

Moore County Board of Education

Financial Statements

For the Fiscal Year Ended June 30, 2011

**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 Funds	14
7 Statement of Net Assets - Proprietary Fund Types	16
8 Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund Types	17
9 Statement of Cash Flows - Proprietary Fund Types	18
10 Statement of Fiduciary Net Assets and Liabilities	19
Notes to the Basic Financial Statements	20
Individual Fund Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	35
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Restricted Revenues Fund	36
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Federal Grants Fund	38
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Outlay Fund	39
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) School Food Service Fund	40
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) Child Care Fund	41
Statement of Changes in Assets and Liabilities Sandhills Region Education Consortium (SREC) Agency Fund	42

MOORE COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page No.</u>
Compliance Section	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43
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	45
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	47
Schedule of Findings and Questioned Costs	49
Summary Schedule of Prior Year's Audit Findings	51
Schedule of Expenditures of Federal and State Awards	52



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

December 14, 2011

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 (Board), as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board'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 Board'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 Board as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School and Restricted Revenues funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5 to the financial statements, the Board reclassified beginning fund balance in the General Fund as a result of creating the Restricted Revenues Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011 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 Board. 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 Goodman LLP

*December 14, 2011
Pinehurst, North Carolina*

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, 2011. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- Assets exceeded liabilities by \$106 million as of June 30, 2011. Our governmental activity revenues were \$115 million for the fiscal year ended June 30, 2011.
- 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 initiated our Race to the Top project with 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, Restricted Revenues 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 \$106.4 million as of June 30, 2011. The largest component of net assets is invested in capital assets, net of related debt, of \$98.6 million, which comprises 92.72% of the total net assets. Restricted and unrestricted net assets amounted to \$2.4 million and \$5.3 million, respectively.

Following is a summary of the Statement of Net Assets:

**Table 1
Condensed Statement of Net Assets
As of June 30, 2011 and 2010**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/11</u>	<u>6/30/10</u>	<u>6/30/11</u>	<u>6/30/10</u>	<u>6/30/11</u>	<u>6/30/10</u>
Current assets	\$ 16,343,691	\$ 13,989,509	\$ 2,042,478	\$ 1,895,733	\$ 18,386,169	\$ 15,885,242
Capital assets	<u>98,887,760</u>	<u>99,253,805</u>	<u>404,832</u>	<u>530,681</u>	<u>99,292,592</u>	<u>99,784,486</u>
Total assets	<u>115,231,451</u>	<u>113,243,314</u>	<u>2,447,310</u>	<u>2,426,414</u>	<u>117,678,761</u>	<u>115,669,728</u>
Current liabilities	7,942,155	9,401,078	84,936	85,359	8,027,091	9,486,437
Long-term liabilities	<u>3,184,596</u>	<u>3,293,583</u>	<u>84,565</u>	<u>71,474</u>	<u>3,269,161</u>	<u>3,365,057</u>
Total liabilities	<u>11,126,751</u>	<u>12,694,661</u>	<u>169,501</u>	<u>156,833</u>	<u>11,296,252</u>	<u>12,851,494</u>
Invested in capital assets, net of related debt	98,242,320	98,203,221	404,832	530,681	98,647,152	98,733,902
Restricted net assets	2,445,744	1,337,451	-	-	2,445,744	1,337,451
Unrestricted net assets (deficit)	<u>3,416,636</u>	<u>1,007,981</u>	<u>1,872,977</u>	<u>1,738,900</u>	<u>5,289,613</u>	<u>2,746,881</u>
Total net assets	<u>\$104,104,700</u>	<u>\$100,548,653</u>	<u>\$ 2,277,809</u>	<u>\$ 2,269,581</u>	<u>\$106,382,509</u>	<u>\$ 102,818,234</u>

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

The net assets of the Board's governmental activities increased from \$100.5 million at June 30, 2010 to \$104.1 million at June 30, 2011, an increase of \$3.6 million. Capital assets, net of related debt, only increased by \$40,000 during the year due primarily to slow down in construction and depreciation expense. Restricted and unrestricted net assets increased by a combined total of \$3.6 million.

The net assets of our business-type activities increased \$8,000 for the year to remain at \$2.3 million at June 30, 2011. This increase of \$8,000 is the amount of net income generated by our school food service operations during the 2011 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, 2011 and 2010**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/11	6/30/10	6/30/11	6/30/10	6/30/11	6/30/10
Revenues:						
Program revenues:						
Charges for services	\$ 3,696,861	\$ 3,455,084	\$ 2,287,165	\$ 2,195,463	\$ 5,984,026	\$ 5,650,547
Operating grants and contributions	73,988,101	72,019,968	3,079,606	2,957,473	77,067,707	74,977,441
Capital grants and contributions	985,446	578,028	-	26,651	985,446	604,679
General revenues:						
Other revenues	30,707,543	49,669,103	15,560	17,304	30,723,103	49,686,407
Total revenues	109,377,951	125,722,183	5,382,331	5,196,891	114,760,282	130,919,074
Expenses:						
Governmental activities:						
Instructional services	81,502,354	80,793,944	-	-	81,502,354	80,793,944
System-wide supporting services	20,287,570	21,521,433	-	-	20,287,570	21,521,433
Community services	115,119	145,474	-	-	115,119	145,474
Nonprogrammed charges	733,737	674,198	-	-	733,737	674,198
Interest on long-term debt	27,381	52,722	-	-	27,381	52,722
Unallocated depreciation expense	3,257,366	3,142,595	-	-	3,257,366	3,142,595
Business-type activities:						
School food service	-	-	4,854,111	4,353,008	4,854,111	4,353,008
Child care	-	-	418,368	445,040	418,368	445,040
Total expenses	105,923,528	106,330,366	5,272,479	4,798,048	111,196,007	111,128,414
Transfers in (out)	101,624	113,568	(101,624)	(113,568)	-	-
Increase (decrease) in net assets	3,556,047	19,505,385	8,228	285,275	3,564,275	19,790,660
Beginning net assets	100,548,653	81,043,268	2,269,581	1,984,306	102,818,234	83,027,574
Ending net assets	<u>\$ 104,104,700</u>	<u>\$ 100,548,653</u>	<u>\$ 2,277,809</u>	<u>\$ 2,269,581</u>	<u>\$ 106,382,509</u>	<u>\$ 102,818,234</u>

During the year ended June 30, 2011, our governmental activities generated revenues of \$109.4 million as well as total expenses of \$105.9 million. Transfers in from business-type activities during the year were \$101,000, net. These amounts combined result in the aforementioned increase in our net assets for governmental activities of \$3.6 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 57.6%, 24.6%, and 12.9% of our revenues. As would be expected, the major component of our expenditures was instructional programs, which accounted for 76.9% of our total expenditures during the most recent fiscal year. Of the remaining 23.1% of our total expenditures, 19.1% was attributable to supporting services.

