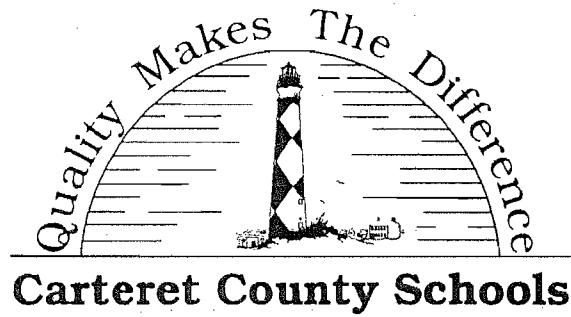


**Comprehensive Annual
Financial Report**
of the
**Carteret County
Board of Education**
Beaufort, North Carolina
For the Fiscal Year Ended June 30, 2010



Carteret County Board of Education
Catherine Neagle, Chairman Al Hill, Vice Chairman
David Carr, Adele Collins,
June Fulcher, Perry Harker, Shelley Sylvant

Superintendent
Dr. Daniel A. Novey

Assistant Superintendents
Human Resources & Accountability - Dr. Ralph Lewis
Curriculum & Instruction - Mat Bottoms

Prepared by Finance Department
W.J. Ipock, III, Finance Officer



**CARTERET COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS**

	<u>Page No.</u>
Introductory Section	
Letter of Transmittal	i
Board Of Education Members and Principal Officers	vii
Organizational Chart	viii
ASBO Certificate of Excellence in Financial Reporting	ix
GFOA Certificate of Achievement for Excellence in Financial Reporting	x
Financial Section	
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited).....	3
EXHIBIT	
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
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	14
7 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Annually Budgeted Major Special Revenue Fund - State Public School Fund	15
8 Statement of Net Assets - Proprietary Fund	16
9 Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund	17
10 Statement of Cash Flows - Proprietary Fund	18
Notes to the Basic Financial Statements	19
Individual Fund and Combining Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	34
Combining Balance Sheet - Non-Major Governmental Funds	36
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds	37
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Federal Grants Fund	38
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Fund	39
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Outlay Fund	40
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) School Food Service Fund	41
Balance Sheet - Individual Schools	42
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Individual Schools	43

Statistical Section

Financial Trends – These schedules contain trend information to help the reader understand how the Board's financial performance and well-being have changed over time.

Fund Balances – Governmental Funds	44
Changes in Fund Balance – Governmental Funds	45
Net Assets by Components	46
Changes in Net Assets – Total Primary Government	47

Revenue Capacity – These schedules contain information to help the reader assess the Board's most significant local revenue source, Carteret county property and sales tax.

General School System Revenues by Source – Governmental Activities.....	48
General School System Expenses by Purpose – Governmental Activities	49
Carteret County – Ten Largest Tax Payers	50
Carteret County – Property Tax Levies and Collections	51

Debt Capacity – These schedules present information to help the reader assess the affordability of Carteret County's current level of outstanding debt and the County's ability to issue additional debt in the future.

Carteret County – Computation of Legal Debt Margin	52
Carteret County – Computation of Direct and Underlying Debt	53

Demographics – These schedules offer demographic and economic indicators to help the reader understand the environment within which the Board's financial activities take place.

Demographic Statistics	54
Student Demographic Information	55
Personnel Summary	56
Principal Employers	57

Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the Board's financial report relates to the services the Board provides and the activities it performs.

Facility Configuration	58
Teachers Salaries	59
Child Nutrition Fund Statistical Information	60
Per Pupil Expenditure	61

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 Governmental Auditing Standards	62
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	64
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	66
Schedule of Findings and Questioned Costs	68
Corrective Action Plan	72
Summary Schedule of Prior Audit Findings	73
Schedule of Expenditures of Federal and State Awards	74

Carteret County Public School System

107 Safrit Drive

Beaufort, North Carolina 28516

(252)728-4583/www.carteretcountyschools.org



Letter of Transmittal

November 19, 2010


Members of the Carteret County Board of Education and Citizens of Carteret County, North Carolina

In compliance with the PUBLIC SCHOOL LAWS OF NORTH CAROLINA, the Comprehensive Annual Financial Report of the Carteret County Board of Education for the fiscal year ended June 30, 2010, is herewith submitted. Responsibility for accuracy, completeness and clarity of the report rests with the Superintendent and the Finance Officer. This report has been prepared by the Finance Department in accordance with generally accepted accounting principles following the requirements and guidelines promulgated by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) Industry Audit Guide and subsequent statements and interpretations. We believe the data presented is accurate in all material respects and that it is presented in a manner that reflects fairly the financial position and results of operations of the Board. All disclosures necessary to enable the reader to gain maximum understanding of the Board's financial activity have been included. The Management's Discussion and Analysis is an integral part of the financial section of this report.

The General Statutes of North Carolina require an annual independent audit of all local boards of education. McGladrey & Pullen, LLP, a national firm of independent certified public accountants, has audited the financial statements, and their opinion is included in this report. Please note that the auditor's opinion is unqualified.

Reporting Entity

The Carteret County Board of Education is the lowest level of government having oversight responsibility and control over all activities related to the public school education in Carteret County, North Carolina for grades PK-12, with a membership of 8,273 in 2009-2010. The school system receives local, state, and federal government funding and must comply with the legal requirements of each funding source entity. The Carteret County Board of Education, whose members are elected by the citizens of Carteret County, has the authority to designate management, make binding decisions, and significantly influence operations. The Board has final approval over the budget and primary accountability for fiscal matters (including any deficits). Accordingly, the Carteret County Board of Education is not included in any other reporting entity as defined in GASB Statement 14.



Letter of Transmittal

Accounting System and Budgetary Control

The Board provides a variety of services in order to meet its educational responsibilities and goals. The diverse nature of governmental operations and the necessity of assuring legal compliance preclude recording and summarizing all governmental financial transactions and balances in a single accounting entity. From an accounting and financial management viewpoint, a governmental unit is a combination of several distinctly different fiscal and accounting entities, each having a separate set of accounts and functioning independently of each other. Each entity is a separate "fund." A fund is defined as a fiscal accounting entity with a self balancing set of accounts that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with law, good accounting practice, special regulations, or other limitations.

The Board's funds are divided into three major classifications: governmental, proprietary, and fiduciary as applicable. Governmental fund types include general, special revenue, and capital projects. The enterprise fund is a proprietary fund type. The accounting records for general operations, special revenue fund, and capital projects fund are maintained on the modified accrual basis while the enterprise fund is presented on the accrual basis.

In developing and improving the Board's accounting system, consideration is given to the adequacy of internal control. Internal control is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of cost and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the Board's internal control adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

North Carolina General Statutes require all governmental units in the state to adopt a balanced budget by July 1 of each year. The Board's annual Budget Resolution authorizes expenditures by purpose on a modified accrual basis. For internal management purposes, the budget is detailed and compared to expenditures and encumbrances by line item within each function and project. The budget amounts reflected in the accompanying financial statements represent the final budget as amended for the fiscal year. The Board also uses a purchase order encumbrance system that records and shows encumbrances outstanding against each line item. Outstanding encumbrances at the end of the fiscal year related to normal operations are considered to be continuing contracts and are reserved as part of fund balance at the end of the fiscal year.

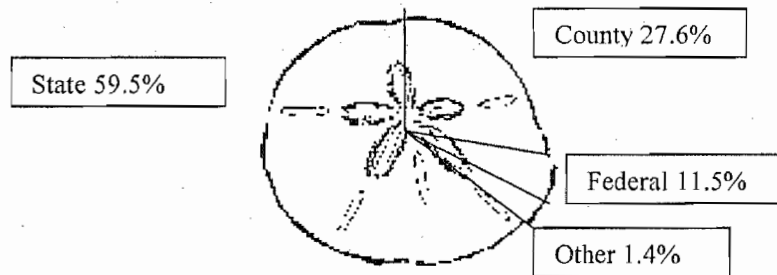
General (Local), State, Federal and Special Revenue Fund Revenues

The cost of public education in North Carolina is financed primarily by the State, which establishes minimum programs. Local funds, in varying amounts by district, supplement the

Letter of Transmittal

basic program and are appropriated by the local boards of county commissioners. Local boards of education have no tax levying and very limited borrowing authority and are required to maintain accounting records in a uniform State format.

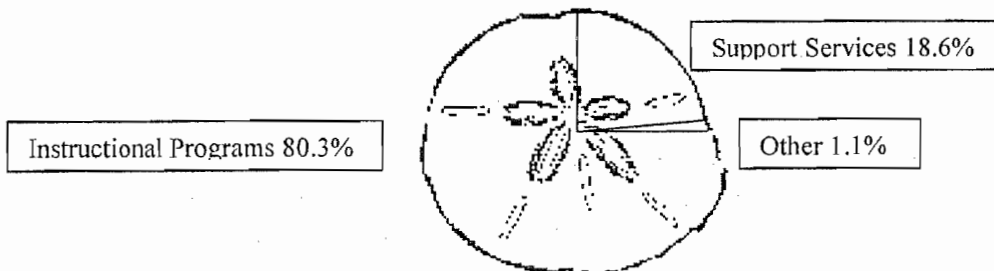
This year General (Local), State, Federal and Special Revenue Fund operating revenues decreased by \$2,552,490 (3.4%) from \$73,850,059 in 2008-09 to \$71,327,569 in 2009-10 for these fund types. The State provided 59.5% of the funding while Federal sources accounted for 11.5% and Local sources (county and other) provided 29.0%. These percentages are comparable to 2008-2009 percentages of State 62.0%, Federal 5.7%, and Local (county and other) – 31.4%.




In 2009-2010, due to the economic recession, the North Carolina General Assembly and Carteret County reduced funding for public education. A majority of these cuts were picked up by federal ARRA stimulus and stabilization funding.

General (Local), State, Federal and Special Revenue Fund Expenditures

Total General (Local), State, Federal and Special Revenue Fund operating expenditures of \$70,626,930 represents a decrease of 4.1% over similar 2008-2009 expenditures of \$73,642,325. We are pleased to note that \$56.67 million (80.3%) of the total \$70.6 million General (Local), State, Federal and Special Revenue Fund operational expenditures were spent directly for classroom instructional purposes. Per pupil expenditures in these funds were \$8,486 for 2009-2010 as compared to \$8,906 in 2008-2009.





Letter of Transmittal

Capital Projects Fund

Capital expenditures of \$10,760,519 consisted of \$538,568 for replacement of classroom furniture, technology and support equipment, \$595,942 for special projects and buildings, \$8,394,603 on GO Bond renovations, roofing projects and mechanical system upgrades, \$785,738 for vehicle replacement and \$445,668 for repayment of a state sponsored lease purchase agreement on replacement school buses.

Enterprise Fund Child Nutrition Operations

The School Food Service Fund, accounted for as an enterprise fund, reflected an increase in net assets (net income) of \$29,762. This is compared to a decrease in net assets (net loss) of \$137,219 in 2008-2009. This turnaround can be attributed to an increase in lunch prices and a reduction in the hours staff was employed.

Status of Fund Equity


Total Fund Equity in the General (Local) Fund increased by \$736,043, from \$1,358,092 in 2008-2009 to \$2,094,135 in 2009-2010. Forty-four (44) percent of the General Fund balance is reserved at June 30, 2010. This increase in fund balance consists of an excess of revenues over expenditures of \$654,135 and an increase in the reserve for inventories of \$81,908. The excess of revenues over expenditures is a direct result of various cost savings procedures put into effect for the 2009-2010 fiscal year, including but not limited to energy conservation procedures and not filling non-critical vacant positions. The resulting undesignated portion of fund balance will be used to replace a portion of the loss of approximately 4 million dollars in federal ARRA funding expiring at the end of the 2010-2011 fiscal year.

Statistical Section

This report includes a statistical section that supplements the information stated in this letter. The section provides information on demographics as well as principal revenue and expenditure sources, which should help the reader understand the school system and its financial position.

Grants Compliance Report

Historically, grant revenues received by the Carteret County Board of Education have been subject to various grant or agency audit requirements. No past audits, federal or state, have resulted in material adverse findings. In October 1979, the President's Office of Management and Budget revised OMB Circular A-102, Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments by adding a new attachment P, "Audit Requirements." This new policy, which has become known as the "Single Audit Concept" and is now covered by the provisions of the OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations" provides for audits of grants on a periodic, organization-wide basis rather than a grant-by-grant basis. The Single Audit Act of 1984 and subsequent amendments expanded and refined the previous audit requirements. It calls for audit tests and procedures, in addition to those required for a financial audit, which relate primarily to compliance with federal laws and regulations. For fiscal years beginning after July 1, 1982, our independent auditors have performed "Single Audits."



Letter of Transmittal

Economic Outlook for Carteret County

Although the economy of Carteret County is currently based primarily on tourism and its associated retail trade and services, county leaders are working to transition the economy from being one that is seasonal and tourism based into one that is year-round and diversified. This diversification includes manufacturing and distribution, marine research and construction. The county's continually growing marine science research community and its expanding industrial parks are steps in that direction. Retail sales have been affected by the economic recession and the resulting loss of sales tax revenue has greatly diminished the County's ability to fund the school system at the same level as in past years. If the unemployment rate stays at the current 10% level then the effect will continue for several years.

Financial Reporting Awards

From 1989 through 2007 and in 2009, our Comprehensive Annual Financial Report has earned the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting and from 1989 through 2009 the Association of School Business Officials (ASBO) Certificate of Excellence Award. These awards were made only to governmental units which publish a comprehensive annual financial report that is easily readable, efficiently organized and conform to program standards as well as satisfy generally accepted accounting principles and applicable legal requirements. We believe that the accompanying Report continues to conform to requirements.

Looking Ahead

The financial outlook for the next several years is not good. If the unemployment rate stays at the current level or goes higher our revenue sources, which are tied to income taxes and sales taxes, will continue to be low or go lower. In 2009-2010 our system lost 40 positions and if not for the federal ARRA funding we would have lost another 80-90 positions. We do not see an upward trend in the economy for at least the next two fiscal years and therefore our financial planning for the next two years includes further reductions in staffing and services.

The Carteret County Public School System continues to grow in a number of ways - in academic achievement; in curriculum, instruction and technology services; and in construction and renovations of schools.

Our public school system ranks among the top systems in the state on academic achievement. Our scores indicate the continued academic growth of our students and the outstanding dedication of the school system's employees. Carteret County's Scholastic Assessment Test (SAT) scores continue to be good with the county's 2010 SAT scores remaining well above the state average and, for the third year in a row, topping the national average.

Growth and expansion are also taking place in the areas of curriculum and instruction and technology services. Classes continue to be added as needed to better meet the needs of our students. Partnerships with the local community college, area universities, and civic and community groups support the system's curriculum. Curriculum guides for core subjects have



Letter of Transmittal

been written and continue to be revised. Technology remains an integral part of the learning process.

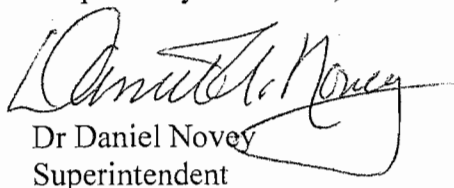
Stakeholders across the county approved \$50 million in school bonds in the fall of 2005, and work is well underway. The bonds are providing major renovations at 14 of the county's 16 schools. Overall, about 72 percent of the bond projects address health and safety issues. These focus on modifying heating ventilation air conditioning (HVAC) systems to improve humidity control and ventilation, repairing or replacing roofs, and replacing doors and windows. Other work includes air conditioning gyms at four schools and upgrading sewer systems at three schools. The remaining 28 percent address overcrowding and safety concerns and include classroom additions at four schools and the construction of an auditorium.

