,879,126</u>		
Business-type activities:			
School Food Service	<u>\$ 95,722</u>	USDA reimbursements	

4. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,300,779	\$ -	\$ -	\$ 1,300,779
Construction in progress	<u>15,745,735</u>	<u>22,775,576</u>	<u>36,161,717</u>	<u>2,359,594</u>
Total capital assets not being depreciated	<u>17,046,514</u>	<u>22,775,576</u>	<u>36,161,717</u>	<u>3,660,373</u>
Capital assets being depreciated:				
Buildings and improvements	95,866,793	32,792,251	-	128,659,044
Equipment and furniture	1,870,517	1,612,430	-	3,482,947
Vehicles	8,847,777	345,735	490,069	8,703,443
Computers	<u>612,932</u>	<u>70,494</u>	<u>-</u>	<u>683,426</u>
Total capital assets being depreciated	<u>107,198,019</u>	<u>34,820,910</u>	<u>490,069</u>	<u>141,528,860</u>
Less accumulated depreciation for:				
Buildings and improvements	34,601,751	2,642,533	-	37,244,284
Equipment and furniture	1,551,077	402,401	-	1,953,478
Vehicles	5,778,199	822,255	489,377	6,111,077
Computers	<u>513,037</u>	<u>113,552</u>	<u>-</u>	<u>626,589</u>
Total accumulated depreciation	<u>42,444,064</u>	<u>3,980,741</u>	<u>489,377</u>	<u>45,935,428</u>
Total capital assets being depreciated, net	<u>64,753,955</u>			<u>95,593,432</u>
Governmental activity capital assets, net	<u>\$ 81,800,469</u>			<u>\$ 99,253,805</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment, furniture and vehicles	\$ 2,117,958	\$ 101,982	\$ -	\$ 2,219,940
Less accumulated depreciation for:				
Equipment, furniture and vehicles	<u>1,585,736</u>	<u>103,523</u>	<u>-</u>	<u>1,689,259</u>
School Food Service capital assets, net	<u>\$ 532,222</u>			<u>\$ 530,681</u>

**MOORE COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2010**

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 3,142,595
Regular instructional programs	113,552
Operational support services	<u>724,594</u>
Total	<u>\$ 3,980,741</u>

Construction and Other Significant Commitments

The Board has active construction projects as of June 30, 2010 which will be paid with public bond funds. These projects include various renovations throughout the district and construction of a new elementary school and a new middle school. At year-end, the Board's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Renovations & Construction	<u>\$ 30,674,022</u>	<u>\$ 2,562,752</u>

B. Liabilities

1. Pension Plan Obligations

a. Teachers' and State Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 8.75% of annual covered payroll. The contribution requirements of plan members and Moore County Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2010, 2009, and 2008 were \$5,601,168, \$5,739,521, and \$5,035,003, respectively, equal to the required contributions for each year.

b. Other Post-Employment Benefits

1. Healthcare Benefits

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

**MOORE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

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

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish premium rates except as may be established by 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, person 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 pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2010, 2009, and 2008, the Board paid all annual required contributions to the Plan for postretirement healthcare benefits of \$2,880,601, \$2,890,914, and \$2,636,464 respectively. The contributions represented 4.9%, 4.1%, and 4.1% of covered payroll, respectively.

2. Long-term Disability Benefits

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

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

**MOORE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

Funding Policy. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Worker's Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System 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 Worker's Compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S. 127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which you might be entitled should you become age 62 during the first 36 months. After 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and are in receipt of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS.

The Board's contributions are established in the Appropriations Bill by 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 post-employment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other post-employment benefit. For the fiscal years ended June 30, 2010, 2009, and 2008, the Board paid all annual required contributions to the DIPNC for disability benefits of \$332,869, \$366,652, and \$334,381, respectively. These contributions represented .52% of covered payroll for each year.