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

Our business-type activities generated revenue of \$5.4 million and had expenses of \$5.4 million (including transfers to governmental activities), resulting in an increase in net assets of \$8,000. This represents a decrease of \$277,000 over the prior year increase in net assets of \$285,000. This decrease is primarily attributable to an increase of \$122,000 in federal reimbursements and an increase in charges for service of \$92,000 offset by an increase in food service expenditures of \$456,000 and a decrease in child care expenditures of \$27,000.

The increase in the net assets of our governmental activities during the fiscal year ended June 30, 2011 of \$3.6 million represented a decline of \$15.9 million in comparison to the \$19.5 million increase experienced during the fiscal year ended June 30, 2010. Our governmental activity revenues decreased \$16.4 million when compared to the fiscal year ended June 30, 2010, while expenses declined \$362,000 over this same period. The decrease in revenues was primarily attributable to decreases in funding from the County due to a decline in construction activity in the current year. The decrease in expenses was immaterial.

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 \$11.0 million at June 30, 2011, a \$3.4 million increase when compared to the prior year. Total revenues and other financing sources increased by \$4.2 million, or 4.1%, during the year, primarily due to increases in Federal funding of \$2.8 million. Total expenditures increased \$2.1 million when compared to the prior year with the increase being primarily attributable to increased expenditures in the Federal Grants Fund of \$2.7.

Proprietary Funds: The Board's business-type funds reported combined net assets of \$2.28 million at June 30, 2011, a \$8,000 increase when compared to the prior year. The School Food Service Fund generated net income of \$8,000 during the year ended June 30, 2011 compared to net income of \$285,000 during the prior year, a decrease of \$277,000. As previously discussed, this decrease is primarily attributable to an increase of \$502,000 in food service expenditures. The Board's Child Care Fund reported increases in revenues and decreases in expenses compared to the prior year, resulting in net income before contributions and transfers of \$147,000 in the current year compared to \$113,000 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 \$4.7 million, net of the change in the reserve for inventories, of \$128,000.

Capital Assets

Total primary government capital assets decreased by \$366,000 compared to the previous year due primarily to depreciation of \$3.9 million. 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, 2011 and 2010**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/11</u>	<u>6/30/10</u>	<u>6/30/11</u>	<u>6/30/10</u>	<u>6/30/11</u>	<u>6/30/10</u>
Land	\$ 1,300,779	\$ 1,300,779	\$ -	\$ -	\$ 1,300,779	\$ 1,300,779
Construction in Progress	2,605,106	2,359,594	-	-	2,605,106	2,359,594
Buildings and improvements	91,463,647	91,414,760	-	-	91,463,647	91,414,760
Equipment and furniture	1,226,878	1,529,469	404,832	530,681	1,631,710	2,060,150
Vehicles	2,217,487	2,592,366	-	-	2,217,487	2,592,366
Computers	<u>73,863</u>	<u>56,837</u>	-	-	<u>73,863</u>	<u>56,837</u>
Total	<u>\$98,887,760</u>	<u>\$ 99,253,805</u>	<u>\$ 404,832</u>	<u>\$ 530,681</u>	<u>\$99,292,592</u>	<u>\$ 99,784,486</u>

Debt Outstanding

During the year, the Board's outstanding debt decreased by \$405,000. The Board borrowed \$713,000 during the year under installment purchase contracts to finance the purchase of school buses and activity buses. Repayments of installment purchase obligations totaled \$1.1 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.
- The economic recession had a significant impact on our operations for the last 3 fiscal years. 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.

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, 2011

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 12,692,817	\$ 1,726,905	\$ 14,419,722
Due from other governments	2,916,471	102,312	3,018,783
Receivables (net)	202,450	16,599	219,049
Inventories	531,953	196,662	728,615
Capital assets:			
Land, improvements, and construction in progress	3,905,885	-	3,905,885
Other capital assets, net of depreciation	94,981,875	404,832	95,386,707
Total capital assets	<u>98,887,760</u>	<u>404,832</u>	<u>99,292,592</u>
 Total assets	 <u>115,231,451</u>	 <u>2,447,310</u>	 <u>117,678,761</u>
Liabilities			
Accounts payable and accrued expenses	332,907	-	332,907
Accrued salaries and wages payable	4,502,302	-	4,502,302
Unearned revenue	490,640	29,379	520,019
Long-term liabilities:			
Due within one year	2,616,306	55,557	2,671,863
Due in more than one year	<u>3,184,596</u>	<u>84,565</u>	<u>3,269,161</u>
 Total liabilities	 <u>11,126,751</u>	 <u>169,501</u>	 <u>11,296,252</u>
Net assets			
Invested in capital assets, net of related debt	98,242,320	404,832	98,647,152
Restricted for:			
Stabilization by State Statue	1,011,681	-	1,011,681
School Capital Outlay	12,290	-	12,290
Individual schools activities	1,421,773	-	1,421,773
Unrestricted	<u>3,416,636</u>	<u>1,872,977</u>	<u>5,289,613</u>
 Total net assets	 <u>\$ 104,104,700</u>	 <u>\$ 2,277,809</u>	 <u>\$ 106,382,509</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, 2011

Exhibit 2

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Program Revenues		Primary Government				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 43,296,162	\$ -	\$ 38,827,908	\$ -	\$ (4,468,254)	\$ -	\$ (4,468,254)
Special populations	13,864,270	-	12,451,629	-	(1,412,641)	-	(1,412,641)
Co-curricular	4,128,384	-	-	-	(4,128,384)	-	(4,128,384)
Alternative programs and services	7,788,418	-	6,213,152	-	(1,575,266)	-	(1,575,266)
Student leadership services	5,821,390	-	3,088,155	-	(2,733,235)	-	(2,733,235)
School-based support services	6,603,731	3,696,861	5,188,473	-	2,281,603	-	2,281,603
System-wide support services:							
Support and development	198,030	-	16,065	-	(181,965)	-	(181,965)
Special population support and development	155,017	-	53,352	-	(101,665)	-	(101,665)
Alternative programs and services support	196,683	-	165,676	-	(31,007)	-	(31,007)
Technology support services	1,465,004	-	212,337	-	(1,252,667)	-	(1,252,667)
Operational support services	15,190,112	-	5,997,256	985,446	(8,207,410)	-	(8,207,410)
Financial and human resources services	703,701	-	126,902	-	(576,799)	-	(576,799)
Accountability	318,966	-	186,747	-	(132,219)	-	(132,219)
Policy, leadership and public services	2,060,057	-	1,290,681	-	(769,376)	-	(769,376)
Ancillary services	115,119	-	52,768	-	(62,351)	-	(62,351)
Nonprogrammed charges	733,737	-	117,000	-	(616,737)	-	(616,737)
Interest on long-term debt	27,381	-	-	-	(27,381)	-	(27,381)
Unallocated depreciation expense, excluding direct depreciation expense charged to programs	3,257,366	-	-	-	(3,257,366)	-	(3,257,366)
Total governmental activities	105,923,528	3,696,861	73,988,101	985,446	(27,253,120)	-	(27,253,120)
Business-type activities:							
School food service	4,854,111	1,722,173	3,079,606	-	-	(52,332)	(52,332)
Child care	418,368	564,992	-	-	-	146,624	146,624
Total business-type activities	5,272,479	2,287,165	3,079,606	-	-	94,292	94,292
Total primary government	\$ 111,196,007	\$ 5,984,026	\$ 77,067,707	\$ 985,446	(27,253,120)	94,292	(27,158,828)
General revenues:							
Unrestricted county appropriations - operating				25,540,140			25,540,140
Unrestricted county appropriations - capital				711,932			711,932
Unrestricted county appropriations - contributed capital				2,934,174			2,934,174
Unrestricted State and Federal appropriations - operating				633,304			633,304
Investment earnings, unrestricted				4,000		15,560	19,560
Miscellaneous, unrestricted				883,993			883,993
Transfers in (out)				101,624		(101,624)	-
Total general revenues and transfers				30,809,187		(86,064)	30,723,103
Change in net assets				3,566,047		8,228	3,564,275
Net assets - beginning				100,548,653		2,269,581	102,818,234
Net assets - ending				\$ 104,104,700		\$ 2,277,809	\$ 106,382,509