Acknowledgments


The preparation of this report could not have been accomplished without the efficient and dedicated services of the personnel in the entire Central Office and the staff of our independent auditor. We would like to especially recognize the system's Communications Department for the design and layout of this report. Finally, we would like to express our appreciation to all those people who assisted and contributed to the development of this final report.

As required by N.C. General Statute 115C-447, a copy of this report will be filed with the Secretary of the Local Government Commission, the Controller of the State Board of Education, and the Board of County Commissioners. Also, a copy will be made available for public inspection in the office of the Superintendent.

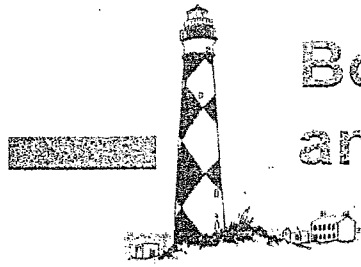
Respectfully submitted,



Dr Daniel Novey
Superintendent



W.J. Apock, III
Finance Officer



Board of Education Members and Principal Officers 2009-2010



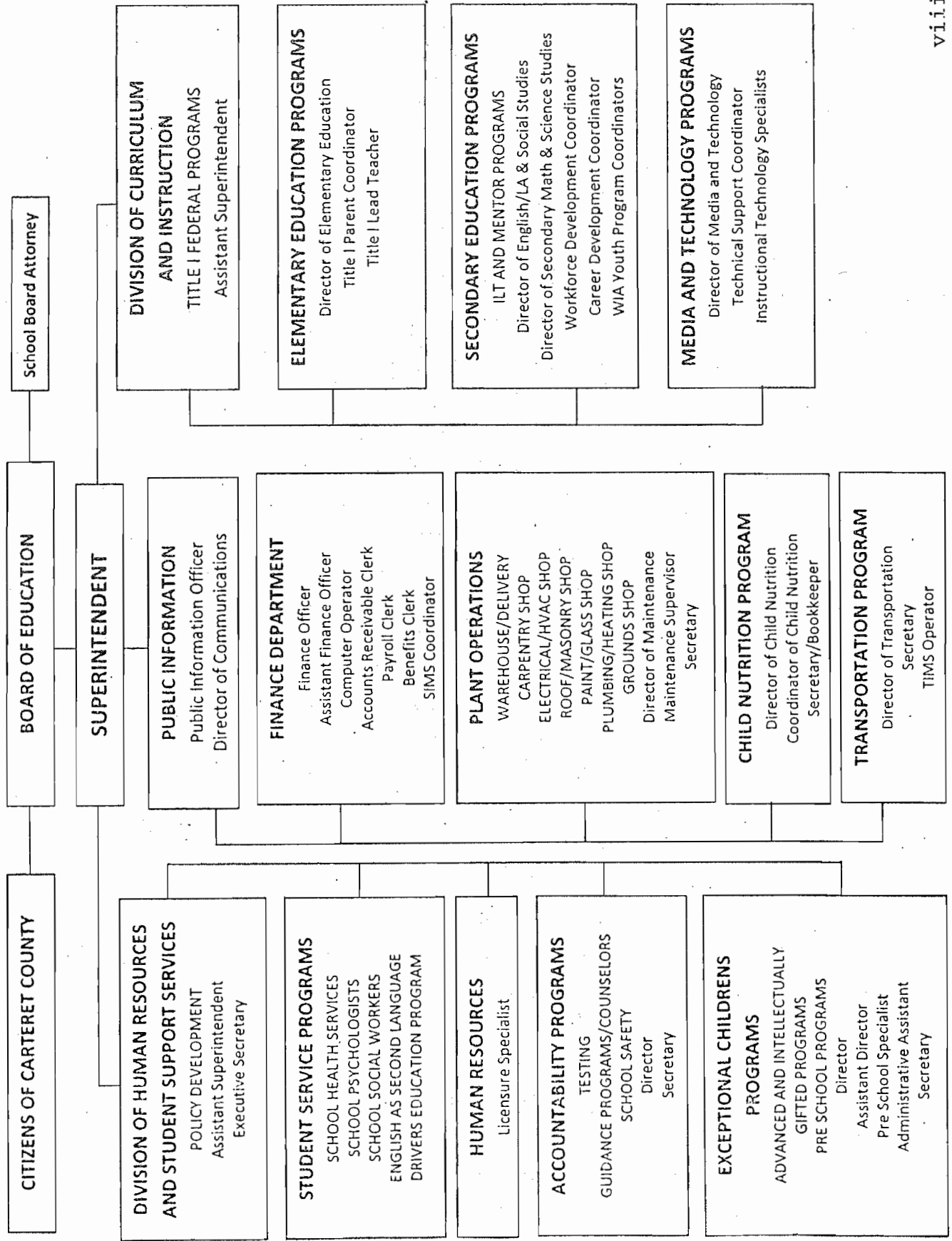
2009-2010 Board of Education Members, seated from left,
David Carr, Shelley Sylvant, Perry Harker (*elected in May 2010 to seat previous held by Bill Blair*)
and standing from left, Chair Cathy Neagle, Vice Chair Al Hill, June Fulcher and Adele Collins

Superintendent
Dr. Daniel A. Novey

Assistant Superintendent
Dr. Ralph Lewis

Assistant Superintendent
Mat Bottoms
(*named to position in June 2010
after Jeanne Huntley retired*)

CARTERET COUNTY PUBLIC SCHOOLS ADMINISTRATIVE ORGANIZATIONAL CHART



**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

CARTERET COUNTY SCHOOLS

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2009

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

Eun Green

President

John D. Mueser

Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Carteret County Schools
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

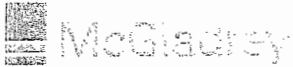


A stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

President

A handwritten signature in black ink that reads "Jeffrey R. Enos".

Executive Director



McGladrey & Pullen, LLP
Certified Public Accountants

3621 John Platt Drive
Morehead City, NC 28557
O 252.726.0551 F 252.726.2740
www.mcgladrey.com

INDEPENDENT AUDITOR'S REPORT

To the Carteret County Board of Education
Beaufort, 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 Carteret County Board of Education, North Carolina (the "Board") as of and for the year ended June 30, 2010, which collectively comprises 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Carteret County Board of Education, North Carolina as of June 30, 2010, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparisons for the general and special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010 on our consideration of Carteret County Board of Education's internal control over financial reporting and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Carteret County Board of Education. The individual fund and combining schedules and the introductory and statistical sections, as well as the accompanying schedule of expenditures of federal and State awards as required by OMB Circular A-133 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 and combining schedules and the 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. The introductory and statistical sections have not been subjected to the auditing procedures applied by the audit of basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Morehead City, North Carolina
November 22, 2010

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

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

Financial Highlights

In 2009-2010 the membership for Carteret County Schools was 8,273, 19 students less than 2008-09. Membership for 2010-2011 will be higher than the 2009-2010 figures by approximately 200 students.

2001-02	8,177	2004-05	8,237	2007-08	8,297
2002-03	8,163	2005-06	8,440	2008-09	8,292
2003-04	8,259	2006-07	8,297	2009-10	8,273

In 2009-10 funding for operations from Carteret County decreased by \$898,630. Funding from the County for operations since 2001-02 is as follows:

2001-02	\$17,968,358	2004-05	\$16,362,289	2007-08	\$18,750,000
2002-03	\$15,969,403	2005-06	\$16,362,289	2008-09	\$19,904,005
2003-04	\$16,090,105	2006-07	\$17,400,000	2009-10	\$19,005,375

This decrease in County operational funding was replaced with ARRA stimulus funding from federal sources.

In November 2005 a \$50 million bond issue passed with 70% voting yes. This bond issuance provided renovations and additions to 16 of our 19 facilities with a majority of the funding being used for additions, roofing replacements and HVAC upgrades. Work on these projects began in 2006-07. All major projects are complete except for the HVAC projects at East and West Carteret High schools which are in progress and scheduled to be completed by the end of 2011. Building addition projects at White Oak Elementary, Newport Elementary and Bogue Sound Elementary opened in August 2008. The East Carteret High addition opened for the second semester 2008-09 and the auditorium at Croatan High School was completed in the spring of 2010.

Overview of the Financial Statements

The financial section of the Carteret County Board of Education CAFR consists of four components. They are as follows:

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements, including notes*
- *Individual fund and combining schedule that present additional budgetary statements for non-major governmental funds and a budgetary statement for the enterprise fund.*

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.

CARTERET 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 and proprietary fund. 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 fund is 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 is 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 and the Special Revenue fund.

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

Carteret County Board of Education has two 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 can 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 Exhibit 3 and at Exhibit 4, in the form of reconciliations, 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, the Federal Grants Fund and the Special Revenue fund.

The governmental fund statements are shown as Exhibits 3, 4, 5, 6, and 7 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 Carteret County Board of Education's only proprietary fund is an enterprise fund, the School Food Service Fund.

The proprietary fund statements are shown as Exhibits 8, 9, and 10 of this report.

Financial Analysis of the Board as a Whole

Net assets are an indicator of the fiscal health of the Board. In total, assets exceeded liabilities by \$105.5 million as of June 30, 2010. The largest component of net assets is invested in capital assets, net of related debt, of \$106.2 million, which comprises all of the total net assets.

Following is a summary of the statement of net assets:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/10	6/30/09	6/30/10	6/30/09	6/30/10	6/30/09
Current assets	\$ 6,286,047	\$ 5,482,728	\$ 747,125	\$ 616,510	\$ 7,033,172	\$ 60,099,238
Capital assets	106,718,775	100,399,619	194,928	218,703	106,913,703	100,618,322
Total assets	113,004,822	105,558,347	942,053	835,213	113,946,875	106,717,560
Current liabilities	3,354,617	3,332,653	72,997	61,186	3,427,614	3,393,839
Long-term liabilities	4,923,414	4,752,359	83,275	88,008	5,006,689	4,840,367
Total liabilities	8,278,031	8,085,012	156,272	149,194	8,434,303	8,234,206
Invested in capital assets, net of related debt	106,054,880	99,917,487	194,928	218,703	106,249,808	100,136,190
Restricted net assets	782,826	799,858	-	-	782,826	799,858
Unrestricted net assets (deficit)	(2,110,915)	(2,920,010)	590,853	467,316	(1,520,062)	(2,452,694)
Total net assets	\$104,726,791	\$ 97,797,335	\$ 785,781	\$ 686,019	\$105,512,572	\$ 98,483,354

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

The increase in net assets of the Board's governmental activities of \$7.0 million resulted almost entirely from an increase in capital assets, net of depreciation, related to construction funded by the 2005 GO bond (see notes to financial statements number 3.A-4) issued by Carteret County and contributed to the Board.

The net assets of our business-type activities increased from \$686,019 at June 30, 2009 to \$785,781 at June 30, 2010. This increase of \$99,762 is the amount of profit earned by our school food service operations during the 2009-2010 fiscal year. This gain can be attributed to an increase in lunch prices and a reduced work schedule established for our cafeteria staff.

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/10	6/30/09	6/30/10	6/30/09	6/30/10	6/30/09
Revenues:						
Program revenues:						
Charges for services	\$ 148,683	\$ 265,563	\$ 1,823,318	\$ 1,872,743	\$ 1,972,001	\$ 2,138,306
Operating grants and contributions	53,326,566	54,451,399	2,011,752	1,849,610	55,338,318	56,301,009
General revenues:						
Unrestricted County	29,367,268	32,867,384	-	-	29,367,268	32,867,384
Other Revenues	920,437	1,623,289	-	-	920,437	1,623,289
Total revenues	83,762,954	89,207,635	3,835,070	3,722,353	87,598,024	92,929,988
Expenses:						
Governmental activities:						
Instructional programs	58,926,718	62,247,910	-	-	58,926,718	62,247,910
System-wide						
Supporting services	14,678,526	16,533,072	-	-	14,678,526	16,533,072
Community Services	77,308	79,938	-	-	77,308	79,938
Ancillary	847,900	641,984	-	-	847,900	641,984
Depreciation	2,303,046	2,024,934	-	-	2,303,046	2,024,934
Business-type activities:						
Food service	-	-	3,735,308	3,859,572	3,735,308	3,859,572
Total expenses	76,833,498	81,527,838	3,735,308	3,859,572	80,568,806	85,387,410
Increase (decrease) in net assets	6,929,456	7,679,797	99,762	(137,219)	7,029,218	7,542,578
Beginning net assets	97,797,335	90,117,538	686,019	823,238	98,483,354	90,940,776
Ending net assets	\$104,726,791	\$97,797,335	\$ 785,781	\$ 686,019	\$105,512,572	\$98,483,354

During the year ended June 30, 2010, our governmental activities generated revenues of \$83.8 million compared with total expenses of \$76.8 million, resulting in the aforementioned increase in our net assets for these activities of \$7.0 million. Our primary sources of revenue were funding from the State of North Carolina, Carteret County, and the United States government, which respectively comprised 51%, 35%, and 10% of our revenues. As would be expected, the major component of our expenses was instructional programs, which accounted for 77% of our total expenses during the most recent fiscal year. Of the remaining 23% of our total expenses, 19% was attributable to supporting services.

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

Our business-type activities generated revenues of \$3.84 million compared with total expenses of \$3.74 million, resulting in the aforementioned increase in our net assets for these activities of \$99,762. Our primary sources of revenue were food sales, reimbursements from the U.S. Department of Agriculture and federal commodities from the N.C. Department of Agriculture, which respectively comprised 48%, 46%, and 6% of our revenues. The major components of our expenses were for food purchases and salaries and benefits, which accounted for 40% and 45%, respectively, of our total expenditures during the most recent fiscal year.

Financial Analysis of the Board's Funds

Governmental Funds: The focus of Carteret 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 \$2.9 million, a \$781,355 increase over last year. Of the Board's governmental funds, the State Public School Fund and the Federal Grants Fund had revenues that equaled or exceeded expenditures, the Individual Schools fund had expenditures that exceeded revenues and all others had revenues that exceeded expenditures. Our total sources of funding decreased by \$5,444,681 (6.1%) during the year. Our total expenditures decreased \$4,694,340, (5.8%) during the year. These decreases resulted from the decreased level of expenditures in the Capital Outlay Fund for all capital projects of \$3.25 million and a reduction in operating expenses of \$1.62 million due the economic recession and funding cuts from state and local sources. Our total staff decreased by 41 in fiscal year 2009-2010 as compared to 2008-2009. If not for the increase in federal funding (ARRA) the loss of funding for 2009-2010 would have been \$4 million more than it was.

Proprietary Funds: The Board's business-type fund, the School Food Service Fund, generated an increase in net assets (net income) of \$99,762 during the year ended June 30, 2010 compared to a decrease in net assets (net loss) of \$137,219 during the prior year, a positive change of \$236,981. This gain can be contributed to an increase in lunch prices and a reduced work schedule established for our cafeteria staffs.

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 by \$654,135.

Capital Assets

Capital assets increased by \$6.3 million or 6.3% compared to the previous year. The increase was a direct result of construction projects funded by the 2005 GO Bond. The following is a summary of the capital assets, net of depreciation at year-end. A more detailed analysis is provided in the notes to the basic financial statements (see notes to financial statements number 3.A-4).

