

**Mooreville Graded
School District**

Financial Report

Year Ended June 30, 2018

MOORESVILLE GRADED SCHOOL DISTRICT

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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Education
Mooreville Graded School District
Mooreville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mooreville Graded School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Mooresville Graded School District as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, and the Other Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 10 and the Schedule of the Proportionate Share of the Net Pension and OPEB Liabilities and the Schedule of Board Contributions on pages 54 through 59, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Mooresville Graded School District's basic financial statements. The individual non-major fund financial statements and schedules, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 non-major fund financial statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual non-major fund financial statements, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State

awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Emphasis of Matter

As discussed in Note 4 to the financial statements, beginning balances were restated due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2018. Our opinion is not modified with respect to these changes.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018 on our consideration of Mooresville Graded School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the Mooresville Graded School District's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

October 10, 2018
Statesville, North Carolina
(704) 562-5039

**MOORESVILLE GRADED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

This section of the Mooresville Graded School District's (*the Board*) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2018. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- Our Board is providing laptops or tablets for our students in grades K-12. Students in grades 4-12 have use of the laptops 24/7 during the school year. Our third grade students have use of the laptops during the school day. Smart Boards and classroom carts of laptops are available to our students in grades K-2, as well as tablets and laptops to create a digital 1:1 in grades K-2. We credit this and the commitment of our excellent staff to the academic success of our students.

Overview of the Financial Statements

The audited financial statements of the Mooresville Graded School District consist of four components. They are as follows:

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents combining and budgetary statements for non-major governmental funds and budgetary statements for enterprise funds*

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

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

**MOORESVILLE GRADED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

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 Position 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 position and how they have changed. Net position – the difference between the Board's assets and liabilities – is one way to measure the unit's financial health or position.

- Over time, increases or decreases in the Board's net position 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 Iredell County's (the "County") property tax base and the condition of its school buildings and other physical assets.

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

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

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

Fund Financial Statements

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

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

**MOORESVILLE GRADED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

Mooresville Graded School District has three types of funds:

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

The governmental fund statements are shown as Exhibits 3, 4 and 5 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. Mooresville Graded School District has two proprietary funds – both enterprise funds – the School Food Service Fund and the Child Care Fund.

The proprietary fund statements are shown as Exhibits 6, 7, and 8 of this report.

Fiduciary fund: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Mooresville Graded School District has one fiduciary fund – the Administrative Fund, which is a scholarship fund under the control of the administrative unit. This is accounted for as a private purpose trust fund.

The fiduciary fund statements are shown as Exhibits 9 and 10 of this report.

Financial Analysis of the Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Liabilities exceeded assets by \$32,648,540 as of June 30, 2018. The largest component of net position, other than unrestricted net position, is net investment in capital assets, of \$56,238,878.

**MOORESVILLE GRADED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

Following is a summary of the Statement of Net Position:

Table 1						
Condensed Statement of Net Position						
As of June 30, 2018 and 2017						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Current assets	\$ 12,268,862	\$ 11,983,451	\$ 2,360,580	\$ 2,161,743	\$ 14,629,442	\$ 14,145,194
Capital assets	<u>60,016,323</u>	<u>60,145,238</u>	<u>526,839</u>	<u>625,266</u>	<u>60,543,162</u>	<u>60,770,504</u>
Total assets	<u>72,285,185</u>	<u>72,128,689</u>	<u>2,887,419</u>	<u>2,787,009</u>	<u>75,172,604</u>	<u>74,915,698</u>
Deferred outflows of resources	<u>12,506,778</u>	<u>13,762,195</u>	<u>452,876</u>	<u>479,918</u>	<u>12,959,654</u>	<u>14,242,113</u>
Current liabilities	2,715,089	2,525,285	63,763	71,989	2,778,852	2,597,274
Long-term liabilities	<u>90,427,410</u>	<u>26,900,245</u>	<u>3,068,009</u>	<u>774,502</u>	<u>93,495,419</u>	<u>27,674,747</u>
Total liabilities	<u>93,142,499</u>	<u>29,425,530</u>	<u>3,131,772</u>	<u>846,491</u>	<u>96,274,271</u>	<u>30,272,021</u>
Deferred inflows of resources	<u>23,650,147</u>	<u>971,413</u>	<u>856,380</u>	<u>33,875</u>	<u>24,506,527</u>	<u>1,005,288</u>
Net investment in						
capital assets	55,712,039	56,539,268	526,839	625,266	56,238,878	57,164,534
Restricted net position	3,589,160	2,994,267	4,306	-	3,593,466	2,994,267
Unrestricted net position	<u>(91,301,882)</u>	<u>(4,039,594)</u>	<u>(1,179,002)</u>	<u>1,761,295</u>	<u>(92,480,884)</u>	<u>(2,278,299)</u>
Total net assets	<u>\$ (32,000,683)</u>	<u>\$ 55,493,941</u>	<u>\$ (647,857)</u>	<u>\$ 2,386,561</u>	<u>\$ (32,648,540)</u>	<u>\$ 57,880,502</u>

Note that net position of governmental activities decreased significantly during the year, indicating deterioration in the financial condition of the Board. The decrease in net position was due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Also note that the Board carries capital assets for which Iredell County carries the offsetting debt.

**MOORESVILLE GRADED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

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

Table 2						
Condensed Statement of Revenues, Expenses, and Changes in Net Position						
For the Fiscal Years Ended June 30, 2018 and 2017						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Revenues:						
Program revenues:						
Charges for services	\$ 41,516	\$ 47,206	\$ 1,660,421	\$ 1,599,082	\$ 1,701,937	\$ 1,646,288
Operating grants and contributions	35,568,544	34,508,204	1,693,289	1,743,740	37,261,833	36,251,944
Capital grants and contributions	-	-	-	297,731	-	297,731
General revenues:						
Other revenues	23,372,384	20,422,061	5,736	7,536	23,378,120	20,429,597
Total revenues	<u>58,982,444</u>	<u>54,977,471</u>	<u>3,359,446</u>	<u>3,648,089</u>	<u>62,341,890</u>	<u>58,625,560</u>
Expenses:						
Governmental activities:						
Instructional services	50,089,980	43,966,328	-	-	50,089,980	43,966,328
System-wide support services	9,838,340	11,356,398	-	-	9,838,340	11,356,398
Ancillary services	207,559	187,832	-	-	207,559	187,832
Non-programmed charges	893,328	659,665	-	-	893,328	659,665
Interest on long-term debt	193,243	207,074	-	-	193,243	207,074
Depreciation	1,994,968	1,890,926	-	-	1,994,968	1,890,926
Business-type activities:						
School food service	-	-	2,788,325	2,766,741	2,788,325	2,766,741
Child care	-	-	775,875	581,155	775,875	581,155
Total expenses	<u>63,217,418</u>	<u>58,268,223</u>	<u>3,564,200</u>	<u>3,347,896</u>	<u>66,781,618</u>	<u>61,616,119</u>
Transfers in (out)	<u>(178,728)</u>	<u>(87,757)</u>	<u>178,728</u>	<u>87,757</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(4,413,702)	(3,378,509)	(26,026)	387,950	(4,439,728)	(2,990,559)
Beginning net position, as restated	<u>(27,586,981)</u>	<u>58,872,450</u>	<u>(621,831)</u>	<u>1,998,611</u>	<u>(28,208,812)</u>	<u>60,871,061</u>
Ending net position	<u>\$ (32,000,683)</u>	<u>\$ 55,493,941</u>	<u>\$ (647,857)</u>	<u>\$ 2,386,561</u>	<u>\$ (32,648,540)</u>	<u>\$ 57,880,502</u>