**MOORE COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2010**

3. Accounts Payable

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

	<u>Vendors</u>	<u>Salaries and benefits</u>	<u>Total</u>
Governmental activities:			
General	\$ 228,687	\$ 1,613,113	\$ 1,841,800
Other governmental	<u>21,696</u>	<u>2,857,430</u>	<u>2,879,126</u>
Total governmental activities	<u>\$ 250,383</u>	<u>\$ 4,470,543</u>	<u>\$ 4,720,926</u>
Business-type activities:			
School Food Service	<u>\$ 1,872</u>	<u>\$ -</u>	<u>\$ 1,872</u>

4. Unearned Revenues

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

	<u>Unearned revenue</u>
Governmental activities:	
Unearned State grant funds (State Public School Fund)	<u>\$ 1,691,363</u>
Business-type activities:	
Prepayments of meals (School Food Service Fund)	<u>\$ 27,297</u>

**MOORE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim, and workers' compensation coverage up to the statutory limits for employees to the extent they are paid from Federal and local funds. The Trust has an annual aggregate limit for general liability of \$2,550,000 and an annual aggregate limit of \$2,550,000 for errors and omissions claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability coverage, and for losses in excess of \$275,000 per claim for worker's compensation coverage. The State of North Carolina provides workers' compensation for employees to the extent they are paid from State funds. The board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption, and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction.

The Board does not carry supplemental flood insurance in case of natural disasters since there are no Board owned properties in flood zones.

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

In Accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond of \$20,000 per employee.

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.

6. Long-Term Obligations

a. Installment Purchases

The Board is authorized by State law [G.S. 115C-528] to enter into installment purchase contracts to finance the purchase or improvement of personal property and to secure its obligations under such contracts by security interest in all or a portion of the property purchased or improved. During the fiscal years ended June 30, 2008 and 2009, the Board entered into three such contracts for the purchase of computers with each requiring three equal annual payments with interest rates ranging from 4.67% to 5.77%.

During the fiscal year ended June 30, 2008, the Board entered into an installment purchase contract under G.S. 115C-528 for the purchase of computers requiring 4 equal annual payments of \$180,216 with an interest rate of 5.77%.

**MOORE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

During the fiscal year ended June 30, 2009, the Board entered into an installment purchase contract under G.S. 115C-528 for the purchase of computers requiring 4 equal annual payments of \$177,737 with an interest rate of 4.67%.

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. During the fiscal period ending June 30, 2009, the State accepted the bid to purchase buses through special third party financing arrangements by SunTrust Equipment Finance & Leasing Corporation. During the fiscal period ending June 30, 2010, the State has accepted the bid to purchase buses through special third party financing arrangements by Banc of America Capital Corporation. During the fiscal periods ending June 30, 2009 and June 30, 2010, the Board entered into installment purchase contracts to finance the purchase of school buses. The financing contract requires only principal payments at the beginning of each contract year.

The future minimum payments of the installment purchases as of June 30, 2010 are as follows:

Year Ending June 30:	Governmental Activities	
	Principal	Interest
2011	\$ 759,691	\$ 25,671
2012	230,262	8,106
2013	60,631	-
Principal payments	<u>\$ 1,050,584</u>	
Total interest payments		<u>\$ 33,777</u>

b. Long-Term Obligation Activity

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

	July 1, 2009	Increases	Decreases	June 30, 2010	Current Portion
Governmental activities:					
Compensated absences	\$ 5,129,970	\$ 3,985,726	\$3,883,908	\$5,231,788	\$2,229,098
Installment purchases	<u>1,884,387</u>	<u>242,523</u>	<u>1,076,326</u>	<u>1,050,584</u>	<u>759,691</u>
	<u>\$ 7,014,357</u>	<u>\$ 4,228,249</u>	<u>\$4,960,234</u>	<u>\$6,282,372</u>	<u>\$2,988,789</u>
Business-type activities:					
Compensated absences	<u>\$ 133,305</u>	<u>\$ 94,723</u>	<u>\$ 100,364</u>	<u>\$ 127,664</u>	<u>\$ 56,190</u>

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

c. Interfund Balances and Activity

1. Transfers to/from other Funds

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

From the Child Care Fund to the Individual Schools Fund for co-curricular costs	\$ 129,297
From the Individual Schools Fund to the General Fund for co-curricular costs	<u>(15,729)</u>
Net transfers to/from the Individual Schools Fund to other funds	<u>\$ 113,568</u>

**MOORE COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

NOTE 3 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

Litigation

At June 30, 2010, the Board was involved in various items of pending or threatened litigation. The estimated costs of settlement are not considered to be material.