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

MOORE COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

Exhibit 3

	Major Funds					Non-Major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Restricted Revenues	Capital Outlay	Individual Schools	
Assets							
Cash and cash equivalents	\$ 6,587,912	\$ 490,640	\$ -	\$ 4,965,443	\$ 12,290	\$ 636,532	\$ 12,692,817
Due from other governments	-	2,376,594	515,887	23,990	-	-	2,916,471
Accounts receivable	60,450	-	-	-	142,000	-	202,450
Due from other funds	-	-	-	-	-	785,241	785,241
Inventories	531,953	-	-	-	-	-	531,953
Total assets	7,180,315	2,867,234	515,887	4,989,433	154,290	1,421,773	17,128,932
Liabilities and fund balances							
Liabilities:							
Accounts payable and accrued expenses	332,907	-	-	-	-	-	332,907
Accrued salaries and wages payable	1,588,262	2,376,594	515,887	21,559	-	-	4,502,302
Due to other funds	-	-	-	785,241	-	-	785,241
Unearned revenue	-	490,640	-	-	-	-	490,640
Total liabilities	1,921,169	2,867,234	515,887	806,800	-	-	6,111,090
Fund balances:							
Nonspendable:							
Inventories	531,953	-	-	-	-	-	531,953
Restricted:							
Stabilization by State statute	60,450	-	-	23,990	142,000	785,241	1,011,681
School Capital Outlay	-	-	-	-	12,290	-	12,290
Individual Schools	-	-	-	-	-	636,532	636,532
Assigned:							
Subsequent year's expenditures	2,000,000	-	-	4,000,000	-	-	6,000,000
Unassigned:	2,666,743	-	-	158,643	-	-	2,825,386
Total fund balances	5,259,146	-	-	4,182,633	154,290	1,421,773	11,017,842
Total liabilities and fund balances	\$ 7,180,315	\$ 2,867,234	\$ 515,887	\$ 4,989,433	\$ 154,290	\$ 1,421,773	

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.

98,887,760

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.

(5,800,902)

Net assets of governmental activities

\$ 104,104,700

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, 2011

Exhibit 4

	Major Funds				Non-Major Fund		Total Governmental Funds
	General	State Public School	Federal Grants	Restricted Revenues	Capital Outlay	Individual Schools	
Revenues:							
State of North Carolina	\$ -	\$60,496,646	\$ -	\$ 363,760	\$ 665,771	\$ -	\$ 61,526,177
Moore County	25,540,140	-	-	-	711,932	-	26,252,072
U.S. Government	-	-	13,491,455	269,544	-	-	13,760,999
Other	743,036	-	-	927,618	144,957	3,405,918	5,221,529
Total revenues	26,283,176	60,496,646	13,491,455	1,560,922	1,522,660	3,405,918	106,760,777
Expenditures:							
Current:							
Instructional services:							
Regular instructional	4,331,944	32,842,038	5,985,870	110,663	-	-	43,270,515
Special populations	1,383,124	8,886,021	3,565,608	40,058	-	-	13,874,811
Co-curricular	663,303	-	-	-	-	3,468,220	4,131,523
Alternative programs and services	1,115,328	3,388,802	2,824,350	465,860	-	-	7,794,340
School leadership services	2,737,661	2,940,911	147,244	-	-	-	5,825,816
School-based support	1,420,279	4,457,500	730,973	-	-	-	6,608,752
System-wide support services:							
Support and development services	182,116	16,065	-	-	-	-	198,181
Special population support and	101,783	53,352	-	-	-	-	155,135
Alternative programs and services	31,157	89,229	76,447	-	-	-	196,833
Technology support services	1,584	212,337	-	1,252,197	-	-	1,466,118
Operational support services	7,856,625	5,976,080	21,176	-	-	-	13,853,881
Financial and human resource services	259,714	111,883	15,019	317,620	-	-	704,236
Accountability Services	132,462	186,747	-	-	-	-	319,209
Policy, leadership, and public relations	551,629	1,290,681	-	219,313	-	-	2,061,623
Ancillary services	53,537	-	7,768	53,814	-	-	115,119
Non-programmed charges	733,737	-	117,000	-	-	-	850,737
Debt service:							
Principal retirements	-	-	-	332,282	785,644	-	1,117,926
Interest and fees	-	-	-	25,671	1,710	-	27,381
Capital outlay:							
Land, buildings, and site improvements	-	-	-	-	789,396	-	789,396
Furnishings and equipment	-	-	-	-	76,529	-	76,529
Vehicles and other	-	-	-	-	824,292	-	824,292
Total expenditures	21,555,983	60,451,646	13,491,455	2,817,478	2,477,571	3,468,220	104,262,353
Revenues over (under) expenditures	4,727,193	45,000	-	(1,256,556)	(954,911)	(62,302)	2,498,424
Other financing sources:							
Installment purchase obligations issued	-	-	-	-	712,782	-	712,782
Transfers (to) from other funds	-	(45,000)	-	-	-	146,624	101,624
Total other financing sources (uses)	-	(45,000)	-	-	712,782	146,624	814,406
Net change in fund balance	4,727,193	-	-	(1,256,556)	(242,129)	84,322	3,312,830
Fund balances:							
Beginning of year, as reclassified	404,161	-	-	5,439,189	396,419	1,337,451	7,577,220
Increase in reserve for inventory	127,792	-	-	-	-	-	127,792
End of year	\$ 5,259,146	\$ -	\$ -	\$ 4,182,633	\$ 154,290	\$ 1,421,773	\$ 11,017,842