Total governmental activities generated revenues of \$59.0 million while expenses in this category totaled \$63.2 million for the year ended June 30, 2018. Comparatively, revenues were \$55.0 million and expenses totaled \$58.3 million for the year ended June 30, 2017. After transfers to the business-type activities, the decrease in net position stands at approximately \$4.4 million at June 30, 2018, compared to a decrease of \$3.4 million in 2017. Instructional services comprised 79% of total governmental-type expenses while system-wide support services made up 16% of those expenses for 2018. County funding comprised 37% of total governmental revenue. In 2017, county funding was

**MOORESVILLE GRADED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

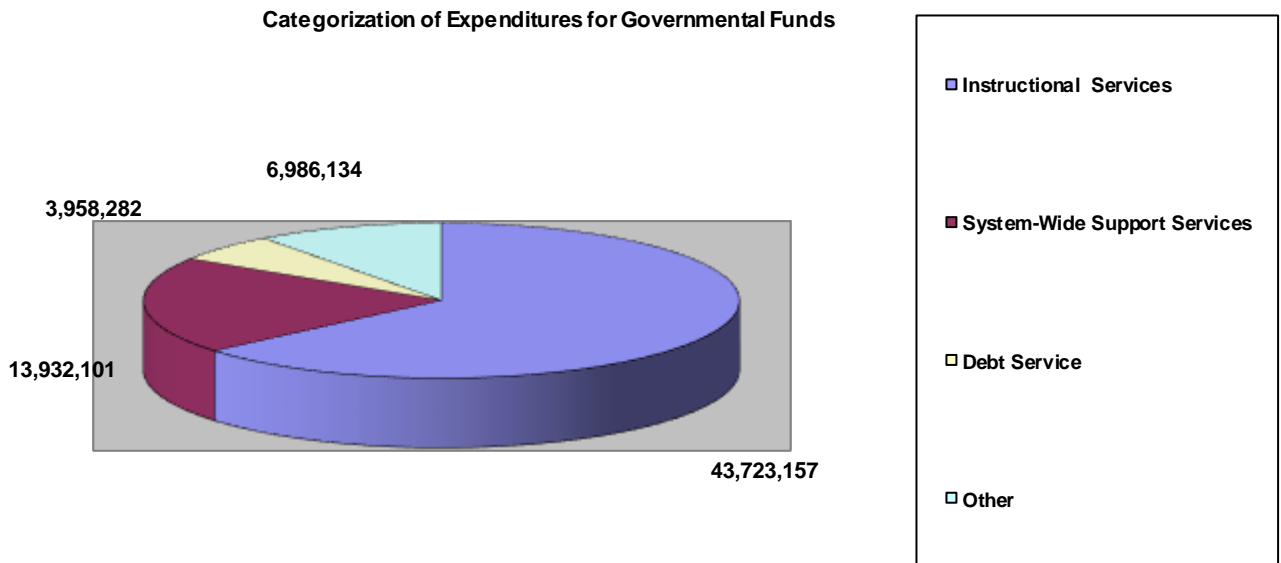
49%. Much of the remaining 84% of total governmental revenue for 2018 consists of restricted State and federal money. Business-type activities generated revenue of \$3.4 million and had expenses of \$3.6 million. Net position decreased in the business-type activities by \$26,026, after transfers in from the governmental activities of \$178,728.

Financial Analysis of the Board's Funds

Governmental Funds: The focus of Mooresville Graded School District'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 \$9,426,183, a \$87,108 decrease from last year. The General Fund decreased by \$814,358.

Proprietary Funds: The Board's business-type funds had a slight decrease in net position in the past year. The School Food Service Fund reflected an increase in net position of \$36,182 while the Child Care Fund's net position decreased by \$62,208.



Expenditures are presented on the modified accrual basis of accounting.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in expenditures.

**MOORESVILLE GRADED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

Capital Assets

Capital assets decreased by \$227,342 (.4%) from the previous year. This was due to current year depreciation expense exceeding capital additions. The following is a summary of the capital assets, net of depreciation at year-end.

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Land	\$ 7,880,345	\$ 7,880,345	\$ -	\$ -	\$ 7,880,345	\$ 7,880,345
Buildings and improvements	49,011,549	50,771,137	-	-	49,011,549	50,771,137
Equipment and furniture	2,949,648	1,266,169	526,839	625,266	3,476,487	1,891,435
Vehicles	174,781	227,587	-	-	174,781	227,587
Total	<u>\$ 60,016,323</u>	<u>\$ 60,145,238</u>	<u>\$ 526,839</u>	<u>\$ 625,266</u>	<u>\$ 60,543,162</u>	<u>\$ 60,770,504</u>

Debt Outstanding

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. Iredell County holds the majority of the debt issued for school construction.

Economic Factors

County funding is a major source of income for the Board; therefore the County's economic outlook directly affects that of the Board. The following factors have positively affected the economic outlook of Iredell County.

- Iredell County enjoys its close proximity to Charlotte and Lake Norman drawing many to relocate here.
- Iredell County maintains one of the lower property tax rates (52.75) in the state.
- Our County Commissioners understand the value of good schools to attract new business and industry to our county.