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State of North Carolina:			
More at Four Grant	\$ 360,000	\$ 364,306	\$ 4,306
Moore County appropriation	<u>24,935,195</u>	<u>24,935,195</u>	<u>-</u>
U.S. Government:			
JROTC	120,000	123,214	3,214
Impact Aid Funding	<u>87,000</u>	<u>87,559</u>	559
Total U.S. Government	<u>207,000</u>	<u>210,773</u>	<u>3,773</u>
Other:			
Reimbursements and refunds	165,000	195,198	30,198
Tuition and fees	93,000	97,447	4,447
Fines and forfeitures	800,000	733,970	(66,030)
Interest earned on investment	150,000	123,869	(26,131)
Rental of school property	16,000	21,030	5,030
Indirect costs allocated	125,000	106,394	(18,606)
Miscellaneous	<u>137,000</u>	<u>212,684</u>	<u>75,684</u>
Total other	<u>1,486,000</u>	<u>1,490,592</u>	<u>4,592</u>
Total revenues	<u>26,988,195</u>	<u>27,000,866</u>	<u>12,671</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	-	7,206,510	-
Special populations	-	1,649,462	-
Co-Curricular	-	618,679	-
Alternative programs and services	-	1,676,639	-
School leadership services	-	1,500,832	-
School-based support	-	<u>1,345,479</u>	-
Total instructional programs	<u>16,147,200</u>	<u>13,997,601</u>	<u>2,149,599</u>
System-wide support services			
Support and development services	-	90,868	-
Special population support and development	-	96,711	-
Alternative programs and services support	-	112,536	-
Technology support services	-	1,237,222	-
Operational support services	-	7,808,388	-
Financial and human resource services	-	559,991	-
Accountability services	-	129,013	-
Policy, leadership and public relations services	-	<u>772,819</u>	-
Total system-wide supporting services	<u>11,407,800</u>	<u>10,807,548</u>	<u>600,252</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures: (Continued)			
Current:			
Ancillary services:			
Community services	\$ 116,000	\$ 107,714	\$ -
Total ancillary services	<u>116,000</u>	<u>107,714</u>	<u>8,286</u>
Nonprogrammed charges:	<u>675,000</u>	<u>674,198</u>	<u>802</u>
Debt service:			
Principal retirements	-	389,620	-
Interest and fees	-	47,156	-
Total debt service	<u>462,000</u>	<u>436,776</u>	<u>25,224</u>
Total expenditures	<u>28,808,000</u>	<u>26,023,837</u>	<u>2,784,163</u>
Revenues over (under) expenditures	(1,819,805)	977,029	2,796,834
Fund balance appropriated	<u>1,819,805</u>	<u>-</u>	<u>(1,819,805)</u>
Net change in fund balance	<u>\$ -</u>	977,029	<u>\$ 977,029</u>
Fund balance:			
Beginning of year		4,714,447	
Increase in reserve for inventory		<u>151,874</u>	
End of year		<u>\$ 5,843,350</u>	