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, 2011

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 3,312,830
Change in fund balance due to change in reserve for inventory	127,792
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.	(366,045)
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	-
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.	405,144
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>76,326</u>
Total changes in net assets of governmental activities	<u>\$ 3,556,047</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 FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	General Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Moore County	25,540,140	25,540,140	25,540,140	-
U.S. Government	-	-	-	-
Other	720,000	720,000	743,036	23,036
Total revenues	26,260,140	26,260,140	26,283,176	23,036
Expenditures:				
Current:				
Instructional services	15,443,600	15,335,000	11,651,639	3,683,361
System-wide support services	10,116,540	10,131,140	9,117,070	1,014,070
Ancillary services	-	54,000	53,537	463
Nonprogrammed charges	700,000	740,000	733,737	6,263
Debt service	-	-	-	-
Total expenditures	26,260,140	26,260,140	21,555,983	4,704,157
Revenues over (under) expenditures	-	-	4,727,193	4,727,193
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Installment purchase obligations issued	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ -	\$ -	4,727,193	\$ 4,727,193
Fund balances:				
Beginning of year, as reclassified			404,161	
Increase in reserve for inventory			127,792	
End of year			\$ 5,259,146	

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

State Public School Fund				Restricted Revenues Fund			
Original Budget	Final Budget	Actual	Variance with final budget positive (negative)	Original Budget	Final Budget	Actual	Variance with final budget positive (negative)
\$ 59,479,160	\$ 60,505,834	\$ 60,496,646	\$ (9,188)	\$ 360,000	\$ 360,000	\$ 363,760	\$ 3,760
-	-	-	-	-	-	-	-
-	-	-	-	201,000	299,000	269,544	(29,456)
-	-	-	-	607,000	607,000	927,618	320,618
<u>59,479,160</u>	<u>60,505,834</u>	<u>60,496,646</u>	<u>(9,188)</u>	<u>1,168,000</u>	<u>1,266,000</u>	<u>1,560,922</u>	<u>294,922</u>
55,727,053	52,520,215	52,515,272	4,943	969,000	699,000	616,581	82,419
3,752,107	7,940,619	7,936,374	4,245	1,687,860	2,116,860	1,789,130	327,730
-	-	-	-	117,000	66,000	53,814	12,186
-	-	-	-	-	-	-	-
-	-	-	-	390,000	380,000	357,953	22,047
<u>59,479,160</u>	<u>60,460,834</u>	<u>60,451,646</u>	<u>9,188</u>	<u>3,163,860</u>	<u>3,261,860</u>	<u>2,817,478</u>	<u>444,382</u>
-	45,000	45,000	-	(1,995,860)	(1,995,860)	(1,256,556)	739,304
-	(45,000)	(45,000)	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,995,860	1,995,860	-	(1,995,860)
<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,256,556)</u>	<u>\$ (1,256,556)</u>
						5,439,189	
						-	
		<u>\$ -</u>				<u>\$ 4,182,633</u>	

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

Exhibit 6
Page 2 of 2

	Federal Grants			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Moore County	-	-	-	-
U.S. Government	13,405,463	23,043,481	13,491,455	(9,552,026)
Other	-	-	-	-
Total revenues	<u>13,405,463</u>	<u>23,043,481</u>	<u>13,491,455</u>	<u>(9,552,026)</u>
Expenditures:				
Current:				
Instructional services	10,325,282	15,448,512	13,254,045	2,194,467
System-wide support services	2,769,954	524,683	112,642	412,041
Ancillary services	11,500	11,500	7,768	3,732
Nonprogrammed charges	298,727	7,058,786	117,000	6,941,786
Debt service	-	-	-	-
Total expenditures	<u>13,405,463</u>	<u>23,043,481</u>	<u>13,491,455</u>	<u>9,552,026</u>
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Installment purchase obligations issued	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances:				
Beginning of year, as reclassified				-
Increase in reserve for inventory				-
End of year			<u>\$ -</u>	-

MOORE COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPES
June 30, 2011

Exhibit 7

	Enterprise		
	Major Fund	Non-major Fund	
	School Food Service	Child Care	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,726,905	\$ -	\$ 1,726,905
Accounts receivable	16,599	-	16,599
Due from other governments	102,312	-	102,312
Inventories	196,662	-	196,662
Total current assets	<u>2,042,478</u>	<u>-</u>	<u>2,042,478</u>
Noncurrent assets:			
Capital assets:			
Equipment, furniture and vehicles, net	<u>404,832</u>	<u>-</u>	<u>404,832</u>
Total assets	<u>2,447,310</u>	<u>-</u>	<u>2,447,310</u>
Liabilities			
Current liabilities:			
Unearned revenue	29,379	-	29,379
Compensated absences	55,557	-	55,557
Total current liabilities	<u>84,936</u>	<u>-</u>	<u>84,936</u>
Noncurrent liabilities:			
Compensated absences	<u>84,565</u>	<u>-</u>	<u>84,565</u>
Total liabilities	<u>169,501</u>	<u>-</u>	<u>169,501</u>
Net assets			
Invested in capital assets	404,832	-	404,832
Unrestricted	<u>1,872,977</u>	<u>-</u>	<u>1,872,977</u>
Total net assets	<u>\$ 2,277,809</u>	<u>\$ -</u>	<u>\$ 2,277,809</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, 2011

Exhibit 8

	Enterprise		Total
	Major Fund School Food Service	Non-major Fund Child Care	
Operating revenues:			
Food sales	\$ 1,722,173	\$ -	\$ 1,722,173
Child care fees	-	564,992	564,992
Total operating revenues	<u>1,722,173</u>	<u>564,992</u>	<u>2,287,165</u>
Operating expenses:			
Food cost:			
Purchase of food	1,567,677	-	1,567,677
Donated commodities	294,343	-	294,343
Salaries and benefits	2,196,741	418,368	2,615,109
Indirect costs	200,000	-	200,000
Materials and supplies	179,834	-	179,834
Repairs and maintenance	25,308	-	25,308
Contracted services	72,873	-	72,873
Depreciation	113,043	-	113,043
Non-capitalized equipment	129,383	-	129,383
Loss on disposal of capital assets	26,651	-	26,651
Other	48,258	-	48,258
Total operating expenses	<u>4,854,111</u>	<u>418,368</u>	<u>5,272,479</u>
Operating income (loss)	<u>(3,131,938)</u>	<u>146,624</u>	<u>(2,985,314)</u>
Nonoperating revenues:			
Federal reimbursements	2,769,553	-	2,769,553
Federal commodities	294,343	-	294,343
State reimbursements	15,710	-	15,710
Interest earned	15,560	-	15,560
Total nonoperating revenues	<u>3,095,166</u>	<u>-</u>	<u>3,095,166</u>
Income before contributions and transfers	(36,772)	146,624	109,852
Transfers (to) from other funds	<u>45,000</u>	<u>(146,624)</u>	<u>(101,624)</u>
Change in net assets	8,228	-	8,228
Net assets, beginning of year	<u>2,269,581</u>	<u>-</u>	<u>2,269,581</u>
Net assets, end of year	<u>\$ 2,277,809</u>	<u>\$ -</u>	<u>\$ 2,277,809</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, 2011**