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/10</u>	<u>6/30/09</u>
Land	\$ 4,726,532	\$ 4,726,532	\$ -	\$ -	\$ 4,726,532	\$ 4,726,532
Construction in progress	14,662,251	20,239,834	-	-	14,662,251	20,239,834
Buildings and improvements	84,290,584	72,621,444	-	-	84,290,584	72,621,444
Equipment and furniture	45,955	61,195	140,425	157,789	186,380	218,984
Vehicles	<u>2,993,453</u>	<u>2,750,614</u>	<u>54,503</u>	<u>60,914</u>	<u>3,047,956</u>	<u>2,811,528</u>
Total	<u>\$106,718,775</u>	<u>\$ 100,399,619</u>	<u>\$ 194,928</u>	<u>\$ 218,703</u>	<u>\$106,913,703</u>	<u>\$100,618,322</u>

Debt Outstanding

The Board's outstanding debt of an installment purchase agreement through the State of North Carolina for the replacement of school busses began in the amount of \$482,132. New debt was issued in the amount of \$627,433 and payments of \$445,670 were made leaving a balance of \$663,895. 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. The County holds virtually all debt issued for school capital construction. Additional information regarding our debt can be found in the notes to the basic financial statements (see notes to financial statements number 3.B.6-a.).

Economic Factors

With the steady decline in economic factors which directly affect our revenue sources, we see major challenges ahead. The State of North Carolina has been hit hard with the loss of jobs in all areas. Since North Carolina's tax structure is based on income and sales tax, the loss of jobs and investment dollars results in a strain on the tax base. Carteret County's revenue is dependent mainly on summer tourism. It has been affected by the loss of jobs in this and surrounding states. Carteret County's main tax income comes from property taxes and with the slow down in the housing market and home building industry along with the dropping home values will have a direct effect on the tax base of the County during the next re-valuation. Sales tax revenues available to Carteret County have also declined. Our budget resolution for the 2009-2010 fiscal year was down \$5 million from our 2008-2009 budget resolution. All these factors have created a great challenge when planning for the next few years.

Requests for Information

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

W.J. Ipock, III, Finance Officer
Carteret County Board of Education
107 Safrit Drive
Beaufort, North Carolina 28516

CARTERET COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 3,098,571	\$ 495,941	\$ 3,594,512
Due from other governments	2,294,546	46,103	2,340,649
Other Receivables	68,955	24,602	93,557
Inventories	823,975	180,479	1,004,454
Capital assets (Note 3.A.4):			
Land and construction in progress	19,388,783	-	19,388,783
Other capital assets, net of depreciation	87,329,992	194,928	87,524,920
Total capital assets	<u>106,718,775</u>	<u>194,928</u>	<u>106,913,703</u>
Total assets	<u>113,004,822</u>	<u>942,053</u>	<u>113,946,875</u>
Liabilities			
Accounts payable and accrued expenses	687,827	-	687,827
Accrued salaries and benefits payable	2,657,593	41,392	2,698,985
Unearned revenues	9,197	31,605	40,802
Long-term liabilities:			
Due within one year	2,467,537	61,174	2,528,711
Due in more than one year	2,455,877	22,101	2,477,978
Total liabilities	<u>8,278,031</u>	<u>156,272</u>	<u>8,434,303</u>
Net assets			
Invested in capital assets, net of related debt	106,054,880	194,928	106,249,808
Restricted for individual schools activities	782,826	-	782,826
Unrestricted (deficit)	<u>(2,110,915)</u>	<u>590,853</u>	<u>(1,520,062)</u>
Total net assets	<u>\$ 104,726,791</u>	<u>\$ 785,781</u>	<u>\$ 105,512,572</u>

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

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary government:							
Governmental activities:							
Instructional programs:							
Regular	\$ 34,647,016	\$ -	\$ 29,050,524	\$ -	\$ (5,596,492)	\$ -	\$ (5,596,492)
Special	8,329,793	-	7,899,301	-	(430,492)	-	(430,492)
Alternative	4,461,391	-	4,058,776	-	(402,615)	-	(402,615)
School leadership	3,702,056	-	1,417,717	-	(2,284,339)	-	(2,284,339)
Co-curricular	2,770,007	-	2,229,851	-	(540,156)	-	(540,156)
School-based support	5,016,455	-	3,317,035	-	(1,699,420)	-	(1,699,420)
System-wide support services:							
Support and development	590,800	-	384,907	-	(205,893)	-	(205,893)
Special populations support and development	241,468	-	240,953	-	(515)	-	(515)
Alternative programs and services support and development	53,419	-	53,428	-	9	-	9
Technology support	631,861	-	159,226	-	(472,635)	-	(472,635)
Operational support	11,337,502	148,683	3,571,700	-	(7,617,119)	-	(7,617,119)
Financial and human resource	865,237	-	180,214	-	(685,023)	-	(685,023)
Accountability	59,467	-	54,717	-	(4,750)	-	(4,750)
System-wide pupil support	39,454	-	6,104	-	(33,350)	-	(33,350)
Policy, leadership and public relations	859,320	-	556,780	-	(302,540)	-	(302,540)
Community services	77,308	-	89,215	-	11,907	-	11,907
Ancillary services	847,900	-	56,118	-	(791,782)	-	(791,782)
Unallocated depreciation expense**	2,303,046	-	-	-	(2,303,046)	-	(2,303,046)
Total governmental activities	76,833,500	148,683	53,326,566	-	(23,358,251)	-	(23,358,251)
Business-type activities:							
School food service	3,735,308	1,823,318	2,011,752	-	-	99,762	99,762
Total primary government	\$ 80,568,808	\$ 1,972,001	\$ 55,338,318	\$ -	(23,358,251)	99,762	(23,258,489)
General revenues:							
Unrestricted county appropriations - operating					19,675,810		19,675,810
Unrestricted county appropriations - capital					9,691,458		9,691,458
Unrestricted State appropriation - capital					445,670		445,670
Investment earnings, unrestricted					140		140
Miscellaneous, unrestricted					474,629		474,629
Total general revenues					30,287,707		30,287,707
Change in net assets					6,929,456	99,762	7,029,218
Net assets, beginning					97,797,335	686,019	98,483,354
Net assets, ending					\$ 104,726,791	\$ 785,781	\$ 105,512,572

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

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

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

	Major Funds					Total Governmental Funds
	General	State Public School	Individual Schools	Capital Outlay	Non-Major Funds	
Assets						
Cash and cash equivalents	\$ 1,705,377	\$ 565,191	\$ 770,906	\$ -	\$ 57,097	\$ 3,098,571
Due from other governments	45,420	1,510,262	11,920	464,475	262,469	2,294,546
Accounts receivable	46,437	-	-	11,800	10,718	68,955
Due from other funds	14,526	-	-	-	-	14,526
Inventories	823,975	-	-	-	-	823,975
Total assets	\$ 2,635,735	\$ 2,075,453	\$ 782,826	\$ 476,275	\$ 330,284	\$ 6,300,573
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 232,318	\$ -	\$ -	\$ 453,784	\$ 1,725	\$ 687,827
Accrued salaries and benefits	309,282	2,075,453	-	-	272,858	2,657,593
Due to Other Funds	-	-	-	14,526	-	14,526
Deferred Revenues	-	-	-	-	9,197	9,197
Total liabilities	541,600	2,075,453	-	468,310	283,780	3,369,143
Fund balances (deficit):						
Reserved for:						
Inventories	823,975	-	-	-	-	823,975
State statute	106,383	-	-	11,800	-	118,183
Unreserved, General Fund:						
Designated for subsequent year's expenditures						
Designated	200,000	-	-	-	-	200,000
Undesignated	963,777	-	-	-	-	963,777
Unreserved (deficit), reported in:						
Special Revenue Funds	-	-	782,826	-	46,504	829,330
Capital Projects Fund	-	-	-	(3,835)	-	(3,835)
Total fund balances (deficit)	2,094,135	-	782,826	7,965	46,504	2,931,430
Total liabilities and fund balances	\$ 2,635,735	\$ 2,075,453	\$ 782,826	\$ 476,275	\$ 330,284	

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

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

106,718,775

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

(4,923,414)

Net assets of governmental activities

\$ 104,726,791

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

	Major Funds				Non-Major Funds	Total Governmental Funds
	General	State Public School	Individual Schools	Capital Outlay		
Revenues:						
State of North Carolina	\$ -	\$ 41,431,159	\$ -	\$ 445,670	\$ 1,011,189	\$ 42,888,018
Carteret County	19,675,810	-	-	9,691,458	-	29,367,268
U.S. Government	28,659	-	-	-	8,202,559	8,231,218
Other	479,881	-	2,229,851	11,800	498,312	3,219,844
Total revenues	20,184,350	41,431,159	2,229,851	10,148,928	9,712,060	83,706,348
Expenditures:						
Current:						
Instructional programs:						
Regular	5,586,956	27,973,494	-	-	1,077,030	34,637,480
Special	431,864	5,360,284	-	-	2,539,017	8,331,165
Alternative	403,350	1,180,700	-	-	2,878,076	4,462,126
School leadership	2,284,950	1,417,717	-	-	-	3,702,667
Co-curricular	523,581	-	2,246,883	-	-	2,770,464
School-based support	1,699,420	2,897,319	-	-	419,716	5,016,455
System-wide support services:						
Support and development	205,990	264,918	-	-	119,989	590,897
Special populations support and development	555	40,125	-	-	200,828	241,508
Alternative programs and services support and development	-	-	-	-	53,428	53,428
Technology support	472,739	120,779	-	-	38,447	631,965
Operational support	6,035,153	1,503,574	-	-	2,068,126	9,606,853
Financial and human resource	675,927	138,613	-	-	41,601	856,141
Accountability	4,750	54,717	-	-	-	59,467
System-wide pupil support	33,350	509	-	-	5,595	39,454
Policy, leadership and public relations	302,540	431,604	-	-	125,176	859,320
Ancillary services	21,190	46,806	-	-	9,312	77,308
Non-programmed charges	847,900	-	-	-	89,215	937,115
Debt service:						
Principal retirements	-	-	-	445,670	-	445,670
Capital outlay:						
Land, buildings, and site improvement	-	-	-	8,990,545	-	8,990,545
Furnishings and equipment	-	-	-	538,568	-	538,568
Vehicles and other	-	-	-	785,738	-	785,738
Total expenditures	19,530,215	41,431,159	2,246,883	10,760,521	9,665,556	83,634,334
Revenues over (under) expenditures	654,135	-	(17,032)	(611,593)	46,504	72,014
Other financing sources:						
Installment purchase obligations issued	-	-	-	627,433	-	627,433
Total other financing sources	-	-	-	627,433	-	627,433
Net change in fund balance	654,135	-	(17,032)	15,840	46,504	699,447
Fund balances (deficit):						
Beginning of year	1,358,092	-	799,858	(7,875)	-	2,150,075
Increase in reserve for inventories	81,908	-	-	-	-	81,908
End of year	\$ 2,094,135	\$ -	\$ 782,826	\$ 7,965	\$ 46,504	\$ 2,931,430

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

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

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

Net changes in fund balances - total governmental funds	\$ 699,447
Change in fund balance due to change in reserve for inventory	81,908
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 were greater than depreciation in the current period.	6,319,156
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.	(181,763)
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>10,708</u>
Total changes in net assets of governmental activities	<u>\$ 6,929,456</u>

CARTERET COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2010

	General Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
County appropriations	\$ 19,567,566	\$ 19,567,566	\$ 19,675,810	\$ 108,244
U.S. Government	60,000	-	28,659	28,659
Other	1,153,000	718,000	479,881	(238,119)
Total revenues	<u>20,780,566</u>	<u>20,285,566</u>	<u>20,184,350</u>	<u>(101,216)</u>
Expenditures:				
Current:				
Instructional programs	11,979,871	11,748,114	10,930,121	817,993
System-wide support services	8,149,505	7,931,470	7,731,004	200,466
Ancillary services	21,190	21,190	21,190	-
Nonprogrammed charges	630,000	630,000	847,900	(217,900)
Total expenditures	<u>20,780,566</u>	<u>20,330,774</u>	<u>19,530,215</u>	<u>800,559</u>
Revenues over (under) expenditures	-	(45,208)	654,135	699,343
Fund balance appropriated	-	45,208	-	(45,208)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	654,135	<u>\$ 654,135</u>
Fund balances:				
Beginning of year			1,358,092	
Increase (decrease) in reserve for inventory			<u>81,908</u>	
End of year			<u>\$ 2,094,135</u>	

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

	State Public School Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 41,895,000	\$ 42,525,000	\$ 41,431,159	\$ (1,093,841)
Total revenues	41,895,000	42,525,000	41,431,159	(1,093,841)
Expenditures:				
Current:				
Instructional programs	39,350,000	39,500,000	38,829,514	670,486
System-wide support services	2,495,000	3,015,000	2,554,839	460,161
Child Nutrition Services	50,000	10,000	46,806	(36,806)
Total expenditures	41,895,000	42,525,000	41,431,159	1,093,841
Revenues over (under) expenditures	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balances:				
Beginning of year			-	
Increase (decrease) in reserve for inventory			-	
End of year			\$ -	

CARTERET COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2010

	Enterprise Major Fund School Food Service
Assets	
Current assets:	
Cash and cash equivalents	\$ 495,941
Due from other governments	46,103
Accounts Receivables	24,602
Inventories	180,479
Total current assets	<u>747,125</u>
Noncurrent assets:	
Capital assets:	
Equipment, furniture, and vehicles, net	<u>194,928</u>
Total assets	<u>942,053</u>
Liabilities	
Current liabilities:	
Accrued salaries and wages payable	41,392
Deferred revenue	31,605
Compensated absences	61,174
Total current liabilities	<u>134,171</u>
Noncurrent liabilities:	
Compensated absences	<u>22,101</u>
Total liabilities	<u>156,272</u>
Net assets	
Invested in capital assets	194,928
Unrestricted	<u>590,853</u>
Total net assets	<u>\$ 785,781</u>

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

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

	Enterprise Major Fund School Food Service
Operating revenues:	
Food sales	1,823,318
Operating expenses:	
Business support services:	
Purchase of food	1,479,424
Salaries and benefits	1,679,580
Indirect costs	265,354
Materials and supplies	153,223
Repairs and maintenance	42,804
Depreciation	45,285
Utilities	49,057
Other	20,581
Total operating expenses	3,735,308
Operating (loss)	(1,911,990)
Nonoperating revenues:	
Federal reimbursements	1,787,805
Federal commodities	223,366
Miscellaneous - gain on sale of capital assets	581
Total nonoperating revenues	2,011,752
Change in net assets	99,762
Net assets, beginning of year	686,019
Net assets, end of year	\$ 785,781

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

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

	Enterprise Major Fund School Food Service
Cash flows from operating activities:	
Cash received from customers	\$ 1,827,196
Cash paid for goods and services	(1,670,592)
Cash paid to employees for services	(1,900,530)
Net cash (used) by operating activities	<u>(1,743,926)</u>
Cash flows from noncapital financing activities:	
Federal reimbursements	1,787,805
Miscellaneous	581
Net cash provided by noncapital financing activities	<u>1,788,386</u>
Cash flows from capital and related activities:	
Acquisition of capital assets	<u>(21,510)</u>
Net increase in cash and cash equivalents	22,950
Cash and cash equivalents, beginning of year	<u>472,991</u>
Cash and cash equivalents, end of year	<u>\$ 495,941</u>
Reconciliation of operating (loss) to net cash (used) by operating activities:	
Operating (loss)	\$ (1,911,990)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation	45,285
Donated commodities consumed	223,366
Changes in assets and liabilities:	
(Increase) decrease in receivables	(59,600)
(Increase) decrease in inventories	(48,065)
Increase (decrease) in accounts payable	(5,787)
Increase (decrease) in deferred revenue	3,878
Increase (decrease) in salaries and wages payable	13,720
Increase (decrease) in compensated absences payable	(4,733)
Total adjustments	<u>168,064</u>
Net cash (used) by operating activities	<u>\$ (1,743,926)</u>

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$223,366 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 9.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Carteret 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 Carteret 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 Carteret County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity. The Board does not have any component units and is not a component unit of any other 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 the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses, but the interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the Board's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental 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. Operating expenses generally result from producing and delivering goods in connection with the fund's principal ongoing operations. Expenses not meeting this definition are reported as non-operating expenses.