Requests for Information

This report is intended to provide a summary of the financial condition of Mooresville Graded School District. Questions or requests for additional information should be addressed to:

Terry Haas, Finance Officer
Mooresville Graded School District
305 North Main Street
Mooresville, NC 28115

MOORESVILLE GRADED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 9,985,137	\$ 2,248,341	\$ 12,233,478
Due from other governments	2,065,140	26,044	2,091,184
Receivables (net)	33,147	9,541	42,688
Internal balances	(13,846)	13,846	-
Taxes receivable, net	80,360	-	80,360
OPEB asset	118,924	4,306	123,230
Inventories	-	58,502	58,502
Capital assets:			
Land	7,880,345	-	7,880,345
Other capital assets, net of depreciation	52,135,978	526,839	52,662,817
Total capital assets	60,016,323	526,839	60,543,162
Total assets	72,285,185	2,887,419	75,172,604
DEFERRED OUTFLOWS OF RESOURCES	12,506,778	452,876	12,959,654
LIABILITIES			
Accounts payable and accrued expenses	2,715,089	27,738	2,742,827
Unavailable revenues	-	36,025	36,025
Long-term liabilities:			
Net pension liability	17,451,460	631,924	18,083,384
Net OPEB liability	65,510,359	2,372,154	67,882,513
Due within one year	2,738,986	1,189	2,740,175
Due in more than one year	4,726,605	62,742	4,789,347
Total liabilities	93,142,499	3,131,772	96,274,271
DEFERRED INFLOWS OF RESOURCES	23,650,147	856,380	24,506,527
NET POSITION			
Net investment in capital assets	55,712,039	526,839	56,238,878
Restricted for:			
Individual school activities	431,475	-	431,475
Stabilization by State statute	116,803	-	116,803
School Capital Outlay	2,921,958	-	2,921,958
DIPNC OPEB plan	118,924	4,306	123,230
Unrestricted	(91,301,882)	(1,179,002)	(92,480,884)
Total net position	\$ (32,000,683)	\$ (647,857)	\$ (32,648,540)

MOORESVILLE GRADED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
Instructional services:							
Regular instructional	\$ 33,296,609	\$ 21,623	\$ 21,114,818	\$ -	\$ (12,160,168)	\$ -	\$ (12,160,168)
Special populations	6,771,577	-	5,543,782	-	(1,227,795)	-	(1,227,795)
Alternative programs	2,494,036	-	1,856,029	-	(638,007)	-	(638,007)
School leadership	3,388,096	-	1,343,372	-	(2,044,724)	-	(2,044,724)
Co-curricular services	629,252	-	-	-	(629,252)	-	(629,252)
School-based support	3,510,410	-	2,328,271	-	(1,182,139)	-	(1,182,139)
System-wide support services							
Support and development	641,012	-	50,403	-	(590,609)	-	(590,609)
Technology support	1,325,318	-	10,445	-	(1,314,873)	-	(1,314,873)
Operational support	5,520,230	19,893	2,727,844	-	(2,772,493)	-	(2,772,493)
Financial and human resource services	13,191	-	144,138	-	130,947	-	130,947
Accountability	1,115	-	-	-	(1,115)	-	(1,115)
System-wide pupil support	535,113	-	-	-	(535,113)	-	(535,113)
Policy, leadership and public relations	1,802,361	-	406,911	-	(1,395,450)	-	(1,395,450)
Ancillary services	207,559	-	-	-	(207,559)	-	(207,559)
Non-programmed charges	893,328	-	42,531	-	(850,797)	-	(850,797)
Interest on long-term debt	193,243	-	-	-	(193,243)	-	(193,243)
Unallocated depreciation expense**	1,994,968	-	-	-	(1,994,968)	-	(1,994,968)
Total governmental activities	63,217,418	41,516	35,568,544	-	(27,607,358)	-	(27,607,358)
Business-type activities:							
School food service	2,788,325	1,033,054	1,693,289	-	-	(61,982)	(61,982)
Child care	775,875	627,367	-	-	-	(148,508)	(148,508)
Total business-type activities	3,564,200	1,660,421	1,693,289	-	-	(210,490)	(210,490)
Total primary government	\$ 66,781,618	\$ 1,701,937	\$ 37,261,833	\$ -	(27,607,358)	(210,490)	(27,817,848)
General revenues:							
Unrestricted county appropriations - operating					16,174,421	-	16,174,421
Unrestricted county appropriations - capital					2,793,723	-	2,793,723
Unrestricted State appropriations - capital					999,731	-	999,731
Investment earnings, unrestricted					-	10,383	10,383
Miscellaneous, unrestricted					3,404,509	(4,647)	3,399,862
Transfers					(178,728)	178,728	-
Total general revenues and transfers					23,193,656	184,464	23,378,120
Change in net position					(4,413,702)	(26,026)	(4,439,728)
Net position-beginning					55,493,941	2,386,561	57,880,502
Restatement					(83,080,922)	(3,008,392)	(86,089,314)
Net position - beginning, as restated					(27,586,981)	(621,831)	(28,208,812)
Net position-ending					\$ (32,000,683)	\$ (647,857)	\$ (32,648,540)

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

**MOORESVILLE GRADED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018**

Exhibit 3

	Major Funds				Non-major Fund	Total Governmental Funds	
	General	State Public School	Individual Schools	Capital Outlay	Other Special Revenue		Federal Grants
ASSETS							
Cash and cash equivalents	\$ 962,067	\$ -	\$ 431,475	\$ 3,243,342	\$ 5,348,253	\$ -	\$ 9,985,137
Receivables (net)	8,967	-	-	-	24,180	-	33,147
Due from other governments	83,656	1,894,548	-	-	-	86,936	2,065,140
Taxes receivable (net)	-	-	-	80,360	-	-	80,360
Total assets	<u>\$ 1,054,690</u>	<u>\$ 1,894,548</u>	<u>\$ 431,475</u>	<u>\$ 3,323,702</u>	<u>\$ 5,372,433</u>	<u>\$ 86,936</u>	<u>\$ 12,163,784</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 131,859	\$ 1,894,548	\$ -	\$ 321,384	\$ 208,668	\$ 86,936	\$ 2,643,395
Due to other fund	13,846	-	-	-	-	-	13,846
Total liabilities	<u>145,705</u>	<u>1,894,548</u>	<u>-</u>	<u>321,384</u>	<u>208,668</u>	<u>86,936</u>	<u>2,657,241</u>
Deferred inflows of resources	-	-	-	80,360	-	-	80,360
Fund balances:							
Restricted:							
Stabilization by State statute	92,623	-	-	-	24,180	-	116,803
School capital outlay	-	-	-	2,921,958	-	-	2,921,958
Individual schools	-	-	431,475	-	-	-	431,475
Assigned:							
Special revenues	-	-	-	-	5,139,585	-	5,139,585
Unassigned	816,362	-	-	-	-	-	816,362
Total fund balances	<u>908,985</u>	<u>-</u>	<u>431,475</u>	<u>2,921,958</u>	<u>5,163,765</u>	<u>-</u>	<u>9,426,183</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,054,690</u>	<u>\$ 1,894,548</u>	<u>\$ 431,475</u>	<u>\$ 3,323,702</u>	<u>\$ 5,372,433</u>	<u>\$ 86,936</u>	

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

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

60,016,323

Net OPEB asset

118,924

Deferred outflows of resources related to pensions

9,113,012

Deferred outflows of resources related to OPEB

3,393,766

Taxes receivable are not available to pay for current period expenditures and therefore are deferred in the funds.