Exhibit 9

	Enterprise		Total
	Major Fund School Food Service	Non-major Fund Child Care	
Cash flows from operating activities:			
Cash received from customers	\$ 1,713,763	\$ 564,992	\$ 2,278,755
Cash paid for goods and services	(2,232,898)	-	(2,232,898)
Cash paid to employees for services	(2,184,283)	(418,368)	(2,602,651)
Net cash provided (used) by operating activities	(2,703,418)	146,624	(2,556,794)
Cash flows from noncapital financing activities:			
Transfers (to) from other funds	45,000	(146,624)	(101,624)
Federal and state reimbursements	2,778,673	-	2,778,673
Net cash provided (used) by noncapital activities	2,823,673	(146,624)	2,677,049
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(13,845)	-	(13,845)
Cash flows from investing activities:			
Interest earned on investments	15,560	-	15,560
Net increase in cash and cash equivalents	121,970	-	121,970
Cash and cash equivalents, beginning of year	1,604,935	-	1,604,935
Cash and cash equivalents, end of year	\$ 1,726,905	\$ -	\$ 1,726,905
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (3,131,938)	\$ 146,624	\$ (2,985,314)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	113,043	-	113,043
Donated commodities	294,343	-	294,343
Loss on disposal of capital assets	26,651	-	26,651
Changes in assets and liabilities:			
Increase in accounts receivable	(10,492)	-	(10,492)
Increase in inventories	(7,693)	-	(7,693)
Decrease in accounts payable and accrued expenses	(1,872)	-	(1,872)
Increase in unearned revenue	12,458	-	12,458
Increase in compensated absences payable	2,082	-	2,082
Total adjustments	428,520	-	428,520
Net cash provided (used) by operating activities	\$ (2,703,418)	\$ 146,624	\$ (2,556,794)

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$294,343 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue 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, 2011

Exhibit 10

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 247,594
Prepays	<u>6,000</u>
Total Assets	<u>253,594</u>
Liabilities	
Unearned revenue	27,500
Due to Sandhills Region Education Consortium (SREC)	<u>226,094</u>
Total Liabilities	<u>253,594</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, 2011**

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.

Federal Grants Fund. The Federal Grants Fund includes appropriations from the U.S. Government 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, 2011**

Restricted Revenues Fund. The Restricted Revenues Fund is used to account for activities designated for restricted purposes and generally not intended for the general K-12 student population of the Board. Funding is primarily from local and state government grants and private donations received from individual and corporate donors, along with grant monies received directly from the federal government.

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, 2011**

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, 2011**

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

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, 2011**

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the superintendent to transfer amounts between, purpose, program and object codes.

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

The Board does not have a formal fund balance policy. Therefore, the unassigned fund balance in the General Fund is available for appropriation.

The Board does not have a formal revenue spending policy; however, it is the Board's practice to use resources in the following hierarchy: debt proceeds, federal funds, State funds, local non-Board funds and Board funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

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

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 \$93,086,858 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)	\$148,639,164
Less accumulated depreciation	<u>(49,751,404)</u>
Net capital assets	98,887,760
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	(645,440)
Compensated absences	<u>(5,155,462)</u>
Total adjustment	<u>\$ 93,086,858</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$243,217 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	\$ 3,566,897
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	(3,932,942)
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	(712,782)
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	1,117,926
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	76,326
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	<u>127,792</u>
Total adjustment	<u>\$ 243,217</u>

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2011, the Board reported expenditures within the Capital Outlay Fund that violates State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance for installment purchase obligations issued for the State Board financed school buses described in Note 2.6.a. This was a noncash appropriation that had no impact on the financial condition of the fund. Management will monitor receipts of State financed school buses more carefully and make necessary amendments to avoid expenditures in excess of appropriations

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2011, the Board had deposits with banks and savings and loans with a carrying amount of \$1,513,262 and with the State Treasurer of \$490,640. The bank balances with the financial institutions and the State Treasurer were \$2,138,941 and \$1,016,723, respectively. Of these balances, \$495,767 was covered by federal depository insurance and \$2,659,897 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30, 2011, 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)	\$12,663,414	1.9 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 1.9 years as of June 30, 2011.

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

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, 2011, were as follows:

	Due from other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ -	\$ -	\$ 60,450	\$ 60,450
Other governmental activities	<u>-</u>	<u>2,916,471</u>	<u>142,000</u>	<u>3,058,471</u>
Total	<u>\$ -</u>	<u>\$ 2,916,471</u>	<u>\$ 202,450</u>	<u>\$ 3,118,921</u>
Business-type activities:				
School Food Service	<u>\$ -</u>	<u>\$ 102,312</u>	<u>\$ 16,599</u>	<u>\$ 118,911</u>

Due from other governments consists of the following:

Governmental activities:			
State Public School Fund	2,376,594	Operating funds from DPI	
Federal Grants Fund	515,887	Federal grant funds	
Restricted Revenues Fund	<u>23,990</u>	State grant funds	
Total	<u>\$ 2,916,471</u>		
Business-type activities:			
School Food Service	<u>\$ 102,312</u>	USDA reimbursements	

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,300,779	\$ -	\$ -	\$ 1,300,779
Construction in progress	<u>2,359,594</u>	<u>2,934,174</u>	<u>2,688,662</u>	<u>2,605,106</u>
Total capital assets not being depreciated	<u>3,660,373</u>	<u>2,934,174</u>	<u>2,688,662</u>	<u>3,905,885</u>
Capital assets being depreciated:				
Buildings and improvements	128,659,044	2,736,054	-	131,395,098
Equipment and furniture	3,482,947	101,618	-	3,584,565
Vehicles	8,703,443	408,166	116,966	8,994,643
Computers	<u>683,426</u>	<u>75,547</u>	<u>-</u>	<u>758,973</u>
Total capital assets being depreciated	<u>141,528,860</u>	<u>3,321,385</u>	<u>116,966</u>	<u>144,733,279</u>
Less accumulated depreciation for:				
Buildings and improvements	37,244,284	2,687,167	-	39,931,451
Equipment and furniture	1,953,478	404,209	-	2,357,687
Vehicles	6,111,077	783,045	116,966	6,777,156
Computers	<u>626,589</u>	<u>58,521</u>	<u>-</u>	<u>685,110</u>
Total accumulated depreciation	<u>45,935,428</u>	<u>3,932,942</u>	<u>116,966</u>	<u>49,751,404</u>

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

Total capital assets being depreciated, net	<u>95,593,432</u>			<u>94,981,875</u>
Governmental activity capital assets, net	<u>\$ 99,253,805</u>			<u>\$ 98,887,760</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment, furniture and vehicles	<u>\$ 2,219,940</u>	<u>\$ 13,845</u>	<u>\$ -</u>	<u>\$ 2,207,134</u>
Less accumulated depreciation for:				
Equipment, furniture and vehicles	<u>1,689,259</u>	<u>113,043</u>	<u>-</u>	<u>1,802,302</u>
School Food Service capital assets, net	<u>\$ 530,681</u>			<u>\$ 404,832</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$3,257,366
Regular instructional programs	58,521
Operational support services	<u>617,055</u>
Total	<u>\$3,932,942</u>

Construction and Other Significant Commitments

The Board has active construction projects as of June 30, 2011 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>\$ 10,238,354</u>	<u>\$ 1,452,549</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 10.51% 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, 2011, 2010, and 2009 were \$6,761,187, \$5,601,168, and \$5,739,521, respectively, equal to the required contributions for each year.