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].

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

State Public School Fund. The State Public School Fund includes appropriations from the Department of Public Instruction for the current operating expenditures of the public school system.

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

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

Federal Grant Fund. The Federal Grant Fund includes grants from the US government passed though the Department of Public Instruction for the current operating expenses of the public school system.

Special Revenue Fund. The Special Revenue Fund accounts for grants and other funding received for specifically designated uses and therefore not available to the Board for general use. This fund was established in the 2009-2010 fiscal year as allowed under G.S. 115C-426(c).

C. Measurement Focus and Basis of Accounting

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

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 long term liabilities including long term debt, 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.

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

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

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The Board has authorized the Superintendent to transfer monies between functions within the same fund up to \$2,000 per transfer. Such transfers must be submitted to the governing board at its next regular meeting for approval. Transfers in excess of this amount or transfers between funds require governing board approval. Amendments that alter the County appropriations or transfer monies to or from the Capital Projects Fund also require the approval of the Carteret County Board of Commissioners. 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 is managed by the staff of the Department of State Treasurer and operated in accordance with state laws and regulations. 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 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, for purposes of reporting cash flows in the school food service enterprise fund all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

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

3. Inventories

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

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

4. Capital Assets

In the government-wide financial statements and proprietary fund financial statements, capital assets are recognized. The Board's capital assets are recorded at original cost. Donated capital assets are listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1970 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, those capital assets utilized in business-type activities that were acquired prior to July 1, 2002 with costs greater than \$500 have been capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Carteret County holds title to certain properties, which are reflected as capital assets in the financial statements of the Board. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid on construction costs. Agreements between the County and the Board gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title of the property back to the Board, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

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

	<u>Years</u>
Buildings and improvements	15-50
Equipment and furniture	7-12
Vehicles	8-12

Depreciation for capital assets 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 and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

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

6. Compensated Absences

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

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

7. Net Assets/Fund Balances

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

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

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

The governmental fund types classify fund balances as follows:

Reserved:

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

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

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

Unreserved:

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2010-2011 budget ordinance. The amount reserved is \$200,000 as of June 30, 2010.

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

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

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 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)	\$142,041,623
Less accumulated depreciation	<u>(35,322,848)</u>
Net capital assets	106,718,775
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Compensated absences and installment purchases	<u>(4,923,414)</u>
Total adjustment	<u>\$ 101,795,361</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 as follows:

<u>Description</u>	<u>Amount</u>
Changes in inventory	\$ 81,908
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	9,021,016
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.	(2,701,860)
New debt issued 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 statements	(627,433)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	445,670
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	<u>10,708</u>
Total adjustments	<u>\$ 6,230,009</u>

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2010, the Board reported expenditures that violated state law (G.S. 115C-441) because they exceeded the amounts appropriated in the budget ordinance as follows:

State Public schools Fund – Non-programmed charges	\$ 36,806
General Fund – Non-programmed charges	\$ 217,900
Capital Outlay Fund – Vehicles	\$ 626,783
Capital Outlay Fund – Debt Service	\$ 445,670

Management will monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations.

B. Deficits in Fund Balance or Net Assets of Individual Funds – None at June 30, 2010

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, 2010, the Board had deposits with banks and savings and loans with a carrying amount of \$2,948,998 and with the State Treasurer of \$570,496. The bank balances with the financial institutions and the State Treasurer were \$3,728,501 and \$1,178,131, respectively. Of these balances, \$649,400 was covered by federal depository insurance and \$4,257,232 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust Cash Portfolio	75,018	N/A	AAAm
Total	<u>\$ 75,018</u>		

3. Accounts Receivable

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

	<u>Due from Other Funds</u>	<u>Due from Other Governments</u>	<u>Other Receivables</u>
Governmental activities:			
General Fund	\$ 14,526	\$ 45,420	\$ 46,437
Other governmental activities	<u>(14,526)*</u>	<u>2,249,126</u>	<u>22,518</u>
Subtotals	-	2,294,546	68,955
Business-type activities:			
School Food Service		<u>46,103</u>	<u>24,602</u>
Total		<u>\$ 2,340,649</u>	<u>\$ 93,557</u>

* = Capital Outlay Fund

Due from other governments and accounts receivable consists of the following:

Governmental activities:		
General Fund	\$ 91,857	Sales tax refund receivable and county fines and forfeitures
State Public School Fund	1,510,262	Operating funds from DPI and sales tax refund receivable
Individual Schools Fund	11,920	Sales tax refund receivable
Capital Outlay Fund	476,275	County funds for capital projects and sales tax refund receivable
Special Revenue Fund	10,718	Grant income receivable
Federal Grants Fund	<u>262,469</u>	Federal grant funds and sales tax refund receivable
	<u>\$2,363,501</u>	
Business-type activities:		
School Food Service	<u>\$ 70,705</u>	USDA reimbursement, sales tax refund receivable and customer receivables

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

4. Capital Assets

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

	Beginning Balanced	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated-				
Land	\$ 4,726,532	\$ -	\$ -	\$ 4,726,532
Construction in progress	20,239,834	8,394,603	13,972,186	14,662,251
Total capital assets not being depreciated	<u>24,966,366</u>	<u>8,394,603</u>	<u>13,972,186</u>	<u>19,388,783</u>
Capital assets being depreciated:				
Buildings and improvements	100,372,969	13,972,186	-	114,345,155
Equipment and furniture	808,948	-	-	808,948
Vehicles	7,110,592	626,413	238,268	7,498,737
Total capital assets being depreciated	<u>108,292,509</u>	<u>14,598,599</u>	<u>238,268</u>	<u>122,652,840</u>
Less accumulated depreciation for:				
Buildings and improvements	27,751,525	2,303,046	-	30,054,571
Equipment and furniture	747,753	15,240	-	762,993
Vehicles	4,359,978	383,574	238,268	4,505,284
Total accumulated depreciation	<u>32,859,256</u>	<u>2,701,860</u>	<u>238,268</u>	<u>35,322,848</u>
Total capital assets being depreciated, net	<u>75,433,253</u>			<u>87,329,992</u>
Governmental activity capital assets, net	<u>\$ 100,399,619</u>			<u>\$ 106,718,775</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	1,756,024	21,510	-	1,777,534
Vehicles	76,942	-	-	76,942
Total capital assets being depreciated, net	<u>1,832,966</u>	<u>21,510</u>	<u>-</u>	<u>1,854,476</u>
Less accumulated depreciation for:				
Equipment and furniture	1,598,235	38,874	-	1,637,109
Vehicles	16,028	6,411	-	22,439
Total accumulated depreciation	<u>1,614,263</u>	<u>45,285</u>	<u>-</u>	<u>1,659,548</u>
School Food Service capital assets, Net	<u>\$ 218,703</u>			<u>\$ 194,928</u>

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

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 2,303,046
Technology support services	15,240
Operational support services	<u>383,574</u>
Total	<u>\$ 2,701,860</u>

Construction Commitments

The Board had the following active construction projects as of June 30, 2010.

	<u>Remaining Contractual Commitments</u>
Auditorium – Croatan High	\$ 40,000
HVAC Upgrades:	
East Carteret High	\$ 3,360,278
West Carteret High	\$ 1,069,253

Financing Commitments

Recent legislation permits the State Board of Education to finance the purchase of replacement school buses through installment purchases. Carteret County Board of Education has entered into an agreement to purchase 2 buses in this manner. The term of the financing cannot exceed four years and the Board must purchase the buses from vendors approved by the Department of Public Instruction. The Department of Public Instruction will make payments to the lender on behalf of the Carteret County Board of Education out of funds allocated to Carteret County Board of Education. Because future resources will be used to fund the payments under the installment agreement, no encumbrance of fund balance at June 30, 2010, has been recorded.

B. Liabilities

1. Pension Plan Obligations

a. Teachers' and State Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 8.75% of annual covered payroll. The contribution requirements of plan members and Carteret County Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2010, 2009, and 2008 were \$4,040,037, \$4,112,624, and \$3,780,298, respectively, equal to the required contributions for each year.

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

b. Other Employee Benefits

1. Healthcare Benefits

Plan Description. The postemployment 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 appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

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

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2010, 2009, and 2008, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$2,080,485, \$1,994,843, and \$1,979,466, respectively. These contributions represented 4.50%, 4.10%, and 3.80% of covered payroll, respectively, and are included in the overall TERS rate for the retirement system (see Note 3.B.1a.).

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 postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as

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

long as an employee is disabled. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan accumulates contributions from employers and any earnings on those contributions in the Disability Income Plan Trust Fund. The plan does not provide for automatic post-retirement benefit increases.

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

Funding Policy. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

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

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

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2010, 2009, and 2008, the Board paid all annual required contributions to the DIPNC for disability benefits of \$240,412, \$253,005, and \$251,054, respectively. These contributions represented .52%, .52%, and .52% of covered payroll, respectively, and are included in the overall TERS rate for the retirement system (see Note 3.B.1a.).

2. Accounts Payable

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

	<u>Vendors</u>	<u>Salaries And Benefits</u>	<u>Charter Schools</u>	<u>Totals</u>
Governmental activities:				
General	\$ 54,853	\$ 309,282	\$ 177,465	\$ 541,600
Other governmental	<u>455,509</u>	<u>2,348,311</u>	<u>-</u>	<u>2,803,820</u>
Totals	<u>\$ 510,362</u>	<u>\$ 2,657,593</u>	<u>\$ 177,465</u>	<u>\$ 3,345,420</u>
Business Type Activities-				
School Food Service	<u>\$ -</u>	<u>\$ 41,392</u>	<u>\$ -</u>	<u>\$ 41,392</u>

Accounts payable includes a payment due to the charter schools for the retroactive payment of General Operating Fund revenues

3. Unearned Revenues

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

	<u>Unearned Revenue</u>
Prepayment of grant revenues	\$ 9,197
Prepayments for food sales (School Food Service Fund)	<u>31,605</u>
Total	<u>\$ 40,802</u>

4. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim, and workers' compensation coverage up to the statutory limits for employees to the extent they are paid from Federal and local funds. The State of North Carolina provides workers' compensation for employees to the extent they are paid from State funds. The Trust has an annual aggregate limit for general liability of \$2,000,000, and

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

\$1,400,000 for errors and omissions. The Trust is reinsured through commercial companies for losses in excess of \$100,000 per claim for errors and omissions and general liability coverage, and for losses in excess of \$275,000 per claim for workers' compensation coverage.

The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction, insuring the tangible property assets of the Board. The Fund provides coverage up to \$10 million per occurrence and \$20 million in aggregate annually. Excess reinsurance is purchased through commercial insurers, who participate in property losses in excess of the Fund's self-insured retention of \$10 million. A total limit of \$100 million per occurrence is purchased for covered catastrophic events, \$400 million maximum per occurrence for any one flood or earthquake. The Board 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.

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. This blanket bond is in the amount of \$50,000. The finance officer and the superintendent are bonded separately for \$50,000 each.

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

5. Contingent Liabilities

At June 30, 2010, the Board was a defendant in various claims. In the opinion of the Board's management and the Board's attorney, the ultimate effect of these matters will not have a material adverse effect on the Board's financial position.

6. Long-Term Obligations

a. Installment Purchases

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. The State has accepted the bid to purchase buses from Thomas Built Buses and White's International Trucks through a special third party financing arrangement by SunTrust Equipment Finance & Leasing Corporation and Banc of America Public Capital Corp at total payments less than the purchase price. In 2009 and 2010, the Board entered into installment purchase contracts to finance the purchase of seven and six school buses, respectively. The financing contracts require only principal payments due at the beginning of each contract year.

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

<u>Year Ending June 30,</u>	<u>Governmental Activities Principal</u>
2011	\$ 350,180
2012	156,858
2013	156,857
Total	<u>\$ 663,895</u>

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

b. Long-Term Obligation Activity

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

	<u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchase	\$ 482,132	\$ 627,433	\$ 445,670	\$ 663,895	\$ 350,180
Compensated absences	<u>4,270,227</u>	<u>3,106,866</u>	<u>3,117,574</u>	<u>4,259,519</u>	<u>2,117,357</u>
Total	<u>\$4,752,359</u>	<u>\$ 3,734,299</u>	<u>\$ 3,563,244</u>	<u>\$4,923,414</u>	<u>\$ 2,467,537</u>
Business-type activities:					
Compensated absences	\$ 88,008	\$ 72,410	\$ 77,143	\$ 83,275	\$ 61,174

Compensated absences of governmental activities are liquidated by the general and other governmental funds. The installment purchase agreement is liquidated by the Capital Outlay fund.

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Board has received proceeds from a number of 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 there will be no required refunds related to any amounts shown in The Schedule of Findings and Questioned Costs. No provision has been made in the accompanying financial statements for the refund of grant moneys.

NOTE 5 - PRONOUNCEMENT ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued one pronouncement prior to June 30, 2010 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements will have on the financial statements of Carteret County Board of Education.

- GASB Statement No. 54, "Accounting and Financial Reporting for Fund Balance Reporting and Governmental Fund Type Definitions"

This Statement, issued March 2009, will be effective for the Board beginning with its year ending June 30, 2011. This Statement establishes fund balance classifications, for State and local governments, based upon their relative strength of spending constraints..

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

	Budget	Actual	Variance Positive (Negative)
Carteret County			
General Operating	\$ 18,937,566	\$ 19,005,375	\$ 67,809
Charter School Passthrough	630,000	670,435	40,435
Total Carteret County	<u>19,567,566</u>	<u>19,675,810</u>	<u>108,244</u>
U.S. Government - Impact Aid	-	28,659	28,659
Other:			
Tuition and fees	10,000	16,911	6,911
Sales and use tax refund	50,000	45,420	(4,580)
Disposition of capital assets	-	4,290	4,290
Fines and forfeitures	650,000	406,760	(243,240)
Interest earned on investments	5,000	140	(4,860)
Miscellaneous	3,000	6,360	3,360
Total other	<u>718,000</u>	<u>479,881</u>	<u>(238,119)</u>
Total revenues	<u>20,285,566</u>	<u>20,184,350</u>	<u>(101,216)</u>
Expenditures:			
Instructional programs:			
Regular	6,393,406	5,586,956	806,450
Special	453,516	431,864	21,652
Alternative	312,715	403,350	(90,635)
School leadership	2,388,470	2,284,950	103,520
Co-curricular	532,760	523,581	9,179
School based support	1,667,247	1,699,420	(32,173)
Total instructional programs	<u>11,748,114</u>	<u>10,930,121</u>	<u>817,993</u>
System-wide support services:			
Support and development	267,885	205,990	61,895
Special populations support and development	555	555	-
Technology support	503,131	472,739	30,392
Operational support	6,013,653	6,035,153	(21,500)
Financial and human resource	699,899	675,927	23,972
Accountability	15,000	4,750	10,250
System-wide pupil support	41,949	33,350	8,599
Policy, leadership, and public relations	389,398	302,540	86,858
Total system-wide supporting services	<u>7,931,470</u>	<u>7,731,004</u>	<u>200,466</u>

(Continued)

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

	Budget	Actual	Variance Positive (Negative)
Expenditures: (Continued)			
Ancillary Services	21,190	21,190	-
Nonprogrammed charges - Charter Schools	630,000	847,900	(217,900)
Total expenditures	20,330,774	19,530,215	800,559
Revenues over (under) expenditures	(45,208)	654,135	699,343
Fund balance appropriated	45,208	-	(45,208)
Net change in fund balance	<u>\$ -</u>	654,135	<u>\$ 654,135</u>
Fund balance:			
Beginning of year		1,358,092	
Increase (decrease) in reserve for inventory		81,908	
End of year		<u>\$ 2,094,135</u>	