80,360

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

(7,537,285)

Net pension liability

(17,451,460)

Net OPEB liability

(65,510,359)

Deferred inflows of resources related to pensions

(882,826)

Deferred inflows of resources related to OPEB

(22,767,321)

Net position of governmental activities

\$ (32,000,683)

MOORESVILLE GRADED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

Exhibit 4

	Major Funds				Non-major Fund		Total Governmental Funds
	General	State Public School	Individual Schools	Capital Outlay	Other Special Revenue	Federal Grants	
REVENUES							
State of North Carolina	\$ -	\$ 33,775,715	\$ -	\$ 999,731	\$ -	\$ -	\$ 34,775,446
Iredell County	16,174,421	-	-	7,820,573	-	-	23,994,994
U.S. Government	-	-	-	-	70,752	1,885,257	1,956,009
Other	215,032	-	1,286,106	34,469	2,069,279	-	3,604,886
Total revenues	16,389,453	33,775,715	1,286,106	8,854,773	2,140,031	1,885,257	64,331,335
EXPENDITURES							
Current:							
Instructional services:							
Regular instructional	5,198,389	21,043,810	1,282,075	41,686	305,557	71,008	27,942,525
Special populations	349,321	4,487,300	-	-	462,627	1,056,482	6,355,730
Alternative programs	362,536	1,203,639	-	-	116,587	652,390	2,335,152
School leadership	1,848,151	1,343,372	-	-	-	-	3,191,523
Co-curricular services	592,744	-	-	-	-	-	592,744
School-based support	621,020	2,270,425	-	-	356,192	57,846	3,305,483
System-wide support services:							
Support and development	553,418	50,403	-	-	-	-	603,821
Technology support	698,189	10,445	-	-	539,683	-	1,248,317
Operational support	5,125,710	2,722,844	-	1,920,720	90,357	5,000	9,864,631
Financial and human resource services	359,928	144,138	-	-	-	-	504,066
Accountability	12,426	-	-	-	-	-	12,426
System-wide pupil support	-	-	-	-	1,050	-	1,050
Policy, leadership and public relations	1,290,879	406,911	-	-	-	-	1,697,790
Ancillary services	188,045	-	-	-	7,472	-	195,517
Non-programmed charges	893,328	-	-	-	-	42,531	935,859
Debt service:							
Principal payments	3,320,199	-	-	341,446	-	-	3,661,645
Interest and other charges	63,187	-	-	233,450	-	-	296,637
Capital outlay	-	-	-	5,854,758	-	-	5,854,758
Total expenditures	21,477,470	33,683,287	1,282,075	8,392,060	1,879,525	1,885,257	68,599,674
Revenues over (under) expenditures	(5,088,017)	92,428	4,031	462,713	260,506	-	(4,268,339)
OTHER FINANCING SOURCES (USES)							
Transfers to other funds	(86,300)	(92,428)	-	-	-	-	(178,728)
Installment purchases issued	4,359,959	-	-	-	-	-	4,359,959
Total other financing sources (uses)	4,273,659	(92,428)	-	-	-	-	4,181,231
Net change in fund balance	(814,358)	-	4,031	462,713	260,506	-	(87,108)
Fund balances-beginning	1,723,343	-	427,444	2,459,245	4,903,259	-	9,513,291
Fund balances-ending	\$ 908,985	\$ -	\$ 431,475	\$ 2,921,958	\$ 5,163,765	\$ -	\$ 9,426,183

MOORESVILLE GRADED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

Exhibit 4
(Continued)

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

Net changes in fund balances - total governmental funds	\$ (87,108)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	153,523
Proceeds from sale of assets	(2,300,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenue	(39,603)
Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities.	1,910,445
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	3,327,077
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 position. 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.	(594,920)
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.	
Pension expense	(4,785,087)
Net OPEB expense	(3,594,513)
Compensated absences	(421,078)
Gain on disposal of assets	<u>2,017,562</u>
Total changes in net position of governmental activities	<u>\$ (4,413,702)</u>

**MOORESVILLE GRADED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE
For the Year Ended June 30, 2018**

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Iredell County	15,924,850	16,173,234	16,174,421	1,187
U.S. Government	-	-	-	-
Other	188,000	215,019	215,032	13
Total revenues	<u>16,112,850</u>	<u>16,388,253</u>	<u>16,389,453</u>	<u>1,200</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	1,732,114	5,298,538	5,198,389	100,149
Special populations	355,689	369,815	349,321	20,494
Alternative programs	276,269	366,569	362,536	4,033
School leadership	1,882,981	1,903,981	1,848,151	55,830
Co-curricular services	631,950	655,292	592,744	62,548
School-based support	564,784	666,694	621,020	45,674
System-wide support services:				
Support and development	574,084	574,084	553,418	20,666
Special population support and development	-	-	-	-
Technology support	677,868	709,868	698,189	11,679
Operational support	4,467,134	5,141,017	5,125,710	15,307
Financial and human resource services	377,584	385,899	359,928	25,971
Accountability	10,000	14,500	12,426	2,074
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	1,513,671	1,340,719	1,290,879	49,840
Ancillary services	239,959	221,959	188,045	33,914
Non-programmed charges	678,314	898,328	893,328	5,000
Debt service:				
Principal payments	3,320,199	3,320,199	3,320,199	-
Interest payments	63,187	63,187	63,187	-
Total expenditures	<u>17,365,787</u>	<u>21,930,649</u>	<u>21,477,470</u>	<u>453,179</u>
Revenues over (under) expenditures	(1,252,937)	(5,542,396)	(5,088,017)	454,379
Other financing sources (uses):				
Installment purchase/capital lease obligation issued	-	4,359,959	4,359,959	-
Transfers to other funds	(20,149)	(90,649)	(86,300)	4,349
Revenues over (under) expenditures and other uses	(1,273,086)	(1,273,086)	(814,358)	458,728
Appropriated fund balance	<u>1,273,086</u>	<u>1,273,086</u>	<u>-</u>	<u>(1,273,086)</u>
Revenue and appropriated fund balance over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(814,358)</u>	<u>\$ (814,358)</u>
Fund balances, beginning of year			<u>1,723,343</u>	
Fund balances, end of year			<u>\$ 908,985</u>	

MOORESVILLE GRADED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2018

Exhibit 5 (continued)

	State Public School Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
State of North Carolina	\$ 34,914,211	\$ 35,049,687	\$ 33,775,715	\$ (1,273,972)
Iredell County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>34,914,211</u>	<u>35,049,687</u>	<u>33,775,715</u>	<u>(1,273,972)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	21,639,909	21,825,196	21,043,810	781,386
Special populations	4,148,029	4,558,181	4,487,300	70,881
Alternative programs	1,342,764	1,339,318	1,203,639	135,679
School leadership	1,309,360	1,385,805	1,343,372	42,433
Co-curricular services	-	-	-	-
School-based support	3,152,888	2,428,551	2,270,425	158,126
System-wide support services:				
Support and development	50,894	52,061	50,403	1,658
Special population support and development	-	-	-	-
Technology support	-	10,445	10,445	-
Operational support	2,796,888	2,742,252	2,722,844	19,408
Financial and human resource services	170,969	170,301	144,138	26,163
Accountability	-	-	-	-
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	191,791	424,922	406,911	18,011
Ancillary services	-	-	-	-
Non-programmed charges	-	-	-	-
Debt service:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Total expenditures	<u>34,803,492</u>	<u>34,937,032</u>	<u>33,683,287</u>	<u>1,253,745</u>
Revenues over (under) expenditures	110,719	112,655	92,428	(20,227)
Other financing sources (uses):				
Installment purchase/capital lease obligation issued	-	-	-	-
Transfers to other funds	(110,719)	(112,655)	(92,428)	20,227
Revenues over (under) expenditures and other uses	-	-	-	-
Appropriated fund balance	-	-	-	-
Revenue and appropriated fund balance over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning of year			-	
Fund balances, end of year			<u>\$ -</u>	