MOORE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FEDERAL GRANTS FUND
For the Fiscal Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
U.S. Government	\$ 14,143,760	\$ 10,772,823	\$ (3,370,937)
Expenditures:			
Current:			
Instructional services:			
Regular instructional	3,488,827	3,368,236	120,591
Special populations	3,889,908	3,398,372	491,536
Alternative programs and services	2,976,120	2,867,623	108,497
School-based support services	<u>1,040,089</u>	<u>689,647</u>	<u>350,442</u>
Total instructional programs	<u>11,394,944</u>	<u>10,323,878</u>	<u>1,071,066</u>
System-wide support services			
Special population support and development	52,097	49,252	2,845
Alternative programs and services support	89,513	76,469	13,044
Operational support services	110,581	78,477	32,104
Financial and human resource services	<u>180,330</u>	<u>103,630</u>	<u>76,700</u>
Total system-wide supporting services	<u>432,521</u>	<u>307,828</u>	<u>124,693</u>
Ancillary services	<u>49,540</u>	<u>34,723</u>	<u>14,817</u>
Nonprogrammed charges:			
Payments to other governmental units	133,241	106,394	26,847
Other nonprogrammed charges	<u>2,133,514</u>	<u>-</u>	<u>2,133,514</u>
Total nonprogrammed charges	<u>2,266,755</u>	<u>106,394</u>	<u>2,160,361</u>
Total expenditures	<u>14,143,760</u>	<u>10,772,823</u>	<u>3,370,937</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance:			
Beginning of year		<u>-</u>	
End of year		<u>\$ -</u>	

MOORE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL OUTLAY FUND
For the Fiscal Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 578,028	\$ 578,028	\$ -
Moore County:			
Restricted portion of sales tax	-	-	-
General county revenues	<u>733,950</u>	<u>733,950</u>	<u>-</u>
Total Moore County	<u>733,950</u>	<u>733,950</u>	<u>-</u>
Other:			
Interest earned on investments	6,050	6,532	482
Miscellaneous	<u>166,000</u>	<u>174,127</u>	<u>8,127</u>
Total other	<u>172,050</u>	<u>180,659</u>	<u>8,609</u>
Total revenues	<u>1,484,028</u>	<u>1,492,637</u>	<u>8,609</u>
Expenditures:			
Debt service:			
Principal retirements	-	578,028	-
Interest and fees	<u>-</u>	<u>-</u>	<u>-</u>
Total debt service	<u>-</u>	<u>578,028</u>	<u>-</u>
Capital outlay:			
Land, buildings, and site improvements	-	607,179	-
Furnishings and equipment	-	137,136	-
Vehicles and other	<u>-</u>	<u>267,223</u>	<u>-</u>
Total capital outlay	<u>-</u>	<u>1,011,538</u>	<u>-</u>
Total expenditures	<u>1,720,580</u>	<u>1,589,566</u>	<u>131,014</u>
Revenues under expenditures	<u>(236,552)</u>	<u>(96,929)</u>	<u>139,623</u>
Other financing sources:			
Installment purchase obligations issued	<u>236,552</u>	<u>242,523</u>	<u>5,971</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>145,594</u>	<u>\$ 145,594</u>
Fund balance:			
Beginning of year		<u>250,825</u>	
End of year		<u>\$ 396,419</u>	

MOORE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
SCHOOL FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2010

	Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	\$ 1,884,000	\$ 1,636,855	\$ (247,145)
Operating expenditures:			
Business support services:			
Purchase of food	-	1,676,369	-
Donated commodities	-	279,737	-
Salaries and benefits	-	1,983,620	-
Materials and supplies	-	193,587	-
Repairs and maintenance	-	14,474	-
Contracted services	-	44,487	-
Non-capitalized equipment	-	6,994	-
Other	-	52,068	-
Capital Outlay	-	101,982	-
Total operating expenditures	<u>5,064,000</u>	<u>4,353,318</u>	<u>710,682</u>
Operating (loss)	<u>(3,180,000)</u>	<u>(2,716,463)</u>	<u>463,537</u>
Nonoperating revenues:			
Federal reimbursements	-	2,661,153	-
Federal commodities	-	279,737	-
State reimbursements	-	16,583	-
Interest earned	-	17,304	-
Total nonoperating revenues	<u>3,180,000</u>	<u>2,974,777</u>	<u>(205,223)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>258,314</u>	<u>\$ 258,314</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(103,523)	
Equipment purchases		101,982	
Increase in compensated absences payable		(5,641)	
Increase in inventory		7,492	
Contributed capital		<u>26,651</u>	
Change in net assets (full accrual)		<u>\$ 285,275</u>	