**CARTERET COUNTY BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2010**

	Special Revenue Fund	Federal Grant Funds	Totals
Assets			
Cash and cash equivalents	\$ 51,792	\$ 5,305	\$ 57,097
Accounts Receivable	10,718	-	10,718
Due from other governments	-	262,469	262,469
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 62,510</u>	<u>\$ 267,774</u>	<u>\$ 330,284</u>
Liabilities			
Accounts Payable	\$ 1,725	\$ -	\$ 1,725
Accrued salaries and wages payable	14,281	258,577	272,858
Deferred revenues	-	9,197	9,197
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	16,006	267,774	283,780
Fund balances			
Fund balance - undesignated	<u>46,504</u>	<u>-</u>	<u>46,504</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 62,510</u>	<u>\$ 267,774</u>	<u>\$ 330,284</u>

**CARTERET COUNTY BOARD OF EDUCATION
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2010**

	Special Revenue Fund	Federal Grants Fund	Totals
Revenues:			
State of North Carolina:	\$ 1,011,189	\$ -	\$ 1,011,189
U.S. Government	230,763	7,971,796	8,202,559
Other	498,312	-	498,312
Total revenues	1,740,264	7,971,796	9,712,060
Expenditures:			
Instructional programs:			
Regular	169,883	907,147	1,077,030
Special	82,647	2,456,370	2,539,017
Alternative	944,846	1,933,230	2,878,076
School-based support	48,028	371,688	419,716
Total instructional programs	1,245,404	5,668,435	6,913,839
System-wide support services			
Support and development	55,671	64,318	119,989
Special populations support and development	-	200,828	200,828
Alternative programs and services support and development	-	53,428	53,428
Technology support	-	38,447	38,447
Operational support	392,685	1,675,441	2,068,126
Financial and human resource	-	41,601	41,601
System-wide pupil support	-	5,595	5,595
Policy, leadership, and public relations	-	125,176	125,176
Total supporting services	448,356	2,204,834	2,653,190
Child Nutrition Services	-	9,312	9,312
Nonprogrammed charges	-	89,215	89,215
Total expenditures	1,693,760	7,971,796	9,665,556
Net change in fund balance	46,504	-	46,504
Fund balances:			
Beginning of year	-	-	-
End of year	\$ 46,504	\$ -	\$ 46,504

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
U.S. Government	\$ 8,326,000	\$ 7,971,796	\$ (354,204)
Expenditures:			
Instructional programs:			
Regular	900,000	907,147	(7,147)
Special	2,600,000	2,456,370	143,630
Alternative	2,020,000	1,933,230	86,770
School-based support	350,000	371,688	(21,688)
Total instructional programs	<u>5,870,000</u>	<u>5,668,435</u>	<u>201,565</u>
System-wide supporting services			
Support and development	-	64,318	(64,318)
Special populations support and development	225,000	200,828	24,172
Alternative programs and services support and development	80,000	53,428	26,572
Technology support	40,000	38,447	1,553
Operational support	1,750,000	1,675,441	74,559
Financial and human resource	40,000	41,601	(1,601)
System-wide pupil support	10,000	5,595	4,405
Policy, leadership, and public relations	150,000	125,176	24,824
Total supporting services	<u>2,295,000</u>	<u>2,204,834</u>	<u>90,166</u>
Child Nutrition Services	51,000	9,312	41,688
Nonprogrammed charges	110,000	89,215	20,785
Total expenditures	<u>8,326,000</u>	<u>7,971,796</u>	<u>354,204</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance:			
Beginning of year		<u>-</u>	
End of year		<u>\$ -</u>	

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Dropout Prevention Grant	\$ 109,388	\$ 34,042	(75,346)
More at Four	1,050,000	935,000	(115,000)
School Nurse Funding Initiative	-	42,147	42,147
Total State of North Carolina	<u>1,159,388</u>	<u>1,011,189</u>	<u>(148,199)</u>
U.S. Government:			
Math Science Grant	123,334	60,020	(63,314)
JROTC	60,000	75,046	15,046
Workforce Investment Act	93,193	95,697	2,504
Total U.S. Government	<u>276,527</u>	<u>230,763</u>	<u>(45,764)</u>
Other:			
Medicaid reimbursements	50,000	127,374	77,374
Rental of school property	10,000	4,398	(5,602)
Indirect costs allocated	375,000	365,366	(9,634)
Miscellaneous	-	1,174	1,174
Total other	<u>435,000</u>	<u>498,312</u>	<u>63,312</u>
Total revenues	<u>1,870,915</u>	<u>1,740,264</u>	<u>(130,651)</u>
Expenditures:			
Instructional programs:			
Regular	153,193	169,883	(16,690)
Special	50,000	82,647	(32,647)
Alternative	1,139,388	944,846	194,542
School based support	57,930	48,028	9,902
Total instructional programs	<u>1,400,511</u>	<u>1,245,404</u>	<u>155,107</u>
System-wide support services:			
Support and development	61,812	55,671	6,141
Operational support	405,000	392,685	12,315
Total system-wide supporting services	<u>466,812</u>	<u>448,356</u>	<u>18,456</u>
Nonprogrammed charges - Indirect Costs	<u>3,592</u>	<u>-</u>	<u>3,592</u>
Total expenditures	<u>1,870,915</u>	<u>1,693,760</u>	<u>177,155</u>
Net change in fund balance	<u>\$ -</u>	<u>46,504</u>	<u>\$ 46,504</u>
Fund balance:			
Beginning of year		<u>-</u>	
End of year		<u>\$ 46,504</u>	

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ -	\$ 445,670	\$ 445,670
Total State of North Carolina	<u>-</u>	<u>445,670</u>	<u>445,670</u>
Carteret County:			
GO Bonds Proceeds	13,942,515	8,398,643	(5,543,872)
Qualified Zone Academy Bonds (QZAB)	404,884	-	(404,884)
General County Revenues	1,823,446	1,292,815	(530,631)
Total Carteret County	<u>16,170,845</u>	<u>9,691,458</u>	<u>(6,479,387)</u>
Other - Sales tax refund	-	11,800	11,800
Total revenues	<u>16,170,845</u>	<u>10,148,928</u>	<u>(6,021,917)</u>
Expenditures:			
Capital outlay:			
Category I:			
Current Projects	1,017,259	595,942	421,317
GO Bond Projects	13,942,515	8,394,603	5,547,912
QZAB Project - Morehead Elementary	404,884	-	404,884
Total Category I	<u>15,364,658</u>	<u>8,990,545</u>	<u>6,374,113</u>
Category II - Furnishings and equipment	<u>647,232</u>	<u>538,568</u>	<u>108,664</u>
Category III - Vehicles	<u>158,955</u>	<u>785,738</u>	<u>(626,783)</u>
Total expenditures	<u>16,170,845</u>	<u>10,314,851</u>	<u>5,855,994</u>
Debt service:			
Principal	-	445,670	(445,670)
Total expenditures and debt service	<u>16,170,845</u>	<u>10,760,521</u>	<u>5,410,324</u>
Revenues (under) expenditures	-	(611,593)	(611,593)
Other financing sources:			
Installment purchase obligations issued	-	627,433	627,433
Net change in fund balance	<u>\$ -</u>	<u>15,840</u>	<u>\$ 15,840</u>
Fund balance (deficit):			
Beginning of year		<u>(7,875)</u>	
End of year		<u>\$ 7,965</u>	

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

	Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Food sales	\$ 1,970,000	\$ 1,823,318	\$ (146,682)
Operating expenditures:			
Business support services:			
Purchase of food	1,471,230	1,480,243	(9,013)
Salaries and benefits	1,915,970	1,673,672	242,298
Indirect costs	275,000	265,354	9,646
Materials and supplies	169,350	153,223	16,127
Repairs and maintenance	37,000	42,804	(5,804)
Utilities	44,500	49,057	(4,557)
Other	86,950	20,581	66,369
Total operating expenditures	4,000,000	3,684,934	315,066
Operating (loss)	(2,030,000)	(1,861,616)	168,384
Nonoperating revenues:			
Federal reimbursements	1,730,000	1,787,805	57,805
Federal commodities	300,000	223,366	(76,634)
Disposition of fixed assets	-	581	581
Total nonoperating revenues	2,030,000	2,011,752	(18,248)
Revenues over expenditures	\$ -	\$ 150,136	\$ 150,136
Reconciliation of modified accrual to full accrual basis:			
Revenues over expenditures		\$ 150,136	
Reconciling items:			
Depreciation		(45,285)	
Decrease in compensated absences payable		(5,908)	
Increase in inventory		819	
Change in net assets		\$ 99,762	

**CARTERET COUNTY BOARD OF EDUCATION
BALANCE SHEET
INDIVIDUAL SCHOOLS
June 30, 2010**

	Elementary and Junior High Schools	High Schools	Total
Assets			
Cash and cash equivalents	\$ 347,611	\$ 423,295	\$ 770,906
Due from other governments	6,803	5,117	11,920
	<u>354,414</u>	<u>428,412</u>	<u>782,826</u>
Total Assets	<u>\$ 354,414</u>	<u>\$ 428,412</u>	<u>\$ 782,826</u>
Fund Balances			
Unreserved	<u>\$ 354,414</u>	<u>\$ 428,412</u>	<u>\$ 782,826</u>

CARTERET COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
INDIVIDUAL SCHOOLS
For the Fiscal Year Ended June 30, 2010

	Elementary and Junior High Schools	High Schools	Total
Revenues:			
Athletics	\$ 97,724	\$ 606,566	\$ 704,290
Clubs, classes, and organizations	846,765	678,796	1,525,561
Total revenues	<u>944,489</u>	<u>1,285,362</u>	<u>2,229,851</u>
Expenditures:			
Athletics	99,916	583,720	683,636
Clubs, classes, and organizations	831,355	731,892	1,563,247
Total expenditures	<u>931,271</u>	<u>1,315,612</u>	<u>2,246,883</u>
Net change in fund balance	13,218	(30,250)	(17,032)
Fund balances, beginning of year	<u>341,196</u>	<u>458,662</u>	<u>799,858</u>
Fund balances, end of year	<u>\$ 354,414</u>	<u>\$ 428,412</u>	<u>\$ 782,826</u>

Note - "Elementary and Junior High Schools" and "High Schools" are not funds or sub-funds of the Individual School Fund but only a split between the type (grade levels) of schools in our system.

Financial Trends

These schedules contain trend information to help the reader understand how the Board's financial performance and well-being have changed over time.

	Pages
Fund Balances – Governmental Funds	44
Changes in Fund Balance – Governmental Funds	45
Net Assets by Components	46
Changes in Net Assets – Total Primary Government	47

**Carteret County Schools
Fund Balances - Governmental Funds
For the Last 10 Years**

	At June 30,				
	2010	2009	2008	2007	2006
General Fund					
Reserved for:					
Inventories	\$ 823,975	\$ 742,067	\$ 843,293	\$ 726,025	\$ 742,936
Encumbrances	-	45,208	93,062	15,784	81,021
State Statute	106,383	330,881	234,796	191,021	378,749
Total Reserved	930,358	1,118,156	1,171,151	932,830	1,202,706
Unreserved:					
Designated for Subsequent Year's Budget	200,000	-	-	-	354,592
Undesignated (Deficit)	963,777	239,936	80,433	225,973	77,547
Total Unreserved	1,163,777	239,936	80,433	225,973	432,139
Total General Fund	2,094,135	1,358,092	1,251,584	1,158,803	1,634,845
All Other Governmental Funds					
Reserved for - State Statute:					
Capital Outlay Fund	11,800	30,350	18,576	134,277	236,232
Total Reserved	11,800	30,350	18,576	134,277	236,232
Unreserved - Undesignated (Deficit):					
Capital Outlay Fund	(3,835)	(38,225)	(34,770)	51,752	(327,301)
Special Revenue Fund	46,504				
Special Revenue Fund Type - Individual Schools Fund	782,826	799,858	779,938	815,515	819,570
Total Unreserved (Deficit)	825,495	761,633	745,168	867,267	492,269
Total All Other Governmental Funds	837,295	791,983	763,744	1,001,544	728,501
Total All Governmental Funds	\$2,931,430	\$ 2,150,075	\$ 2,015,328	\$ 2,160,347	\$ 2,363,346

	At June 30,				
	2005	2004	2003	2002	2001
General Fund					
Reserved for:					
Inventories	\$ 606,273	\$ 603,121	\$ 596,107	\$ 510,906	\$ 480,454
Encumbrances	64,997	173,491	47,226	9,891	23,302
State Statute	289,559	304,613	179,647	438,725	199,912
Total Reserved	960,829	1,081,225	822,980	959,522	703,668
Unreserved:					
Designated for Subsequent Year's Budget	1,030,764	700,000	100,000	-	-
Undesignated (Deficit)	283,541	700,020	1,069,507	100,047	15,072
Total Unreserved	1,314,305	1,400,020	1,169,507	100,047	15,072
Total General Fund	2,275,134	2,481,245	1,992,487	1,059,569	718,740
All Other Governmental Funds					
Reserved for - State Statute:					
Capital Outlay Fund	68,218	449,015	936,993	776,025	1,547,974
Total Reserved	68,218	449,015	936,993	776,025	1,547,974
Unreserved - Undesignated (Deficit):					
Capital Outlay Fund	(201,671)	(425,090)	(874,397)	(713,942)	(1,391,113)
Special Revenue FundType - Individual Schools Fund	697,927	649,137	578,280	578,252	488,279
Total Unreserved (Deficit)	496,256	224,047	(296,117)	(135,690)	(902,834)
Total All Other Governmental Funds	564,474	673,062	640,876	640,335	645,140
Total All Governmental Funds	\$2,839,608	\$ 3,154,307	\$ 2,633,363	\$ 1,699,904	\$ 1,363,880

**CARTERET COUNTY SCHOOLS
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE LAST 10 YEARS**

	For the Year Ended June 30				
	2010	2009	2008	2007	2006
Revenues:					
State of North Carolina	\$42,888,016	\$ 48,413,810	\$47,918,824	\$ 45,060,083	\$42,517,471
Carteret County	29,367,268	32,867,384	40,899,137	26,914,494	19,160,303
U.S. Government	8,231,218	4,338,184	4,404,408	4,722,378	4,959,540
Other	3,219,844	3,639,778	3,965,262	5,698,311	4,628,420
Total Revenues	83,706,346	89,259,156	97,187,631	82,395,266	71,265,734
Expenditures:					
Instructional Programs	58,920,357	62,114,068	61,829,298	54,867,421	51,816,163
Supporting Services	12,939,033	13,115,486	12,607,344	17,023,856	17,039,680
Ancillary Services	77,308	79,938	80,664	-	-
Non-programmed Charges	937,115	691,291	633,417	768,017	754,628
Debt Service:					
Principal	445,668	678,973	534,470	408,022	39,582
Interest	-	-	-	-	-
Capital Outlay	10,314,851	13,329,348	22,290,277	10,100,166	2,228,606
Total expenditures	83,634,332	90,009,104	97,975,470	83,167,482	71,878,659
Revenues Over (Under) Expenditures	72,014	(749,948)	(787,839)	(772,216)	(612,925)
Other Financing Sources- Installment Purchase Obligations Issued	627,433	985,921	525,552	552,305	-
Change in Reserve for Inventories	81,908	(101,226)	117,268	16,912	136,663
Net Change In Fund Balance	\$ 781,355	\$ 134,747	\$ (145,019)	\$ (202,999)	\$ (476,262)
Ratio of Total debt service to noncapital expenditures	0.61%	0.85%	0.67%	0.49%	0.05%