MOORESVILLE GRADED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2018

Exhibit 5 (continued)

	Other Special Revenue Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Iredell County	-	-	-	-
U.S. Government	70,891	70,891	70,752	(139)
Other	1,365,277	1,914,364	2,069,279	154,915
Total revenues	<u>1,436,168</u>	<u>1,985,255</u>	<u>2,140,031</u>	<u>154,776</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	495,528	619,761	305,557	314,204
Special populations	428,037	500,656	462,627	38,029
Alternative programs	99,021	141,608	116,587	25,021
School leadership	-	-	-	-
Co-curricular services	-	-	-	-
School-based support	158,168	483,589	356,192	127,397
System-wide support services:				
Support and development	-	-	-	-
Special population support and development	-	-	-	-
Technology support	160,000	596,823	539,683	57,140
Operational support	87,346	109,826	90,357	19,469
Financial and human resource services	-	-	-	-
Accountability	-	-	-	-
System-wide pupil support	8,068	8,068	1,050	7,018
Policy, leadership and public relations	-	-	-	-
Ancillary services	-	10,822	7,472	3,350
Non-programmed charges	-	-	-	-
Debt service:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Total expenditures	<u>1,436,168</u>	<u>2,471,153</u>	<u>1,879,525</u>	<u>591,628</u>
Revenues over (under) expenditures	-	(485,898)	260,506	746,404
Other financing sources (uses):				
Installment purchase/capital lease obligation issued	-	-	-	-
Transfers to other funds	-	-	-	-
Revenues over (under) expenditures and other uses	-	(485,898)	260,506	746,404
Appropriated fund balance	-	485,898	-	(485,898)
Revenue and appropriated fund balance over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	260,506	<u>\$ 260,506</u>
Fund balances, beginning of year			4,903,259	
Fund balances, end of year			<u>\$ 5,163,765</u>	

MOORESVILLE GRADED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2018

Exhibit 6

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,155,752	\$ 92,589	\$ 2,248,341
Due from other governments	26,044	-	26,044
Receivables (net)	9,369	172	9,541
Due from other fund	13,846	-	13,846
OPEB asset	2,721	1,585	4,306
Inventories	58,502	-	58,502
Total current assets	<u>2,266,234</u>	<u>94,346</u>	<u>2,360,580</u>
Noncurrent assets:			
Capital assets, net	526,839	-	526,839
Total assets	<u>2,793,073</u>	<u>94,346</u>	<u>2,887,419</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>286,189</u>	<u>166,687</u>	<u>452,876</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	23,564	4,174	27,738
Compensated absences	765	424	1,189
Unavailable revenues	36,025	-	36,025
Total current liabilities	<u>60,354</u>	<u>4,598</u>	<u>64,952</u>
Noncurrent liabilities:			
Net pension liability	399,336	232,588	631,924
Net OPEB liability	1,499,049	873,105	2,372,154
Compensated absences	40,373	22,369	62,742
Total liabilities	<u>1,999,112</u>	<u>1,132,660</u>	<u>3,131,772</u>
DEFERRED INFLOWS OF RESOURCES	<u>541,177</u>	<u>315,203</u>	<u>856,380</u>
NET POSITION			
Net investment in capital assets	526,839	-	526,839
DIPNC OPEB plan	2,721	1,585	4,306
Unrestricted	9,413	(1,188,415)	(1,179,002)
Total net position	<u>\$ 538,973</u>	<u>\$ (1,186,830)</u>	<u>\$ (647,857)</u>

MOORESVILLE GRADED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

Exhibit 7

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
OPERATING REVENUES			
Food sales	\$ 1,033,054	-	\$ 1,033,054
Child care fees	-	627,367	627,367
Total operating revenues	<u>1,033,054</u>	<u>627,367</u>	<u>1,660,421</u>
OPERATING EXPENSES			
Purchase of food	930,489	51,303	981,792
Salaries and benefits	1,356,639	676,551	2,033,190
Indirect costs	232,387	-	232,387
Materials and supplies	112,112	32,111	144,223
Utilities	-	4,347	4,347
Repairs and maintenance	38,629	-	38,629
Depreciation	109,435	-	109,435
Other	8,634	11,563	20,197
Total operating expenses	<u>2,788,325</u>	<u>775,875</u>	<u>3,564,200</u>
Operating income (loss)	<u>(1,755,271)</u>	<u>(148,508)</u>	<u>(1,903,779)</u>
NONOPERATING REVENUES			
Federal reimbursements	1,276,442	-	1,276,442
Federal commodities	179,027	-	179,027
State reimbursements	5,433	-	5,433
Interest earned	10,383	-	10,383
Indirect costs not paid	232,387	-	232,387
Loss on sale of capital assets	(4,647)	-	(4,647)
Total nonoperating revenues	<u>1,699,025</u>	<u>-</u>	<u>1,699,025</u>
Income (loss) before capital contributions and transfers	(56,246)	(148,508)	(204,754)
Transfer from other funds	92,428	86,300	178,728
Change in net position	<u>36,182</u>	<u>(62,208)</u>	<u>(26,026)</u>
Total net position - beginning, as restated	<u>502,791</u>	<u>(1,124,622)</u>	<u>(621,831)</u>
Total net position - ending	<u>\$ 538,973</u>	<u>\$ (1,186,830)</u>	<u>\$ (647,857)</u>

MOORESVILLE GRADED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2018

Exhibit 8

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,037,609	\$ 627,195	\$ 1,664,804
Cash paid for goods and services	(817,755)	(99,324)	(917,079)
Cash paid to employees for services	(1,295,171)	(527,917)	(1,823,088)
Net cash provided (used) by operating activities	(1,075,317)	(46)	(1,075,363)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal reimbursements	1,282,110	-	1,282,110
State reimbursements	5,433	-	5,433
Net cash provided by noncapital financing activities	1,287,543	-	1,287,543
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(15,655)	-	(15,655)
CASH FLOWS FROM INVESTING ACTIVITIES			
Due from other funds	(13,846)	-	(13,846)
Interest on investments and other	10,383	-	10,383
Net cash provided (used) by noncapital financing activities	(3,463)	-	(3,463)
Net increase (decrease) in cash and cash equivalents	193,108	(46)	193,062
Balances-beginning of the year	1,962,644	92,635	2,055,279
Balances-end of the year	\$ 2,155,752	\$ 92,589	\$ 2,248,341