MOORE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
CHILD CARE FUND
For the Fiscal Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	Variance positive (negative)
Operating revenues:			
Child care fees	\$ 600,000	\$ 558,608	\$ (41,392)
Operating expenditures:			
Business support services:			
Salaries and benefits	<u>445,040</u>	<u>445,040</u>	<u>-</u>
Excess of revenues over expenditures before other financing uses	154,960	113,568	(41,392)
Other financing uses:			
Transfers to other funds	<u>(154,960)</u>	<u>(113,568)</u>	<u>41,392</u>
Revenues over (under) expenditures and other uses	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items		<u>-</u>	
Change in net assets (full accrual)		<u>\$ -</u>	

**MOORE COUNTY BOARD OF EDUCATION
 SANDHILLS REGION EDUCATION CONSORTIUM (SREC) AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 For the Fiscal Year Ended June 30, 2010**

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
Assets				
Cash and cash equivalents	\$ 255,341	\$145,444	\$148,186	\$252,599
Liabilities				
Due to Sandhills Region Education Consortium (SREC)	\$ 255,341	\$145,444	\$148,186	\$252,599



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

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 Moore County Board of Education
Moore County, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Moore County Board of Education (BOE), North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the BOE's basic financial statements and have issued our report thereon dated November 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

This report is intended solely for the information and use of management, others within the entity, members of the Board, 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.

Dixon Hughes PLLC

Southern Pines, North Carolina
November 29, 2010



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

***Report on Compliance With Requirements That Could Have a Direct
and Material Effect on Each Major Federal Program and on Internal Control
Over Compliance In Accordance With OMB Circular A-133
and the State Single Audit Implementation Act***

To the Moore County Board of Education
Moore County, North Carolina

Compliance

We have audited Moore County Board of Education (BOE), North Carolina, compliance with the types of compliance requirements described in the 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 BOE's major federal programs for the year ended June 30, 2010. The BOE's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the BOE's management. Our responsibility is to express an opinion on the BOE'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, 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 BOE'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 BOE's compliance with those requirements.

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

Internal Control Over Compliance

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

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

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

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.

Dixon Hughes PLLC

*Southern Pines, North Carolina
November 29, 2010*



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

***Report on Compliance With Requirements That Could Have a Direct
and Material Effect on Each Major State Program and Internal Control
Over Compliance in Accordance With OMB Circular A-133
and the State Single Audit Implementation Act***

To the Moore County Board of Education
Moore County, North Carolina

Compliance

We have audited Moore County Board of Education (BOE), North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major state programs for the year ended June 30, 2010. The BOE's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the BOE's management. Our responsibility is to express an opinion on the BOE'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; 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 BOE'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 BOE's compliance with those requirements.

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

Internal Control Over Compliance

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

Dixon Hughes PLLC

*Southern Pines, North Carolina
November 29, 2010*

**MOORE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010**

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified	<i>No</i>
• Significant deficiency(ies) identified that are not considered to be material weaknesses	<i>None Reported</i>
Type of auditors' report issued on compliance for major federal programs	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	<i>No</i>
Identification of major federal programs:	

CFDA Numbers	Names of Federal Program or Cluster
84.394	ARRA – Education Stabilization Funds
84.010	Title I, Educationally Deprived Children
84.389	ARRA - Title I, Grants to Local Education Agencies
84.367A	Improving Teacher Quality
Special Education Cluster:	
84.027	Title VI-B, Education of the Handicapped
84.391	ARRA - Title VI-B, Education of the Handicapped
84.027A	Title VI-B, Capacity Building and Improvement Grant
84.173	IDEA- Preschool Grants
84.392	ARRA - IDEA- Preschool Grants

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$ 417,735</u>
Auditee qualified as low-risk auditee?	<i>Yes</i>

**MOORE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010**

Section I - Summary of Auditors' Results (Continued)
State Awards

Internal control over major state programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Reported*

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

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

Identification of major state programs:

Program Name

N. C. Department of Public Instruction:
State Public School Fund

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

No findings and questioned costs related to federal awards aggregating \$10,000 or more were noted.