	For the Year Ended June 30				
	2005	2004	2003	2002	2001
Revenues:					
State of North Carolina	\$40,474,129	\$ 38,475,707	\$39,573,936	\$ 37,844,168	\$38,979,906
Carteret County	18,445,297	21,895,968	19,442,271	23,611,809	28,796,759
U.S. Government	4,938,800	4,187,009	3,699,092	3,308,144	2,914,602
Other	3,950,997	3,455,336	2,901,059	3,078,011	2,711,445
Total Revenues	67,809,223	68,014,020	65,616,358	67,842,132	73,402,712
Expenditures:					
Instructional Programs	50,411,585	47,469,249	45,866,354	47,126,480	47,563,341
Supporting Services	15,195,061	13,948,052	13,187,640	13,999,837	13,652,448
Ancillary Services	-	-	-	-	-
Non-programmed Charges	670,444	558,874	501,188	526,958	456,725
Debt Service:					
Principal	80,352	120,888	120,888	120,888	120,888
Interest	456	5,847	12,536	19,242	25,577
Capital Outlay	1,888,633	5,397,180	5,079,495	5,526,623	11,530,161
Total expenditures	68,246,531	67,500,090	64,768,101	67,320,028	73,349,140
Revenues Over (Under) Expenditures	(437,308)	513,930	848,257	522,104	53,572
Other Financing Sources- Installment Purchase Obligations Issued	119,457	-	-	-	-
Change in Reserve for Inventories	3,152	7,014	85,202	30,452	16,484
Net Change In Fund Balance	\$ (314,699)	\$ 520,944	\$ 933,459	\$ 552,556	\$ 70,056
Ratio of Total debt service to noncapital expenditures	0.12%	0.20%	0.22%	0.21%	0.20%

**CARTERET COUNTY SCHOOLS
NET ASSETS BY COMPONENT
FOR THE LAST EIGHT YEARS**

	At June 30,				
	2010	2009	2008	2007	2006
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 106,054,880	\$ 99,917,487	\$ 92,233,186	\$ 72,170,099	\$ 67,255,391
Restricted net assets	782,826	799,858	779,938	815,515	819,570
Unrestricted net assets (deficit)	(2,110,915)	(2,920,010)	(2,895,586)	(2,562,962)	(2,411,323)
Total net assets	\$ 104,726,791	\$ 97,797,335	\$ 90,117,538	\$ 70,422,652	\$ 65,663,638
Business-type Activities:					
Invested in capital assets, net of related debt	\$ 194,928	\$ 218,703	\$ 254,306	\$ 308,566	\$ 276,318
Restricted net assets	-	-	-	-	-
Unrestricted net assets (deficit)	590,853	467,316	568,932	864,135	1,009,295
Total net assets	\$ 785,781	\$ 686,019	\$ 823,238	\$ 1,172,701	\$ 1,285,613
Total Primary Government:					
Invested in capital assets, net of related debt	\$ 106,249,808	\$ 100,136,190	\$ 92,487,492	\$ 72,478,665	\$ 67,531,709
Restricted net assets	782,826	799,858	779,938	815,515	819,570
Unrestricted net assets (deficit)	(1,520,062)	(2,452,694)	(2,326,654)	(1,698,827)	(1,402,028)
Total net assets	\$ 105,512,572	\$ 98,483,354	\$ 90,940,776	\$ 71,595,353	\$ 66,949,251

	At June 30,		
	2005	2004	2003
Governmental Activities:			
Invested in capital assets, net of related debt	\$ 68,786,418	\$ 71,978,796	\$ 69,018,351
Restricted net assets	697,927	649,137	578,280
Unrestricted net assets (deficit)	(1,267,472)	(761,117)	(1,082,947)
Total net assets	\$ 68,216,873	\$ 71,866,816	\$ 68,513,684
Business-type Activities:			
Invested in capital assets, net of related debt	\$ 224,471	\$ 274,372	\$ 347,562
Restricted net assets	-	-	-
Unrestricted net assets (deficit)	1,240,631	1,047,029	785,009
Total net assets	\$ 1,465,102	\$ 1,321,401	\$ 1,132,571
Total Primary Government:			
Invested in capital assets, net of related debt	\$ 69,010,889	\$ 72,253,168	\$ 69,365,913
Restricted net assets	697,927	649,137	578,280
Unrestricted net assets (deficit)	(26,841)	285,912	(297,938)
Total net assets	\$ 69,681,975	\$ 73,188,217	\$ 69,646,255

Note: 2003 was the first year GASB 34 was implemented and information available.

**CARTERET COUNTY SCHOOLS
CHANGES IN NET ASSETS - TOTAL PRIMARY GOVERNMENT
FOR THE PAST EIGHT YEARS**

	For the Year Ended				
	2010	2009	2008	2007	2006
Revenues:					
Program revenues:					
Charges for services					
School Food Service Fund-Food Sales	\$ 1,823,318	\$ 1,872,743	\$ 2,012,712	\$ 1,977,931	\$ 1,981,635
Other	148,683	265,563	113,393	25,914	12,593
Operating grants and contributions					
State Public School Fund	41,431,159	46,508,494	46,752,012	44,023,806	41,162,999
Federal Grants Fund	7,971,796	4,157,679	4,159,501	4,514,607	4,696,676
Other	5,935,363	5,634,836	5,214,114	5,864,227	5,605,829
Capital grants and contributions	-	-	-	672,054	391,034
General revenues:					
Unrestricted County	29,367,268	32,867,384	40,899,137	25,882,007	19,160,303
Other revenues	920,437	1,623,289	1,716,595	3,406,317	1,583,047
Total revenues	87,598,024	92,929,988	100,867,464	86,366,863	74,594,116
Expenses:					
Governmental activities:					
Instructional programs	58,926,718	62,247,910	60,242,854	59,701,472	51,936,183
System-wide Supporting services	14,678,526	16,533,072	14,877,176	15,739,337	19,120,048
Community Services	77,308	79,938	80,664	82,514	-
Ancillary Services	847,900	641,984	605,211	629,456	649,430
Depreciation	2,303,046	2,024,934	1,686,840	1,686,841	1,708,192
Business-type activities:					
Food Service	3,735,308	3,859,572	4,029,296	3,881,141	3,912,987
Total expenses	80,568,806	85,387,410	81,522,041	81,720,761	77,326,840
Increase (decrease) in net assets	7,029,218	7,542,578	19,345,423	4,646,102	(2,732,724)
Beginning net assets	98,483,354	90,940,776	71,595,353	66,949,251	69,681,975
Ending net assets	<u>\$ 105,512,572</u>	<u>\$ 98,483,354</u>	<u>\$ 90,940,776</u>	<u>\$ 71,595,353</u>	<u>\$ 66,949,251</u>

	For the Year Ended		
	2005	2004	2003
Revenues:			
Program revenues:			
Charges for services			
School Food Service Fund-Food Sales	\$ 1,930,093	\$ 1,801,599	\$ 1,597,181
Other	615	7,905	6,509
Operating grants and contributions			
State Public School Fund	39,048,458	37,864,456	37,275,016
Federal Grants Fund	4,678,513	3,951,631	3,548,112
Other	5,487,555	4,493,069	3,958,237
Capital grants and contributions	546,689	291,027	75,768
General revenues:			
Unrestricted County	18,445,297	21,895,968	19,442,271
Other revenues	1,018,156	950,690	2,749,365
Total revenues	71,155,376	71,256,345	68,652,459
Expenses:			
Governmental activities:			
Instructional programs	50,575,414	47,568,631	46,051,427
System-wide Supporting services	18,370,216	15,205,112	14,007,024
Community Services	-	-	-
Ancillary Services	571,725	469,812	427,500
Depreciation	1,709,962	1,215,079	1,317,903
Business-type activities:			
Food Service	3,434,301	3,255,749	3,066,391
Total expenses	74,661,618	67,714,383	64,870,245
Increase (decrease) in net assets	(3,506,242)	3,541,962	3,782,214
Beginning net assets	73,188,217	69,646,255	65,864,041
Ending net assets	<u>\$ 69,681,975</u>	<u>\$ 73,188,217</u>	<u>\$ 69,646,255</u>

Notes:

2003 was the first year GASB 34 was implemented and information available.
A new chart of accounts was implemented effective 7/1/07 for the 2007-2008 fiscal year. Years 2006-2007 and forward figures have been converted to the new chart.

Revenue Capacity

These schedules contain information to help the reader assess the Board's most significant local revenue source, Carteret county property and sales tax.

	Pages
General School System Revenues by Source – Governmental Activities	48
General School System Expenses by Purpose – Governmental Activities	49
Carteret County – Ten Largest Tax Payers	50
Carteret County – Property Tax Levies and Collections	51

**CARTERET COUNTY BOARD OF EDUCATION
GENERAL SCHOOL SYSTEM REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES
FOR THE LAST EIGHT FISCAL YEARS**

	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
Program Revenues					
Charges for services	\$ 148,683	\$ 265,563	\$ 113,393	\$ 25,914	\$ 12,593
Operating Grants and Contributions	53,326,566	54,451,399	54,473,528	52,662,350	49,743,551
Capital Grants and Contributions	-	-	-	672,054	391,034
Total Program Revenues	<u>53,475,249</u>	<u>54,716,962</u>	<u>54,586,921</u>	<u>53,360,318</u>	<u>50,147,178</u>
General Revenues					
Unrestricted county appropriations - operating	19,675,810	20,545,989	19,355,211	18,115,660	17,031,214
Unrestricted county appropriations - capital	9,691,458	12,321,395	21,543,926	8,798,834	2,129,089
Unrestricted State appropriations - capital	445,668	678,973	534,470	408,023	62,076
Investment earnings, unrestricted	140	1,303	16,920	63,200	34,842
Miscellaneous, unrestricted	474,629	943,013	1,150,183	1,852,599	1,456,219
Total General Revenues	<u>30,287,705</u>	<u>34,490,673</u>	<u>42,600,710</u>	<u>29,238,316</u>	<u>20,713,440</u>
Total Program Revenues and General Revenues	<u>\$ 83,762,954</u>	<u>\$ 89,207,635</u>	<u>\$ 97,187,631</u>	<u>\$ 82,598,634</u>	<u>\$ 70,860,618</u>
	<u>2004-2005</u>	<u>2003-2004</u>	<u>2002-2003</u>		
Program Revenues					
Charges for services	\$ 615	\$ 7,905	\$ 6,509		
Operating Grants and Contributions	45,067,905	44,671,521	43,263,092		
Capital Grants and Contributions	546,689	291,027	75,768		
Total Program Revenues	<u>45,615,209</u>	<u>44,970,453</u>	<u>43,345,369</u>		
General Revenues					
Unrestricted county appropriations - operating	16,956,993	16,555,909	16,401,577		
Unrestricted county appropriations - capital	-	5,340,059	3,040,694		
Unrestricted State appropriations - capital	-	-	2,000,000		
Investment earnings, unrestricted	147,181	8,288	47,533		
Miscellaneous, unrestricted	3,329,631	937,057	692,076		
Total General Revenues	<u>20,433,805</u>	<u>22,841,313</u>	<u>22,181,880</u>		
Transfers	-	-	-		
Total Program Revenues and General Revenues	<u>\$ 66,049,014</u>	<u>\$ 67,811,766</u>	<u>\$ 65,527,249</u>		

Note: 2003 was the first year GASB 34 was implemented and information available.

**CARTERET COUNTY BOARD OF EDUCATION
GENERAL SCHOOL SYSTEM EXPENSES BY PURPOSE - GOVERNMENTAL ACTIVITIES
FOR THE LAST EIGHT YEARS**

Year Ended June 30	Instructional Programs	System-wide Support Services	Community Services	Ancillary Services	Interest on Long-term Debt	Unallocated Depreciation Expense	Total Expenses
2010	\$ 58,926,718	\$ 14,678,526	\$ 77,308	\$ 847,900	-	\$ 2,303,046	\$ 76,833,498
2009	\$ 62,247,910	\$ 16,533,072	\$ 79,938	\$ 641,984	-	\$ 2,024,934	\$ 81,527,838
2008	\$ 62,051,557	\$ 14,877,176	\$ 80,664	\$ 605,211	-	\$ 1,686,840	\$ 79,301,448
2007	\$ 65,611,188	\$ 15,739,337	\$ 82,514	\$ 629,456	-	\$ 1,686,841	\$ 83,749,336
2006	\$ 52,258,312	\$ 19,119,053	\$ 649,430	-	-	\$ 1,708,192	\$ 73,734,987
2005	\$ 50,575,414	\$ 18,370,216	\$ 571,499	-	226	\$ 1,709,962	\$ 71,227,317
2004	\$ 47,568,631	\$ 15,205,112	\$ 466,622	-	3,190	\$ 1,215,079	\$ 64,458,634
2003	\$ 46,051,427	\$ 14,007,024	\$ 412,078	-	15,422	\$ 1,317,903	\$ 61,803,854

Notes:

2003 was the first year GASB 34 was implemented and information available.

A new chart of accounts was implemented effective 7/1/07 for the 2007-2008 fiscal year. Years 2006-2007 and forward figures have been converted to the new chart.

Carteret County, North Carolina

From Carteret County CAFR

Ten Largest Taxpayers
Current Year and Nine Years Ago

Name of Taxpayer	Type of Enterprise	Fiscal Year 2010			Fiscal Year 2001		
		Assessed	Rank	Percent of Total	Assessed	Rank	Percent of Total
		Valuation		Assessed Valuation	Valuation		Assessed Valuation
Bogue Watch LLC	Real Estate	\$ 88,448,474	1	0.462%	\$ -	-	-
Carteret Craven Electric	Utility	52,754,965	2	0.275%	31,243,108	1	0.56%
Open Grounds Farm, Inc.	Farm	52,426,378	3	0.274%	24,320,340	4	0.43%
Progress Energy	Utility	45,403,852	4	0.237%	-	-	-
Goose Creek Landing HOA	Real Estate	33,632,383	5	0.176%	-	-	-
Shearin Family Investment LLC	Real Estate	33,539,070	6	0.175%	-	-	-
Carolina Telephone	Utility	32,171,808	7	0.168%	29,873,863	2	0.53%
Indian Beach Acquisition LLC	Real Estate	30,623,378	8	0.160%	-	-	0.49%
Atlantic Veneer Corp	Manufacturing	27,316,074	9	0.143%	16,526,454	5	0.30%
ITAC 192 LLC	Real Estate	22,143,074	10	0.116%	-	-	-
Carolina Power & Light Co.	Utility	-	-	-	24,388,251	3	0.44%
Atlantic Beach Hotel Limited	Hotel	-	-	-	14,523,497	6	0.26%
Weyerhaeuser Company	Forestry	-	-	-	13,917,749	7	0.25%
Glimcher Properties LTD	Real Estate	-	-	-	11,955,932	8	0.22%
Dawcutt Hospitality LLC	Real Estate	-	-	-	10,109,886	9	0.18%
Southstar Holdings MHC LLC	Retail	-	-	-	9,460,122	10	0.17%
		<u>\$ 418,459,456</u>		<u>1.447%</u>	<u>\$ 186,319,202</u>		<u>3.830%</u>

Source: Carteret County Tax Department

Property Tax Levies and Collections (1)(2)
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year (Original Levy)		Adjustments		Total Tax Levy (1)(2)		Collected Within the Fiscal Year of the Levy		Collections of Subsequent Years		Total Collections to Date	
	\$		\$		\$		Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy
2001	\$ 28,807,745		\$ (33,876)		\$ 28,773,869	\$	27,734,112	96.39%	\$ 1,016,119		\$ 28,750,231	99.92%
2002	31,479,493		239,886		31,719,329		30,443,658	95.98%	1,247,002		31,690,660	99.91%
2003	30,956,268		14,728		30,970,996		29,898,714	96.54%	1,038,031		30,936,745	99.89%
2004	32,194,055		(53,507)		32,140,548		31,217,821	97.13%	891,846		32,109,667	99.90%
2005	33,055,434		(18,386)		33,037,048		32,055,875	97.03%	949,739		33,005,614	99.90%
2006	34,299,028		98,139		34,397,167		33,517,698	97.44%	786,460		34,304,158	99.73%
2007	37,997,380		(112,802)		37,884,578		36,909,457	97.43%	835,078		37,744,535	99.63%
2008	43,386,701		(130,598)		43,256,103		42,240,730	97.65%	723,499		42,964,229	99.33%
2009	43,880,900		(114,601)		43,766,299		42,486,645	97.08%	708,039		43,194,684	98.69%
2010	44,158,178		(102,993)		44,055,185		42,758,524	97.06%	-		42,758,524	97.06%

Notes:

(1) Includes General Fund

(2) Does not include reimbursement in-lieu-of taxes and Senior Citizens Exemptions

Debt Capacity

These schedules present information to help the reader assess the affordability of Carteret County's current level of outstanding debt and the County's ability to issue additional debt in the future.