MOORESVILLE GRADED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2018

Exhibit 8
(Continued)

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	\$ (1,755,271)	\$ (148,508)	\$ (1,903,779)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	109,435	-	109,435
Donated commodities consumed	179,027	-	179,027
Transfers from other funds	92,428	86,300	178,728
Indirect costs not paid	232,387	-	232,387
Changes in assets, deferred outflows of resources and liabilities:			
(Increase) decrease in accounts receivable	6,227	(172)	6,055
(Increase) decrease in net OPEB asset	(2,721)	(1,585)	(4,306)
(Increase) decrease in inventory	654	-	654
Increase (decrease) in accounts payable and accrued liabilities	(5,596)	(958)	(6,554)
(Increase) decrease in deferred outflows	46,351	(19,309)	27,042
Increase (decrease) in net pension liability	(97,316)	12,478	(84,838)
Increase (decrease) in net OPEB liability	(402,062)	(234,176)	(636,238)
Increase (decrease) in deferred inflows	517,705	304,800	822,505
Increase (decrease) in unavailable revenues	(1,672)	-	(1,672)
Increase (decrease) in compensated absences	5,107	1,084	6,191
Total adjustments	679,954	148,462	828,416
Net cash provided (used) by operating activities	\$ (1,075,317)	\$ (46)	\$ (1,075,363)

Noncash investing, capital, and financing activities:

The State Public School Fund paid salaries and benefits of \$92,428 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as an operating transfer in and an operating expense on Exhibit 7.

The General Fund transferred \$86,300 to the Child Care Fund during the fiscal year. The payment is reflected as an operating transfer in on Exhibit 7.

Indirect costs of \$232,387 that would be due to the Other Special Revenue Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibits 7 and D-1.

The School Food Service Fund received donated commodities with a value of \$179,027 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue.

MOORESVILLE GRADED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND
June 30, 2018

Exhibit 9

	Private Purpose Trust
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 213,340
NET POSITION	
Assets held in trust for private purpose	\$ 213,340

MOORESVILLE GRADED SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND
For the Year Ended June 30, 2018

Exhibit 10

	<u>Private Purpose Trust</u>
ADDITIONS:	
Contributions and other revenues	\$ 2,945
DEDUCTIONS:	
Scholarships awarded	<u>10,000</u>
Change in net position	(7,055)
Beginning net position	<u>220,395</u>
Ending net position	<u><u>\$ 213,340</u></u>

MOORESVILLE GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Mooresville Graded School District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity

The Mooresville Graded School District (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 Mooresville, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

Basis of Presentation

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

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

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

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

MOORESVILLE GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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 accounted for in another fund.

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 Iredell County appropriations, restricted sales tax moneys, proceeds of Iredell County bonds issued for public school construction, as well as certain State assistance.

Other Special Revenue Fund. The Other Special Revenue Fund is used to account for certain grants, reimbursements, indirect costs and other financial resources received by the Board.

The Board reports the following major enterprise funds:

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

Child Care Fund. The Child Care Fund is used to account for the before and after school care program operated by the school system.

The Board reports the following fiduciary fund:

Administrative Fund: The Administrative Fund is used to account for scholarship money under the control of the board for the benefit of students in the district.

Measurement Focus and Basis of Accounting

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

MOORESVILLE GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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 60 days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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 move moneys (up to \$5,000) from one function to another within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Encumbrance accounting is employed in all governmental funds except the Individual Schools Fund. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no outstanding encumbrances at June 30, 2018.

MOORESVILLE GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Assets, Liabilities, Deferred Inflows and Fund Equity

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. It is not registered with the SEC. It consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board's investments are reported at amortized cost or at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits and the NCCMT are measured at amortized cost, which is the NCCMT's share price. Ownership interest in the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. All investments are measured using the market approach. The STIF is classified as Level 2 in the fair value hierarchy and is valued using prices that are either directly or indirectly observable for an asset or liability. 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.

Cash and Cash Equivalents

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

Taxes Receivable (Net)

The Mooresville Graded School District receives revenues each year from supplemental ad valorem property tax. This tax was levied at a rate of \$0.185 per \$100 of valuation for Iredell County ad valorem tax purposes. Collections of the tax are made by Iredell County and remitted to the Board upon collection.

MOORESVILLE GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

Capital Assets

Donated assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1984 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. Donated assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other assets are recorded at original cost.

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items that are purchased and used in large quantities such as student desks are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

	<u>Years</u>
Buildings	50
Equipment and furniture	10
Vehicles	6
Computer equipment	3

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

MOORESVILLE GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an expense or expenditure until then. The Board has several items that meet this criterion - pension and OPEB related deferrals and contributions made to the plans subsequent to the measurement date. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as revenue until then. The Board has several items that meet this criterion - unearned grant revenue in the General Fund and pension and OPEB related deferrals.

Long-term obligations

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

Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2018 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.

Net Position/Fund Balances

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

Fund Balances

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

MOORESVILLE GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

The governmental fund types classify fund balances as follows:

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

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

Restricted for school capital outlay - portion of fund balance that can only be used for school capital outlay. [G.S. 159-18 through 22]

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

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

Special revenues – portion of fund balance that represents the residual amount of revenues from certain grants, reimbursements, indirect costs and other financial resources in excess of related expenditures that the Board of Education has assigned to be expended for educational services. This amount can be expended on instructional services, system-wide support services, ancillary services or non-programmed charges.

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

The Board of Education has a management policy for revenue spending that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, and lastly board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

MOORESVILLE GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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 position.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(41,426,866) 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)	\$ 103,069,782
Less Accumulated Depreciation	<u>(43,053,459)</u>
Net capital assets	60,016,323
 Net OPEB asset	 118,924
 Pension related deferred outflows of resources	 9,113,012
OPEB related deferred outflows of resources	3,393,766
 Liabilities for earned but deferred revenues in fund statements	 80,360
 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:	
Bonds, leases and installment financing	(4,304,284)
Accrued interest	(71,694)
Compensated absences	(3,161,307)
Net pension liability	(17,451,460)
Net OPEB liability	(65,510,359)
Deferred inflows of resources related to pensions	(882,826)
Deferred inflows of resources related to OPEB	<u>(22,767,321)</u>
Total adjustment	<u>\$ (41,426,866)</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.