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

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.

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, 2011, 2010, and 2009, the Board paid all annual required contributions to the Plan for postretirement healthcare benefits of \$3,171,518, \$2,880,601, and \$2,890,914 respectively. The contributions represented 4.93%, 4.5%, 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.

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

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

Funding Policy. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for 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, 2011, 2010, and 2009, the Board paid all annual required contributions to the DIPNC for disability benefits of \$334,521, \$332,869, and \$366,652, 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, 2011**

3. Accounts Payable

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

	<u>Vendors</u>	<u>Salaries and benefits</u>	<u>Total</u>
Governmental activities:			
General	\$ 332,907	\$ 1,588,262	\$ 1,921,169
Other governmental	<u>-</u>	<u>2,914,040</u>	<u>2,914,040</u>
Total governmental activities	<u>\$ 332,907</u>	<u>\$ 4,502,302</u>	<u>\$ 4,835,209</u>
Business-type activities:			
School Food Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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>\$ 490,640</u>
Business-type activities:	
Prepayments of meals (School Food Service Fund)	<u>\$ 29,379</u>

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.

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

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%.

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%.

During the fiscal year ended June 30, 2011, the Board entered into an installment purchase contract under G.S. 115C-528(a) for the purchase of activity buses. The contract requires four equal payments of \$60,791 with an interest rate of 3.08%.

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 that were received in fiscal periods ending June 30, 2009, 2010 and 2011. 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, 2011 are as follows:

Year Ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 406,654	\$ 11,686
2014	238,786	1,817
Principal payments	<u>\$ 645,440</u>	
Total interest payments		<u>\$ 13,503</u>

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

b. Long-Term Obligation Activity

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

	<u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>	<u>Current Portion</u>
Governmental activities:					
Compensated absences	\$ 5,231,788	\$ 3,790,787	\$ 3,867,113	\$ 5,155,462	\$ 2,209,652
Installment purchases	<u>1,050,584</u>	<u>712,782</u>	<u>1,117,926</u>	<u>645,440</u>	<u>406,654</u>
	<u>\$ 6,282,372</u>	<u>\$ 4,503,569</u>	<u>\$ 4,985,039</u>	<u>\$ 5,800,902</u>	<u>\$ 2,616,306</u>
Business-type activities:					
Compensated absences	<u>\$ 127,664</u>	<u>\$ 104,515</u>	<u>\$ 92,057</u>	<u>\$ 140,122</u>	<u>\$ 55,557</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, 2011 consist of the following:

From the Child Care Fund to the Individual Schools Fund for co-curricular costs	\$ 146,624
From the State Public School Fund to the School Food Service Fund for administrative costs	<u>(45,000)</u>
Net transfers to/from the Individual Schools Fund to other funds	<u>\$ 101,624</u>

NOTE 4 - FUND BALANCE

The Board of Education has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: revenues restricted as to use and secondly general unrestricted revenues.

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

Total fund balance – General Fund	\$ 5,259,146
Less:	
Inventories	531,953
Stabilization by State Statue	60,450
Appropriated Fund Balance in 2012 Budget	<u>2,000,000</u>
Remaining Fund Balance	<u>\$ 2,666,743</u>

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

<i>Encumbrances</i>	<i>General Fund</i>	<i>Capital Outlay Fund</i>	<i>Non-Major Funds</i>
	\$ 0	\$ 0	\$ 0

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

NOTE 5 - 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, 2011, the Board was involved in various items of pending or threatened litigation. The estimated costs of settlement are not considered to be material.

NOTE 6 - RECLASSIFICATION

In 2010, the General Assembly passed "The Current Operations and Capital Improvements Appropriations Act of 2010" that, among other things, authorized the North Carolina Department of Public Instruction to create an additional special revenue fund to be called Restricted Revenues Fund. The new fund accounts for certain revenues that are committed for specific purposes and are not required to be reported in another special revenue fund. During the current year, the Board elected to create its own Restricted Revenues Fund and unspent revenues for specific purposes were moved to this new fund. As of July 1, 2010, beginning fund balance in the General Fund and the Restricted Revenues Fund was reclassified as follows:

	<u>General</u>	<u>Restricted Revenues Fund</u>
Beginning fund balance, as previously reported	\$ 5,843,350	\$ -
Unspent revenues under G.S. 115C-426(c)	<u>(5,439,189)</u>	<u>5,439,189</u>
Beginning fund balance, as reclassified	<u>\$ 404,161</u>	<u>\$ 5,439,189</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, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Moore County appropriation	\$ 25,540,140	\$ 25,540,140	\$ -
Other:			
Fines and forfeitures	720,000	743,036	23,036
Total revenues	<u>26,260,140</u>	<u>26,283,176</u>	<u>23,036</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	-	4,331,944	-
Special populations	-	1,383,124	-
Alternative programs and services	-	1,115,328	-
School leadership services	-	2,737,661	-
Co-Curricular	-	663,303	-
School-based support	-	1,420,279	-
Total instructional programs	<u>15,335,000</u>	<u>11,651,639</u>	<u>3,683,361</u>
System-wide support services			
Support and development services	-	182,116	-
Special population support and development	-	101,783	-
Alternative programs and services support	-	31,157	-
Technology support services	-	1,584	-
Operational support services	-	7,856,625	-
Financial and human resource services	-	259,714	-
Accountability services	-	132,462	-
Policy, leadership and public relations services	-	551,629	-
Total system-wide supporting services	<u>10,131,140</u>	<u>9,117,070</u>	<u>1,014,070</u>
Ancillary services:			
Community services	\$ 54,000	\$ 53,537	\$ -
Total ancillary services	<u>54,000</u>	<u>53,537</u>	<u>463</u>
Nonprogrammed charges:	<u>740,000</u>	<u>733,737</u>	<u>6,263</u>
Total expenditures	<u>26,260,140</u>	<u>21,555,983</u>	<u>4,704,157</u>
Net change in fund balance	<u>\$ -</u>	4,727,193	<u>\$ 4,727,193</u>
Fund balance:			
Beginning of year, as reclassified		404,161	
Increase in reserve for inventory		<u>127,792</u>	
End of year		<u>\$ 5,259,146</u>	