	Pages
Carteret County – Computation of Legal Debt Margin	52
Carteret County – Computation of Direct and Underlying Debt	53

Carteret County, North Carolina

From Carteret County CAFR

Computation of Legal Debt Margin
Last Ten Fiscal Years

	2006	2007	2008	2009	2010
Assessed values of property	\$ 8,189,801,676	\$ 8,619,249,952	\$ 18,620,488,670	\$ 19,028,825,652	\$ 19,154,428,262
Debt limit 8% of assessed value	655,184,134	689,539,996	1,489,639,094	1,522,306,052	1,532,354,261
Gross debt:					
Total bonded debt	66,320,000	80,135,000	75,155,000	62,965,000	58,065,000
Installment debt	1,800,000	3,500,000	6,367,364	16,453,210	15,135,783
Authorized unissued bonded debt	28,010,000	9,710,000	9,710,000	9,710,000	9,710,000
Total amount of debt applicable to debt limit	96,130,000	93,345,000	91,232,364	89,128,210	82,910,783
Legal debt margin	\$ 559,054,134	\$ 596,194,996	\$ 1,398,406,730	\$ 1,433,177,842	\$ 1,449,443,478
Total net debt applicable to the limit as a percentage of debt limit	14.67%	13.54%	6.12%	5.85%	5.41%

	2001	2002	2003	2004	2005
Assessed values of property	\$ 5,644,373,594	\$ 7,185,163,146	\$ 7,366,410,909	\$ 7,652,511,388	\$ 7,865,963,810
Debt limit 8% of assessed value	451,549,888	574,813,052	589,312,873	612,200,911	629,277,105
Gross debt:					
Total bonded debt	44,920,000	41,775,000	55,335,000	52,095,000	48,195,000
Installment debt	2,328,471	4,962,053	3,073,143	2,516,572	2,100,000
Authorized unissued bonded debt	7,600,000	7,600,000	-	-	-
Total amount of debt applicable to debt limit	54,848,471	54,337,053	58,408,143	54,611,572	50,295,000
Legal debt margin	\$ 396,701,417	\$ 520,475,999	\$ 530,904,730	\$ 557,589,339	\$ 578,982,105
Total net debt applicable to the limit as a percentage of debt limit	12.15%	9.45%	9.91%	8.92%	7.99%

Carteret County, North Carolina

From Carteret County CAFR

Computation of Direct and Underlying Debt
 General Obligation Bonds
 June 30, 2010

	Outstanding Debt	Percent Applicable to County	Amount Applicable to County
Direct			
Carteret County	\$ 58,065,000	100.00%	\$ 58,065,000
Underlying			
Town of Beaufort	18,269,467	100.00%	18,269,467
Town of Emerald Isle	5,940,000	100.00%	5,940,000
Town of Newport	2,700,000	100.00%	2,700,000
Town of Pine Knoll Shores	5,632,022	100.00%	5,632,022
	<u>\$ 90,606,489</u>		<u>\$ 90,606,489</u>

Demographics

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Board's financial activities take place.

	Pages
Demographic Statistics	54
Student Demographic Information	55
Personnel Summary	56
Principal Employers	57

Carteret County Board of Education
Demographic Statistics
For the Last 10 Years

<u>Year Ended June 30:</u>	<u>Carteret County Population Estimate</u>	<u>Per capita Personal Income</u>	<u>Personal Income (in thousands)</u>	<u>Unemployment Rate</u>	<u>Average Daily Membership</u>
2010	64,107	unavailable	unavailable	8.39%	8,273
2009	63,535	unavailable	unavailable	7.42%	8,292
2008	63,294	\$ 37,796	\$ 2,401,852	4.74%	8,297
2007	63,511	\$ 34,241	\$ 2,162,444	4.02%	8,297
2006	62,760	\$ 32,086	\$ 2,028,585	4.22%	8,425
2005	61,112	\$ 30,961	\$ 1,946,000	4.59%	8,237
2004	60,574	\$ 29,317	\$ 1,820,000	4.66%	8,259
2003	60,712	\$ 27,619	\$ 1,685,144	5.30%	8,163
2002	62,326	\$ 26,090	\$ 1,618,781	4.98%	8,177
2001	61,600	\$ 24,059	\$ 1,611,284	3.10%	8,271

Sources: Carteret County Economic Development Council,
North Carolina Employment Security Commission & NC Office of State Planning

**CARTERET COUNTY SCHOOLS
STUDENT DEMOGRAPHIC INFORMATION FOR THE LAST 10 YEARS**

Average Daily Membership (Best 1 of the First 2 school months)

	K	1	2	3	4	5	6	7	8	9	10	11	12	Total
2000-01	515	590	588	622	626	651	674	675	718	728	680	637	566	8270
2001-02	510	569	571	599	644	636	659	692	698	715	694	614	576	8177
2002-03	558	548	560	584	612	648	676	704	686	704	711	618	554	8163
2003-04	591	577	535	568	597	616	709	714	727	744	676	639	566	8259
2004-05	580	611	565	563	573	605	636	738	720	749	682	654	561	8237
2005-06	648	609	628	585	560	599	653	679	750	772	736	631	590	8440
2006-07	601	642	611	607	581	561	641	666	670	778	721	647	571	8297
2007-08	541	648	627	606	619	588	615	647	710	752	745	654	545	8297
2008-09	555	562	639	654	632	621	648	624	668	730	709	654	596	8292
2009-10	538	580	578	630	653	641	703	668	636	713	690	659	584	8273

Students in Membership by Sex and Race/Ethnic Origin

	Male	Female	White	Black	Hispanic	Asian	Indian
2000-01	52.0%	48.0%	85.9%	11.9%	1.3%	0.5%	0.4%
2001-02	51.9%	48.1%	85.5%	11.9%	1.6%	0.7%	0.3%
2002-03	51.9%	48.1%	85.7%	11.6%	1.7%	0.7%	0.3%
2003-04	51.8%	48.2%	85.3%	11.5%	2.2%	0.7%	0.3%
2004-05	52.0%	48.0%	85.1%	11.3%	2.5%	0.9%	0.2%
2005-06	51.8%	48.2%	84.7%	11.1%	2.9%	0.9%	0.4%
2006-07	51.8%	48.2%	84.6%	10.8%	3.3%	1.0%	0.3%
2007-08	51.6%	48.4%	83.8%	11.1%	3.6%	1.2%	0.3%
2008-09	51.3%	48.7%	83.6%	11.4%	3.5%	1.2%	0.3%
2009-10	51.5%	48.5%	83.0%	11.7%	3.6%	1.3%	0.4%

**CARTERET COUNTY SCHOOLS
PERSONNEL SUMMARY FOR THE LAST 10 FISCAL YEARS**

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Principals, Assist. Principals and Central Administrators	49	52	45	45	47	48	48	48	49	48
Teachers and Other Certified Support Staff	703	707	705	712	709	727	724	744	736	720
Teacher Assistants	231	219	192	193	197	200	177	180	186	174
Clerical Staff - School Based and Central Services	61	59	57	55	56	61	57	61	61	61
Custodial, Cafeteria, Tech Support, Maintenance and Transportation Staff	190	202	196	182	184	182	181	166	164	152
TOTAL STAFF	1234	1239	1195	1187	1193	1218	1187	1199	1196	1155

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Female	995	998	970	966	978	1000	980	981	972	936
Male	239	241	225	221	215	218	207	218	224	219
TOTAL STAFF	1234	1239	1195	1187	1193	1218	1187	1199	1196	1155

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
White	1124	1123	1088	1079	1083	1121	1088	1107	1110	1072
Black	100	106	100	100	102	90	89	87	82	80
Other	10	10	7	8	8	7	10	5	4	3
TOTAL STAFF	1234	1239	1195	1187	1193	1218	1187	1199	1196	1155

Carteret County, North Carolina

From Carteret County CAFR

Principal Employers
Current Year and Nine Years Ago

Employer	2010			2001		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Carteret County Public Schools	1,115	1	3.46%	1,244	1	4.36%
Carteret General Hospital	1,060	2	3.29%	777	2	2.72%
NC Dept. Transportation (includes Ferries)	494	3	1.53%	-	-	-
Carteret County	478	4	1.48%	346	4	1.21%
Wal-Mart	420	5	1.30%	320	7	1.12%
NC Natural Resources & Community [346	6	1.07%	-	-	-
US Coast Guard	273	7	0.85%	326	6	1.14%
Lowes	268	8	0.83%	-	-	-
Lowes Foods	205	9	0.64%	-	-	-
Food Lion	195	10	0.61%	370	3	1.30%
Atlantic Veneer	-	-	-	330	5	1.16%
Henry's Tackle & Sporting Goods	-	-	-	320	8	1.12%
Carteret Community College	-	-	-	263	9	0.92%
Bally Refrigerated Boxes	-	-	-	212	10	0.74%

Source: Carteret County Economic Development Council

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Board's financial report relates to the services the Board provides and the activities it performs.

	Pages
Facility Configuration	58
Teachers Salaries	59
Child Nutrition Fund Statistical Information	60
Per Pupil Expenditure	61

**CARTERET COUNTY SCHOOLS
FACILITY CONFIGURATION
FOR THE 2009-2010 FISCAL YEAR**

	<u>Grade Span</u>	<u>Square Footage</u>	<u>Number of Mobile Units</u>	<u>Capacity</u>	<u>2009-10 ADM</u>
Atlantic Elementary	PK - 8	38,092		200	120
Beaufort Elementary	PK - 8	87,040		600	469
Beaufort Middle	6 - 8	65,630		350	260
Bogue Sound Elementary	PK - 5	81,040		550	423
Broad Creek Middle	6 - 8	99,584	1	650	594
Croatan High	9- 12	154,253		850	862
East Carteret High	9- 12	183,500		850	577
Harkers Island Elementary	K - 8	27,460		220	155
Morehead Elementary	4 - 5	44,869		400	323
Morehead Middle	6 - 8	88,609	2	600	468
Morehead Primary	PK - 3	117,000		700	630
Newport Elementary	PK - 5	106,577		900	775
Newport Middle	6 - 8	110,720		600	471
Smyrna Elementary	PK - 8	63,419		350	267
West Carteret High	9- 12	235,831	7	1400	1210
White Oak Elementary	PK - 5	53,130	7	675	669
Central Services	N/A	18,764		N/A	N/A
Maintenance/Transportation	N/A	44,576		N/A	N/A

**CARTERET COUNTY SCHOOLS
TEACHERS SALARIES
FOR THE LAST TEN YEARS**

	<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
2009-2010	\$ 30,430	\$ 67,280	\$ 45,400
2008-2009	\$ 30,430	\$ 67,280	\$ 46,462
2007-2008	\$ 29,750	\$ 66,690	\$ 46,461
2006-2007	\$ 28,510	\$ 61,380	\$ 44,320
2005-2006	\$ 25,510	\$ 57,400	\$ 41,848
2004-2005	\$ 25,420	\$ 56,280	\$ 40,583
2003-2004	\$ 25,250	\$ 55,910	\$ 40,535
2002-2003	\$ 25,250	\$ 55,910	\$ 40,252
2001-2002	\$ 25,250	\$ 55,910	\$ 40,324
2000-2001	\$ 25,000	\$ 55,350	\$ 39,302

Source - NCDPI

**CARTERET COUNTY SCHOOLS
CHILD NUTRITION FUND STATISTICAL INFORMATION FOR THE LAST 10 YEARS**

	<u>% of Students Receiving</u>		<u>Operational Net Income (Loss)</u>	<u>Increase (Decrease) In Cash</u>	<u>Net Assets at June 30</u>
	<u>Free Lunch</u>	<u>Reduced Lunch</u>			
2000-01	26.23%	9.43%	\$ (74,060)	\$ 195,613	\$ 648,904
2001-02	29.86%	9.61%	\$ 124,848	\$ 78,351	\$ 1,073,752
2002-03	28.53%	9.26%	\$ 58,819	\$ 153,004	\$ 1,132,571
2003-04	28.29%	9.29%	\$ 188,830	\$ 289,993	\$ 1,321,401
2004-05	28.54%	9.27%	\$ 143,701	\$ 196,423	\$ 1,465,102
2005-06	29.12%	9.38%	\$ (179,489)	\$ (200,329)	\$ 1,285,613
2006-07	28.18%	8.92%	\$ (112,912)	\$ (158,838)	\$ 1,172,701
2007-08	25.30%	8.70%	\$ (349,463)	\$ (321,046)	\$ 823,238
2008-09	31.52%	8.53%	\$ (137,219)	\$ (36,309)	\$ 686,019
2009-10	34.04%	8.22%	\$ 99,762	\$ 22,950	\$ 785,781

Sources - Carteret County Schools Child Nutrition Department, NCDPI and Carteret County Schools CAFR's

**CARTERET COUNTY SCHOOLS
PER PUPIL EXPENDITURE FOR THE LAST 10 YEARS**

Per Pupil Expenditure (Excludes Child Nutrition and Capital Outlay Funds)

	State Funds		Federal Funds		Local Funds		Total	
	PPE	NC Rank	PPE	NC Rank	PPE	NC Rank	PPE	NC Rank
2000-01	\$ 4,810	46	\$ 355	48	\$ 2,165	7	\$ 7,330	17
2001-02	\$ 4,675	54	\$ 401	57	\$ 2,259	7	\$ 7,335	19
2002-03	\$ 4,660	55	\$ 435	71	\$ 2,035	10	\$ 7,130	26
2003-04	\$ 4,656	67	\$ 475	79	\$ 2,190	11	\$ 7,321	34
2004-05	\$ 4,886	65	\$ 567	65	\$ 2,276	8	\$ 7,729	34
2005-06	\$ 5,078	67	\$ 561	71	\$ 2,356	10	\$ 7,995	32
2006-07	\$ 5,497	64	\$ 551	76	\$ 2,497	9	\$ 8,545	31
2007-08	\$ 5,790	68	\$ 507	86	\$ 2,472	12	\$ 8,770	42
2008-09	\$ 5,791	72	\$ 504	92	\$ 2,610	11	\$ 8,906	44
2009-10	\$ 5,169	86	\$ 981	72	\$ 2,335	15	\$ 8,486	55

Note - Final ADM is used in PPE calculation.
Source - NCDPI Statistical Profile



McGladrey & Pullen, LLP
Certified Public Accountants

3621 John Platt Drive
Morehead City, NC 28557
O 252.726.0551 F 252.726.2740
www.mcgladrey.com

Independent Auditor's 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 Carteret County Board of Education
Carteret County, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of Carteret County Board of Education, North Carolina, as of and for the year ended June 30, 2010, which collectively comprises Carteret County Board of Education's basic financial statements, and have issued our report thereon dated November 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Item 10-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carteret County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as Item 10-1.

We noted certain matters that we reported to management of Carteret County Board of Education in a separate letter dated November 22, 2010.