MOORESVILLE GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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 position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(4,326,594) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 5,009,679
Depreciation expenses, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(4,856,156)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	3,327,077
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	1,910,445
Revenues reported in the statement of activities that do not provide current resources are not recorded as a revenue in the fund statements	
Change in deferred revenue	(39,603)
Proceeds from the sale of capital assets recorded as revenues in the fund statements but not in the statement of activities	(2,300,000)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no affect on the statement of activities - it only affects the government-wide statement of net position	(4,359,959)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affects only the statement of net position in the government-wide statements.	3,661,645
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.	
Pension expense	(4,785,087)
Net OPEB expense	(3,594,513)
Interest expense	103,394
Gain on disposal of capital assets	2,017,562
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(421,078)
Total adjustment	<u>\$ (4,326,594)</u>

MOORESVILLE GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Defined Benefit Pension Plan and OPEB Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' and State Employees' Retirement System (TSERS), the Retiree Health Benefit Fund (RHBF), and the Disability Income Plan of NC (DIPNC) and additions to/deductions from TSERS, RHBF, and DIPNC's fiduciary net position have been determined on the same basis as they are reported by TSERS, RHBF, and DIPNC. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Board's employer contributions are recognized when due and the Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable

NOTE 2 – DETAIL NOTES ON ALL FUNDS

Assets

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, 2018, the Board had deposits with banks and savings and loans with a carrying amount of \$3,857,469 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$3,382,483 and \$1,600,473, respectively. Of these balances, \$704,048 was covered by federal depository insurance and \$4,278,908 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Investments

At June 30, 2018, the Board had \$5,553,710 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. There was \$3,035,640 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is

MOORESVILLE GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

unrated and had a weighted average maturity of 1.5 years at June 30, 2018. The Board has no policy for managing interest rate risk or credit risk.

Accounts Receivable

Receivables at the government-wide level at June 30, 2018, were as follows:

	Due from other governments	Taxes receivable, net	Other
Governmental activities:			
General Fund	\$ 83,656	\$ -	\$ 8,967
Other governmental activities	1,981,484	80,360	24,180
Total	<u>\$ 2,065,140</u>	<u>\$ 80,360</u>	<u>\$ 33,147</u>
Business-type activities:			
School Food Service	\$ 26,044	\$ -	\$ 9,369
Child Care	-	-	172
Total	<u>\$ 26,044</u>	<u>\$ -</u>	<u>\$ 9,541</u>

The amounts presented in the Balance Sheets and the Statement of Net Position are net of the following allowances for doubtful accounts:

Capital Projects Fund:	
Allowance for taxes receivable	<u>\$ 181,885</u>

Due from other governments consists of the following:

Governmental activities:		
Federal Grants Fund	\$ 86,936	Federal grant funds for payroll
State Public School Fund	1,894,548	Operating funds from DPI for payroll
General Fund	83,656	Amounts due from Iredell County
Total	<u>\$ 2,065,140</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 26,044</u>	USDA Grant Reimbursement

MOORESVILLE GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Retirements	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,880,345	\$ -	\$ -	\$ 7,880,345
Capital assets being depreciated:				
Buildings and improvements	86,030,643	1,026,736	-	87,057,379
Equipment and furniture	7,179,713	3,960,885	5,083,888	6,056,710
Vehicles	2,081,997	22,058	28,707	2,075,348
Total capital assets being depreciated	<u>95,292,353</u>	<u>5,009,679</u>	<u>5,112,595</u>	<u>95,189,437</u>
Less accumulated depreciation for:				
Buildings and improvements	35,259,506	2,786,324	-	38,045,830
Equipment and furniture	5,913,544	1,994,968	4,801,450	3,107,062
Vehicles	1,854,410	74,864	28,707	1,900,567
Total accumulated depreciation	<u>43,027,460</u>	<u>4,856,156</u>	<u>4,830,157</u>	<u>43,053,459</u>
Total capital assets being depreciated, net	<u>52,264,893</u>			<u>52,135,978</u>
Governmental activity capital assets, net	<u>\$ 60,145,238</u>			<u>\$ 60,016,323</u>

MOORESVILLE GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 1,727,724	\$ 15,655	\$ 23,311	\$ 1,720,068
Less accumulated depreciation for:				
Furniture and office equipment	<u>1,102,458</u>	<u>109,435</u>	<u>18,664</u>	<u>1,193,229</u>
School Food Service capital assets, net:	<u>\$ 625,266</u>			<u>\$ 526,839</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 2,786,324
System-wide support services	74,864
Unallocated depreciation	<u>1,994,968</u>
Total	<u>\$ 4,856,156</u>

Liabilities

Pension Plan Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. The Board is a participating employer in 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 membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60

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with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2018, was 10.78% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$3,447,550 for the year ended June 30, 2018.

Refunds of Contributions – Board employees who have terminated service as a contributing member of TSERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by TSERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Board reported a liability of \$18,083,384 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating

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TSERS employers, actuarially determined. At June 30, 2017 and at June 30, 2016, the Board's proportion was .22% and .23%, respectively.

For the year ended June 30, 2018, the Board recognized pension expense of \$4,968,746. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 392,014	\$ 591,602
Changes of assumptions	2,856,902	-
Net difference between projected and actual earnings on pension plan investments	2,447,296	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	299,236	323,191
Board contributions subsequent to the measurement date	<u>3,447,550</u>	<u>-</u>
Total	<u>\$ 9,442,998</u>	<u>\$ 914,793</u>

\$3,447,440 reported as deferred outflows of resources related to pensions resulting from the Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 1,052,758
2020	3,435,911
2021	1,571,420
2022	(979,434)
2023	--
Thereafter	--
Total	<u>\$ 5,080,655</u>

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Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	3.0%
Salary increases	3.5% to 8.1%, including inflation and productivity factor
Investment rate of return	7.20%, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurements.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

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The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board’s proportionate share of the net pension asset to changes in the discount rate. The following presents the Board’s proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the Board’s proportionate share of the net pension asset or net pension liability would be if calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discounted Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 37,223,091	\$ 18,083,384	\$ 2,046,750

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Other Post-employment Benefits

Healthcare Benefits

Plan description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is

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supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly 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 or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 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 noncontributory premium.

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their

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applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, 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 current fiscal year, the Board contributed 6.05% of covered payroll which amounted to \$1,934,849.

At June 30, 2018, Board reported a liability of \$67,882,513 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. The total OPEB liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2017 and at June 30, 2016, the Boards proportion was 0.21% and 0.20%, respectively.