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
More at Four Grant	\$ 360,000	\$ 363,760	\$ 3,760
U.S. Government:			
JROTC	114,000	96,670	(17,330)
Dept. of Defense Education Activity grant	68,000	54,297	(13,703)
Impact Aid Funding	117,000	118,577	1,577
Total U.S. Government	299,000	269,544	(29,456)
Other:			
Reimbursements and refunds	120,000	194,966	74,966
Tuition and fees	103,000	105,642	2,642
Interest earned on investment	110,000	94,159	(15,841)
Rental of school property	18,000	18,600	600
Indirect costs allocated	110,000	317,000	207,000
Miscellaneous	146,000	197,251	51,251
Total other	607,000	927,618	320,618
Total revenues	1,266,000	1,560,922	294,922
Expenditures:			
Current:			
Instructional services:			
Regular instructional	-	110,663	-
Special populations	-	40,058	-
Alternative programs and services	-	465,860	-
School-based support	-	-	-
Total instructional programs	699,000	616,581	82,419
System-wide support services			
Technology support services	-	1,252,197	-
Financial and human resource services	-	317,620	-
Policy, leadership and public relations services	-	219,313	-
Total system-wide supporting services	2,116,860	1,789,130	327,730
Ancillary services:			
Community services	\$ 66,000	\$ 53,814	\$ -
Total ancillary services	66,000	53,814	12,186

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures: (Continued)			
Debt service:			
Principal retirements	-	332,282	-
Interest and fees	-	25,671	-
Total debt service	<u>380,000</u>	<u>357,953</u>	<u>22,047</u>
Total expenditures	<u>3,261,860</u>	<u>2,817,478</u>	<u>444,382</u>
Revenues over (under) expenditures	(1,995,860)	(1,256,556)	739,304
Fund balance appropriated	<u>1,995,860</u>	<u>-</u>	<u>(1,995,860)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,256,556)</u>	<u>\$ (1,256,556)</u>
Fund balance:			
Beginning of year, as reclassified		<u>5,439,189</u>	
End of year		<u>\$ 4,182,633</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, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
U.S. Government	<u>\$ 23,043,481</u>	<u>\$ 13,491,455</u>	<u>\$ (9,552,026)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	6,265,295	5,985,870	279,425
Special populations	4,484,132	3,565,608	918,524
Alternative programs and services	3,275,784	2,824,350	451,434
School leadership services	275,105	147,244	127,861
School-based support services	<u>1,148,196</u>	<u>730,973</u>	<u>417,223</u>
Total instructional programs	<u>15,448,512</u>	<u>13,254,045</u>	<u>2,194,467</u>
System-wide support services			
Support and development Services	111,696	-	111,696
Alternative programs and services support	88,720	76,447	12,273
Operational support services	272,003	21,176	250,827
Financial and human resource services	<u>52,264</u>	<u>15,019</u>	<u>37,245</u>
Total system-wide supporting services	<u>524,683</u>	<u>112,642</u>	<u>412,041</u>
Ancillary services	<u>11,500</u>	<u>7,768</u>	<u>3,732</u>
Nonprogrammed charges:			
Payments to other governmental units	161,364	117,000	44,364
Other nonprogrammed charges	<u>6,897,422</u>	<u>-</u>	<u>6,897,422</u>
Total nonprogrammed charges	<u>7,058,786</u>	<u>117,000</u>	<u>6,941,786</u>
Total expenditures	<u>23,043,481</u>	<u>13,491,455</u>	<u>9,552,026</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, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 665,326	\$ 665,771	\$ 445
Moore County:			
General county revenues	711,932	711,932	-
Total Moore County	711,932	711,932	-
Other:			
Interest earned on investments	4,000	4,000	-
Miscellaneous	141,000	140,957	(43)
Total other	145,000	144,957	(43)
Total revenues	1,522,258	1,522,660	402
Expenditures:			
Debt service:			
Principal retirements	-	785,644	-
Interest and fees	-	1,710	-
Total debt service	789,326	787,354	1,972
Capital outlay:			
Land, buildings, and site improvements	-	789,396	-
Furnishings and equipment	-	76,529	-
Vehicles and other	-	824,292	-
Total capital outlay	1,217,000	1,690,217	(473,217)
Total expenditures	2,006,326	2,477,571	(471,245)
Revenues under expenditures	(484,068)	(954,911)	(470,843)
Other financing sources:			
Installment purchase obligations issued	240,000	712,782	472,782
Fund balance appropriated	244,068	-	(244,068)
Net change in fund balance	\$ -	(242,129)	\$ (242,129)
Fund balance:			
Beginning of year		396,419	
End of year		\$ 154,290	

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, 2011

	Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	\$ 2,184,000	\$ 1,722,173	\$ (461,827)
Operating expenditures:			
Business support services:			
Purchase of food	-	1,575,370	-
Donated commodities	-	294,343	-
Salaries and benefits	-	2,184,283	-
Indirect costs	-	200,000	-
Materials and supplies	-	179,834	-
Repairs and maintenance	-	25,308	-
Contracted services	-	72,873	-
Non-capitalized equipment	-	129,383	-
Other	-	48,258	-
Capital Outlay	-	13,845	-
Total operating expenditures	<u>5,100,000</u>	<u>4,723,497</u>	<u>376,503</u>
Operating (loss)	<u>(2,916,000)</u>	<u>(3,001,324)</u>	<u>(85,324)</u>
Nonoperating revenues:			
Federal reimbursements	-	2,769,553	-
Federal commodities	-	294,343	-
State reimbursements	-	15,710	-
Interest earned	-	15,560	-
Total nonoperating revenues	<u>2,871,000</u>	<u>3,095,166</u>	<u>224,166</u>
Excess of revenues over expenditures before other financing sources	<u>\$ (45,000)</u>	93,842	<u>\$ 138,842</u>
Other financing sources:			
Transfers from other funds	<u>45,000</u>	<u>45,000</u>	<u>-</u>
Excess of revenues and other sources over expenditures	<u>\$ -</u>	138,842	<u>\$ 138,842</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(113,043)	
Equipment purchases		13,845	
Loss on disposal of capital assets		(26,651)	
Increase in compensated absences payable		(12,458)	
Increase in inventory		<u>7,693</u>	
Change in net assets (full accrual)		<u>\$ 8,228</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, 2011

	<u>Budget</u>	<u>Actual</u>	Variance positive (negative)
Operating revenues:			
Child care fees	\$ 600,000	\$ 564,992	\$ (35,008)
Operating expenditures:			
Business support services:			
Salaries and benefits	418,368	418,368	-
Excess of revenues over expenditures before other financing uses	181,632	146,624	(35,008)
Other financing uses:			
Transfers to other funds	(181,632)	(146,624)	35,008
Revenues over (under) expenditures and other uses	\$ -	-	\$ -
Reconciliation of modified accrual to full accrual basis:			
Reconciling items		-	
Change in net assets (full accrual)		\$ -	