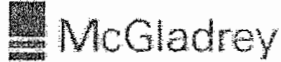
Carteret County Board of Education's response to the finding identified in our audit is described in the accompanying schedule of Findings and Questioned Costs. We did not audit Carteret County Board of Education's response and accordingly, we express no opinion on it.

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

McGladrey & Pullen, LLP

Morehead City, North Carolina

November 22, 2010



McGladrey & Pullen, LLP
Certified Public Accountants

3621 John Platt Drive
Morehead City, NC 28557
O 252.726.0551 F 252.726.2740
www.mcgladrey.com

Independent Auditor's 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 Carteret County Board of Education
Carteret County, North Carolina

Compliance

We have audited Carteret County Board of Education's 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 its major federal programs for the year ended June 30, 2010. Carteret County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of the Board's major federal programs is the responsibility of Carteret County Board of Education's management. Our responsibility is to express an opinion on Carteret County Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133 and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carteret 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 of Carteret County Board of Education's compliance with those requirements.

As described in items 10-2 and 10-3 in the accompanying schedule of findings and questioned costs, Carteret County Board of Education did not comply with requirements regarding Special Tests and Provisions that are applicable to the ARRA - State Fiscal Stabilization Fund. Compliance with such requirements is necessary, in our opinion, for Carteret County Board of Education to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Carteret County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Carteret County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Carteret County Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our 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 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 Carteret County Board of Education's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedules as Items 10-2 and 10-3 to be material weaknesses.

Carteret County Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Carteret County Board of Education's responses, and accordingly, we express no opinion on the responses.

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

McGladrey & Pullen, LLP

Morehead City, North Carolina
November 22, 2010



McGladrey & Pullen, LLP
Certified Public Accountants

3621 John Platt Drive
Morehead City, NC 28557
O 252.726.0551 F 252.726.2740
www.mcgladrey.com

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

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

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Carteret 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 of Carteret County Board of Education's compliance with those requirements.

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

Internal Control Over Compliance

Management of Carteret County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Carteret County Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major State program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular 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 Carteret County Board of Education's internal control over compliance.

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

Our consideration of 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 the 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, members of the Board, others within the entity, State awarding agencies, pass-through entities and the North Carolina Department of the State Treasurer and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Morehead City, North Carolina
November 22, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- ◆ Material weakness identified? yes no
- ◆ Significant deficiency(ies) identified that are not considered to be material weakness? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- ◆ Material weakness identified? yes no
- ◆ Significant deficiency(ies) identified that are not considered to be material weakness? yes none reported

Type of auditor's report issued on compliance for major federal program:

Unqualified for all major programs except for ARRA - State Fiscal Stabilization Fund, which was qualified.

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

yes no

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA</u>
Title I, Part A Cluster:	
Title I, Grants to Local Educational Agencies	84.010
ARRA – Title I, Grants to Local Educational Agencies	84.388
Special Education Cluster:	
Grants to States Special	84.027
Preschool Grants	84.173
ARRA Special – Grants to States	84.391
ARRA – Preschool Grants	84.392
ARRA – State Fiscal Stabilization – Education State Grants Recovery	84.394

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

\$307,272

Auditee qualified as low-risk auditee?

yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2010

Section I – Summary of Auditor’s Results (Continued)

State Awards

Internal control over major State programs:

- ◆ Material weakness identified? yes no
- ◆ Significant deficiency (ies) identified that are not considered to be material weakness yes none reported

Type of auditor’s report issued on compliance for major State programs: Unqualified

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

Identification of major State programs:

- Name of State Program
- State Public School Fund
- More at Four
- School Buses – Noncash State Public School Fund

Section II. Financial Statement Findings
Finding 10-1 Budget Violation

Criteria:

G.S. 115C-441 establishes a requirement for budgetary appropriations for expenditures and states that no obligation may be incurred by a local school administrative unit unless the budget resolution includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition and Context:

During our audit, we noted four budget violations which occurred during the fiscal year ended June 30, 2010. The Board reported expenditures in excess of appropriations as follows:

State Public School Fund – Non-programmed charges	\$ 36,806
General Fund – Non-programmed charges	\$ 217,900
Capital Outlay Fund – Vehicles	\$ 626,783
Capital Outlay Fund – Debt Service	\$ 445,670

Effect:

The Board of Education violated State law – G.S. 115C-441.

Cause:

The Board of Education did not effectively monitor the budget appropriations against actual expenditures and make the necessary amendments to avoid noncompliance with G.S. 115C-441.

Recommendation:

We recommend that the Board of Education monitor budget appropriation against actual expenditures monthly and make necessary amendments to avoid expenditures in excess of appropriations.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2010

Section II – Financial Statement Findings (Continued)
Finding 10-1 (Continued)

Views of responsible officials:

The Board of Education concurs with this finding and will closely monitor expenditures against budget and make necessary amendments to prevent any future noncompliance with G.S. 115C-441.

Completion:

October 21, 2010

Section III. Federal Award Findings and Questioned Costs
Finding 10-2 ARRA - State Fiscal Stabilization Fund – Special Tests and Provisions

Criteria:

The Board of Education is required to post with the Employment Security Commission Office all positions for which it intends to hire workers as a result of being awarded American Recovery and Reinvestment Act monies.

Condition and Context:

During testing of the State Public School Fund, we noted five vacant certified positions were not advertised with the Employment Security Commission Office. The North Carolina Office of Economic Recovery and Investment (OERI) published Management Directive #3 to promote uniformity of American Recovery and Reinvestment funds across all public entities. In addition to any other job postings normally utilized, OERI requires the Board of Education to post with the local Employment Security Commission Office (ESC) all positions for which awarded funds are used.

Questioned Cost:

\$124,271 – The Board of Education formally advertised all vacant noncertified job postings with the ESC. However, they failed to formally advertise five vacant certified job postings. The Board of Education has a close working relationship with the ESC, who refers all certified candidates, who must have teaching licenses, to the Board's website to begin the application process. Further review of other vacant noncertified job positions disclosed proper job postings with the local Employment Security Commission.

Effect:

Failure to post vacant certified positions with the local Employment Security Commission could result in ineligible costs which may be required to be funded by local funds, greatly increasing the County's cost for payroll.

Cause:

The Board of Education was not aware of the requirement to advertise certified teaching positions with the local Employment Security Commission.

Recommendation:

We recommend that the Board of Education reviews its policies to ensure compliance with the American Recovery and Reinvestment Act. In addition, we recommend all necessary finance and human resource employees and program directors receive training to ensure compliance with the federal requirements.

Views of responsible officials:

The Board of Education concurs with this finding and plans to implement a policy to advertise all vacant job postings with the local Employment Security Commission.

Completion:

October 11, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2010

Section III. Federal Award Findings and Questioned Costs (Continued)
Finding 10-3 ARRA - State Fiscal Stabilization Fund – Special Tests and Provisions

Criteria:

The Board of Education is required to seek open competition for obtaining goods, services and construction projects with American Recovery and Reinvestment Act monies. New competitive bids are expected to be solicited. Existing contracts are only acceptable with prior approval from the Office of Economic Recovery and Investment. In addition, the Board of Education is required to advertise all procurement opportunities exceeding \$5,000 in a local newspaper outlet including minority and women owned outlets.

Condition and Context:

During testing of the State Public School Fund, we noted the Board of Education paid an existing custodial contract in excess of \$5,000 with pass-through American Recovery and Reinvestment Act monies. The Board of Education should have advertised the procurement opportunity through local newspaper and solicited public bids. In doing so, transparency and open competition, the fundamentals of the American Recovery and Reinvestment Act, would have been preserved.

Questioned Cost:

\$237,363 – The only contract paid with pass-through funds was for contracted custodial services, which is an allowed cost. However, the existing contract should not have been used. A new competitive bid should have been advertised in local newspaper and a new contract awarded.

Effect:

When using recovery funds for the procurement of goods and services in excess of \$5,000, the failure to advertise the procurement opportunity in local newspaper negates the underlining goals of the American Recovery and Reinvestment Act, open competition and transparency. The noncompliance could result in ineligible costs which may be required to be funded by local funds, greatly increasing the County's cost for custodial services.

Cause:

The Board of Education was not aware of the requirement to only use the recovery funds on new competitive contracts. An existing custodial contract was funded with recovery monies.

Recommendation:

We recommend that the Board of Education review its policies and provide appropriate training to ensure compliance with the American Recovery and Reinvestment Act provisions. In addition, we recommend that the Board of Education advertise all procurement opportunities in excess of \$5,000 in local newspaper and award new contracts for all competitive bids.

Views of responsible officials:

The Board of Education concurs with this finding and plans to implement a policy to advertise all procurement opportunities in excess of \$5,000 with the Carteret County News Times.

Completion:

October 11, 2010

Section IV. State Award Findings and Questioned Costs

No findings and questioned costs related to the audit of State awards were noted.

Finding 10-1 **Budget Violation**

Contact Name: J. Ipock

Corrective Action: Finance Officer will review expenditures against budget in May of each year. This comparison must take into account all expenditures made by the State on behalf of the LEA.

Effective Date: October 15, 2010

Finding 10-2 **ARRA - State Fiscal Stabilization Fund – Special Tests and Provisions**

Contact Name: J. Ipock

Corrective Action: In fiscal 2010, positions other than the certified positions were advertised with the Employment Security Commission (ESC). Now, all vacant positions will be posted through the ESC. Our current information from NCDPI indicates that no repayment of this questioned cost will have to be made.

Effective Date: October 15, 2010

Finding 10-3 **ARRA - State Fiscal Stabilization Fund – Special Tests and Provisions**

Contact Name: J. Ipock

Corrective Action: Our original information was that since this funding replaced State funding under which these contracts were in place, the contracts did not have to be rebid. Our current information from NCDPI and OERI is that no repayment of this questioned cost will have to be made. No such contracts will be paid from this funding for 2010-2011.

Effective Date: October 15, 2010

Carteret County Board of Education
NORTH CAROLINA

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2010

Finding 09-1 Controls over Expenditures – Long-lived Assets

Contact Name: J. Ipock

Corrective Action: Effective fiscal year ended June 30, 2008, the Board implemented a change in its accounting estimate for the useful life of building improvements. The Board recognized the school bond projects improvements were significantly extending the building's life; therefore, the Board began to capitalize the major building improvements to the schools, which had previously been deemed as repairs and maintenance. The Board did not restate the prior year repair and maintenance expenditures as capital assets until fiscal year ended June 30, 2009. The prior year adjustment, which is disclosed in Note 4 of the 2009 financial statements, corrects the previous periods' error and recognizes long-lived assets in accordance to GAAP.

Effective Date: October 30, 2009

Carteret County Board of Education
NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

Federal Grants:

Cash Assistance:

Grantor/Pass-through <u>Grantor/Program Title</u>	CFDA Number	State Pass- Through Grantor's Number	Expenditures	
			Federal Direct and Pass-Through	State
U.S. Department of Agriculture				
Child Nutrition Cluster:				
Non-Cash Assistance (Commodities):				
Passed-through the N.C. Department of Agriculture:				
National School Lunch Program	10.555	PRC035	223,366	-
Cash Assistance:				
Passed-through the N.C. Department of Public Instruction:				
School Breakfast Program	10.553	PRC035	418,075	-
National School Lunch Program	10.555	PRC035	1,338,228	-
Passed-through the N.C. Department of Health and Human Services:				
Division of Public Health:				
Summer Food Service Program for Children	10.559	PRC035	31,502	-
Total Cash Assistance			<u>1,787,805</u>	
Total U.S. Department of Agriculture			<u>2,011,171</u>	-
U.S. Department of Education				
Cash Assistance				
Direct Program:				
Impact Aid	84.041		28,659	-
Passed-through the Onslow County Board of Education:				
Math and Science Partnership	84.366B	PRC112	60,020	-
Passed-through the N.C. Department of Public Instruction:				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010 *	PRC050	1,802,794	-
ARRA - Title I Grants to Local Educational Agencies	84.389 *	PRC141	480,925	-
Total Title I, Part A Cluster			<u>2,283,719</u>	-
School Improvement Cluster:				
Title I, School Improvement	84.377	PRC105	51,790	-
ARRA - Title I, School Improvement	84.388	PRC142	26,229	-
Total School Improvement Cluster			<u>78,019</u>	-
Safe and Drug-Free Schools, Title IV, Part A	84.186	PRC048	25,840	-
ARRA - State Fiscal Stabilization Fund - Education State Grants Recovery Act	84.394 *	PRC140	2,198,380	-

(Continued)

Carteret County Board of Education
NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
Year Ended June 30, 2010

Federal Grants (Continued) :	CFDA Number		Federal Direct and Pass-Through	State
Cash Assistance:				
Special Education Cluster:				
Special Education - Grants to States (IDEA, Part B) - Education of the Handicapped	84.027	* PRC060	1,876,274	-
Special Education - Preschool Grants (IDEA Preschool) Capacity Building and Improvement Grants	84.027	* PRC044	20,802	-
Special Education - Risk Pool	84.027	* PRC114	17,077	-
Special Education - Preschool Grants (IDEA Preschool) Preschool Handicapped	84.173	* PRC049	64,519	-
ARRA - Special Education - Grants to States (IDEA, PartB)	84.391	* PRC144	762,501	-
ARRA - Special Education - Preschool Grants (IDEA Preschool)	84.392	* PRC145	37,088	-
Total Special Education Cluster			2,778,261	-
Career and Technical Education - Basic Grants to States - Program Development	84.048	PRC017	113,314	-
Education Technology State Grants Cluster:				
Education Technology State Grants	84.318	PRC107	11,202	-
ARRA - Education Technology State Grants	84.386	PRC146	21,477	-
Total Education Technology Cluster			32,679	-
Vocational Education - Tech Prep Education	84.243	PRC023	42,666	-
Comprehensive School Reform Demonstration	84.365	PRC104	18,193	-
Teacher Quality Enhancement	84.367	PRC103	400,866	-
Total U.S. Department of Education			8,060,616	-
<u>Corporation for National and Community Service</u>				
Passed-through the N.C. Department of Public Instruction:				
Learn and Serve America	94.004	PRC064	-141	-
<u>U.S. Department of Labor</u>				
Passed-through Eastern Carolina Workforce Development Board				
Workforce Investment Act	17.255		95,697	-
<u>U.S. Department of Defense</u>				
Direct Program:				
ROTC	None		75,046	-
Total Federal Assistance			10,242,389	-

(Continued)

Carteret County Board of Education
NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
Year Ended June 30, 2010

State Grants: Cash Assistance:	CFDA Number	State Pass- Through Grantor's Number	Expenditures	
			Federal Direct and Pass-Through	State
<u>N.C. Department of Public Instruction</u>				
State Public School Fund		**	-	38,603,293
Vocational Education:				
- State Months of Employment		PRC013	-	2,252,905
- Program Support Funds		PRC014	-	167,438
State Dropout Prevention		PRC419	-	34,042
More at Four		** PRC413	-	935,000
Driver Training		PRC012	-	184,716
School Technology Fund		PRC015	-	83,811
Total N.C. Department of Public Instruction			-	42,261,205
<u>N.C. Department of Health and Human Services</u>				
State School Nurse Initiative			-	42,147
Total State Cash Assistance			-	42,303,352
Non-Cash Assistance:				
<u>N.C. Department of Public Instruction</u>				
State Public School Fund - School Buses		** PRC120	-	445,670
Textbooks		PRC130	-	138,996
Total State Non-Cash Assistance			-	584,666
Total State Assistance				42,888,018
Total Federal and State Assistance			\$10,242,389	\$42,888,018

* - Major programs per Office of Management and Budget Circular A-133.

** - Major programs per North Carolina Department of State Treasurer.

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

1. Basis of Presentation

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