Section IV - State Award Findings and Questioned Costs

No findings and questioned costs related to the audit of State awards aggregating \$10,000 or more were noted.

**MOORE COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2010**

There were no findings or questioned costs related to our audit of Federal and state awards for the fiscal year ended June 30, 2009.

MOORE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2010

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
Federal Grants:		
<u>U.S. Department of Agriculture</u>		
Food and Nutrition Service		
Passed-through the N.C. Department of Public Instruction:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 279,737
Cash Assistance:		
School Breakfast Program	10.553	583,926
National School Lunch Program	10.555	<u>2,077,227</u>
Total Child Nutrition Cluster		<u>2,940,890</u>
ARRA - Child Nutrition Equipment	10.579	<u>26,651</u>
Total U.S. Department of Agriculture		<u>2,967,541</u>
<u>U.S. Department of Education</u>		
Office of Elementary and Secondary Education		
Direct Programs:		
Impact Aid (School Assistance in federally affected areas)	84.041	87,559
Passed-through the N.C. Department of Public Instruction:		
Education Consolidation and Improvement Act of 1981		
Improving America School Act of 1994 (IASA)		
Title I, Grants to Local Educational Agencies		
Educationally Deprived Children	84.010	2,433,616
ARRA - Educationally Deprived Children	84.389	594,128
Migrant Education	84.011	38
School Improvement	84.010A	119,712
Passed through the N.C. Department of Public Instruction:		
ARRA - Education Stabilization Funds	84.394	3,165,551
Title IV, Part A, Safe and Drug Free Schools and Communities	84.186	28,475
Improving Teacher Quality	84.367A	501,192
Education Technology Formula	84.318X	9,293
ARRA - Education Technology Formula	84.386	1,665
Language Acquisition - LEP	84.365A	55,158
ARRA - McKinney Vento Homeless Education	84.387	2,503
21st Century	84.287	196,431

MOORE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2010

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
Office of Special Education and Rehabilitative Services		
Passed-through the N.C. Department of Public Instruction:		
Special Education Cluster:		
Individuals with Disabilities Education Act		
Special Education - Grants to States	84.027	\$ 2,082,058
Special Education - Target Assistance	84.027	17,459
Special Education - Special Needs Target Assistance	84.027	17,539
ARRA - Special Education - Grants to States	84.391	1,119,046
Special Education - Capacity Building / Improvement	84.027A	38,754
Special Education - Preschool Grants	84.173	149,406
ARRA - Special Education - Preschool Grants	84.392	54,501
Total Special Education Cluster		<u>3,478,763</u>
Passed-through the N.C. Department of Public Instruction:		
Carl D. Perkins Vocational and Applied Technology		
Education Act Amendments of 1990		
Basic Grants to States		
Program Development	84.048	<u>159,647</u>
Total U.S. Department of Education		<u>10,833,731</u>
Other Federal Assistance:		
<u>U.S. Department of Defense</u>		
Direct Programs:		
ROTC	NONE	<u>123,214</u>
Total Federal Assistance		<u>\$ 13,924,486</u>

**MOORE COUNTY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Fiscal Year Ended June 30, 2010**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
State Grants:		
<u>N.C. Department of Public Instruction</u>		\$ 56,270,104
State Public School Fund		
Vocational Education		3,345,101
State Months of Employment		171,666
Program Support Funds		280,366
Driver Training		262,348
School Technology Fund		578,028
State appropriations - buses		120,483
Textbooks		<u>120,483</u>
Total N.C. Department of Public Instruction		<u>61,028,096</u>
 <u>N.C. Department of Health and Human Services</u>		
Division of Child Development		364,306
More at Four Grant		
Total N.C. Department of Health and Human Services		<u>364,306</u>
 <u>N.C. Department of Agriculture:</u>		
State Kindergarten Breakfast Funds		<u>16,583</u>
Total State Assistance		<u>61,408,985</u>
Total Federal and State Assistance		<u>\$ 75,333,471</u>

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

1. Basis of Presentation

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