**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, 2011**

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Assets				
Cash and cash equivalents	\$ 252,599	\$ 147,813	\$ 152,818	\$ 247,594
Prepays	-	6,000	-	6,000
	<u>\$ 252,599</u>	<u>\$ 153,813</u>	<u>\$ 152,818</u>	<u>\$ 253,594</u>
Liabilities				
Unearned revenue	\$ -	\$ 27,500	\$ -	\$ 27,500
Due to Sandhills Region Education Consortium (SREC)	252,599	147,813	174,318	226,094
	<u>\$ 252,599</u>	<u>\$ 175,313</u>	<u>\$ 174,318</u>	<u>\$ 253,594</u>



DIXON HUGHES GOODMAN LLP
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 (Board), North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements and have issued our report thereon dated December 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 Board'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 Goodman LLP

*December 14, 2011
Pinehurst, North Carolina*



DIXON HUGHES GOODMAN LLP
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 (Board), 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 Board's major federal programs for the year ended June 30, 2011. The Board'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 Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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

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

Internal Control Over Compliance

Management of the Board 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 Board'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 Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 Goodman LLP

*December 14, 2011
Pinehurst, North Carolina*



DIXON HUGHES GOODMAN LLP
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 (Board), 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, 2011. The Board'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 Board's management. Our responsibility is to express an opinion on the Board'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 Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

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

Internal Control Over Compliance

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

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

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

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

Dixon Hughes Goodman LLP

*December 14, 2011
Pinehurst, North Carolina*

**MOORE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011**

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major federal 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 federal programs *Unqualified*
 Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 *No*

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
84.394	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
84.010	Title I, Part A Cluster Title I, Grants to Local Education Agencies (Title I, Part A of ESEA)
84.389	ARRA - Title I, Grants to Local Education Agencies
	Child Nutrition Cluster
	Cash Assistance
10.553	School Breakfast Program
10.555	National School Lunch Program
	Noncash Assistance
10.555	National School Lunch Program
84.394	ARRA – Education Stabilization Funds
84.410	ARRA – Education Jobs Fund
84.395	ARRA – Race to the Top- Leadership Academy

Dollar threshold used to distinguish between Type A and Type B Programs \$ 504,747

Auditee qualified as low-risk auditee? *Yes*

**MOORE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011**

**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
More at Four Pre-Kindergarten Program
School Buses

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, 2011

There were no findings or questioned costs related to our audit of Federal and state awards for the fiscal year ended June 30, 2010.

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

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Federal Grants:			
<u>U. S. Department of Agriculture</u>			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities)			
Passed-through the N.C. Department of Public Instruction National School Lunch Program	10.555		\$ 294,343
Cash Assistance			
Passed-through the N.C. Department of Public Instruction School Breakfast Program	10.553		623,846
National School Lunch Program	10.555		<u>2,145,707</u>
Total Cash Assistance			2,769,553
Total U. S. Department of Agriculture			3,063,896
<u>U.S. Department of Education</u>			
Cash Assistance			
Direct Program:			
Impact Aid (School Assistance in federally affected areas)	84.041		118,577
Passed-through the N.C. Department of Public Instruction			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)	84.010	PRC 050	1,869,988
ARRA-Title I Grants to Local Educational Agencies	84.389	PRC 141	<u>838,948</u>
Total Title I, Part A Cluster			2,708,936
Title 1 - School Improvement Cluster 1003(a)			
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA) - School Improvements	84.010A	PRC 105	195,548
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA) - School Improvements	84.389	PRC 142	<u>107,357</u>
			302,905
Safe and Drug Free Schools and Communities, Title IV, Part A	84.186	PRC 048, 058	9,425
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B) -			
Education of the Handicapped	84.027	PRC 060	1,864,652
Special Needs Target Assistance	84.027	PRC 118	34,937
Special Education - Preschool Grants (IDEA Preschool) -			
Capacity and Building Improvement Grants	84.173	PRC 044	31,152
Preschool Handicapped	84.173	PRC 049	135,362
Targeted Assistance	84.173	PRC 119	11,500
ARRA - Special Education - Grants to States (IDEA, Part B)	84.391	PRC 144	1,479,151
ARRA - Special Education - Preschool Grants (IDEA Preschool)	84.392	PRC 145	<u>47,727</u>
Total Special Education Cluster:			3,604,481

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

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	<u>Expenditures</u>
Career and Technical Education - Basic Grants to States - Program Development	84.048	PRC 017	147,398
Education Technology State Grants Cluster			
Education Technology State Grants (Enhancing Education through technology Program)	84.318	PRC 107,108	12,163
ARRA - Education Technology State Grants (Enhancing Education through technology Program)	84.386	PRC 146, 147	<u>37,771</u>
Total Education Technology State Grants Cluster			49,934
Homeless Children and Youth	84.029	PRC 026	3,042
Language Acquisition Grant	84.365	PRC 104	71,404
Teacher Quality Enhancement	84.367	PRC 103	479,466
21st Century	84.287	PRC 110	188,325
ARRA - Education Stabilization Funds	84.394	PRC 140	3,297,085
ARRA - McKinney - Vento Homless Education	84.387	PRC 148	7,774
ARRA - Education Jobs Fund	84.410	PRC 155	2,458,379
ARRA - Race to the Top	84.395	PRC 156	15,657
ARRA - Race to the Top- Leadership Academy	84.395	PRC 157	<u>147,244</u>
Total U. S. Department of Education			<u>13,610,032</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
DODEAGrant Support for K-12 Student Achievement at Military Connected Schools	12.556		54,297
ROTC	NONE		<u>96,670</u>
Total U. S. Department of Defense			<u>150,967</u>
Total Federal Assistance			<u>16,824,895</u>

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

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
State Grants:			
Cash Assistance			
<u>N.C. Department of Public Instruction</u>			
State Public School Fund			\$ 56,588,118
Driver Training - SPSF		PRC 012	283,593
School Technology Fund - SPSF		PRC 015	106,308
Vocational Education			
- State Months of Employment		PRC 013	3,241,137
- Program Support Funds		PRC 014	168,578
More at Four Pre-Kindergarten Program			363,760
Total N.C. Department of Public Instruction			<u>60,751,494</u>
<u>N.C. Department of Agriculture</u>			
State Kindergarten Breakfast Funds			15,710
Non-Cash Assistance			
<u>N.C. Department of Public Instruction</u>			
School Buses Appropriation			665,771
Textbooks			<u>108,912</u>
Total State Assistance			<u>61,541,887</u>
Total Federal and State Assistance			<u>\$ 78,366,782</u>

Notes to the Schedule of Expenditures of Federal and State Financial 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 from amounts presented in, or used in the preparation of the basic financial statements. Organizations and the State Single Audit Implementation Act. Therefore some amounts presented in this schedule may differ 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.