\$1,934,849 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$	(4,423,427)
2020		(4,423,427)
2021		(4,423,427)
2022		(4,423,427)
2023		(4,417,120)
Thereafter		--
Total		<u>\$ (22,110,828)</u>

Actuarial assumptions. Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Inflation	2.75%
Salary increases	3.5% to 8.10%, including a 3.5% inflation and productivity factor
Investment rate of return	7.20%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate – medical	5.00% - 6.50%
Healthcare cost trend rate – prescription drug	5.00% - 7.25%
Healthcare cost trend rate – Medicare advantage	4.00% - 5.00%
Healthcare cost trend rate – administrative	3.00%

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.58%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected

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future benefit payments of current plan members. As a result, a municipal bond rate of 3.58% was used as the discount rate used to measure the total OPEB liability. The 3.58% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage point higher (4.58 percent) than the current discount rate:

	<u>1% Decrease (2.58%)</u>	<u>Discounted Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Net OPEB liability	\$ 80,978,644	\$ 67,882,513	\$ 57,493,476

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage point higher (4.58 percent) than the current discount rate:

	<u>1% Decrease (Medical- 4.00-5.50%, Pharmacy- 4.00-6.25%, Medicare Advantage - 3.00-4.00%, Administrative - 2.00%)</u>	<u>Healthcare Trend Rates (Medical - 5.00-6.50%, Pharmacy - 5.00-7.25%, Medicare Advantage - 4.00-5.00%, Administrative - 3.00%)</u>	<u>1% Increase (Medical- 6.00-7.50%, Pharmacy- 6.00-8.25%, Medicare Advantage - 5.00-6.00%, Administrative - 4.00%)</u>
Net OPEB liability	\$ 55,452,874	\$ 67,882,513	\$ 84,400,563

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

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, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain Local Education Agencies, and ORP.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of

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Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits Provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provide the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or ORP, 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 TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

Contributions. 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 does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2018, employers made a statutory contribution of 0.14% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$44,774 for the year ended June 30, 2018.

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.

At June 30, 2018, Board reported an OPEB asset of \$123,230 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016. The total OPEB asset was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2017 and at June 30, 2016, the Boards proportion was .20% and .21%, respectively.

\$44,774 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB

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liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$	16,462
2020		16,462
2021		16,456
2022		6,747
2023		--
Thereafter		--
Total	\$	<u>56,127</u>

Actuarial assumptions. Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Inflation	3.00%
Salary increases	3.5% to 8.10%, including a 3.5% inflation and productivity factor
Investment rate of return	3.75%, net of OPEB plan investment expense, including inflation

Sensitivity of the Board's proportionate share of the net OPEB asset to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage point higher (4.75 percent) than the current discount rate:

	<u>1% Decrease (2.75%)</u>	<u>Discounted Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
Net OPEB asset	\$ 104,764	\$ 123,230	\$ 141,739

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2016 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

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The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Opportunistic Fixed Income	7.0%	6.0%
Inflation Sensitive	6.0%	4.0%
Total	<u>100.0%</u>	

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Total OPEB Expense, OPEB Liabilities, and Deferred Outflows and Inflows of Resources of Related to OPEB

Following is information related to the proportionate share and pension expense:

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB expense	\$ 3,532,829	\$ 61,684	\$ 3,594,513
OPEB liability (asset)	67,882,513	(123,230)	67,759,283
Proportionate share of the net OPEB liability (asset)	0.207%	0.202%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	-	33,787	33,787
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on plan investments	-	27,011	27,011
Changes in proportion and deferrals between Board contributions and proportionate share of contributions	1,476,235	-	1,476,235
Board contributions subsequent to the measurement date	1,934,849	44,774	1,979,623
Deferred of Inflows of Resources			
Differences between expected and actual experience	4,867,301	-	4,867,301
Changes of assumptions	18,694,534	-	18,694,534
Changes in proportion and deferrals between Board contributions and proportionate share of contributions	-	4,671	4,671
Net difference between projected and actual earnings on plan investments	25,228	-	25,228

Accounts Payable

Accounts payable at June 30, 2018, are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities			
General	\$ 31,761	\$ 100,098	\$ 131,859
Other Governmental	485,247	2,026,289	2,511,536
Total-governmental activities	<u>\$ 517,008</u>	<u>\$ 2,126,387</u>	<u>\$ 2,643,395</u>
Business-type Activities			
School Food Service	\$ 1,089	\$ 22,475	\$ 23,564
Child Care Fund	4,174	-	4,174
Total-business-type activities	<u>\$ 5,263</u>	<u>\$ 22,475</u>	<u>\$ 27,738</u>

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Unavailable Revenues

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

	<u>Unavailable Revenue</u>
Prepaid lunch balances (School Food Service Fund)	<u>\$ 36,025</u>

Deferred Inflows of resources

The balance in deferred inflows of resources at year-end is composed of the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 1,775,471	\$ 327,862
Changes of assumptions	2,856,902	18,694,534
Difference between projected and actual earnings on plan investments	2,474,307	25,228
Employer contributions subsequent to the measurement date	5,427,173	-
Difference between expected and actual experience	<u>425,801</u>	<u>5,458,903</u>
Totals	<u>\$ 12,959,654</u>	<u>\$ 24,506,527</u>

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 State of North Carolina provides workers' compensation for employees to the extent they are paid from State funds. The Board purchases workers' compensation coverage for locally and federally funded employees. In addition, the Board purchases general liability coverage from Utica National Insurance Company with a \$3,000,000 general aggregate limit. The Board also purchases errors and omissions coverage from Utica National Insurance Company with a \$1,000,000 per occurrence and \$3,000,000 aggregate annual limit.

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For the Year Ended June 30, 2018

The Board insures its tangible property through Fireman's Insurance Company with coverage for approximately \$160 million (replacement value for direct damage to the real and personal property scheduled in the policy.) The property deductible is \$1,000 per loss.

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. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time of the Board's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$175,000.

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

Long-Term Obligations

a. Capital Leases

As authorized in State law [G.S. 115C-528(a)], the Board entered into two lease agreements to for computers and modular classroom units. The leasing arrangements were made for three and five years, and, at the conclusion of each of the leases, ownership is transferred to the Board. The lease agreements qualify as capital leases for accounting purposes; therefore, the obligations have been recorded at the present value of the future minimum lease payments as of the date of their inception.

At June 30, 2018, assets recorded under the capital leases were as follows:

	Cost	Accumulated Depreciation	Net Book Value
Computers	\$ 3,960,885	\$ 990,221	\$ 2,970,664
Modular classroom units	399,074	24,388	374,686
Total	<u>\$ 4,359,959</u>	<u>\$ 1,014,609</u>	<u>\$ 3,345,350</u>

MOORESVILLE GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

The following is a schedule of the future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2018:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2019	\$ 1,107,556
2020	1,107,555
2021	97,102
2022	97,100
2023	<u>8,092</u>
Total minimum lease payments	2,417,405
Less: amount representing interest	<u>151,675</u>
Present value of the minimum lease payments	<u>\$ 2,265,730</u>

b. Installment Purchases

The Board entered into an installment purchase agreement during the year ended June 30, 2018. The financing contract requires principal and interest payments of varying amounts due in January of each contract year.

The future minimum payments of the installment purchases as of June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 472,969	\$ 101,928
2020	496,617	78,279
2021	521,448	53,448
2022	<u>547,520</u>	<u>27,376</u>
	<u>\$ 2,038,554</u>	<u>\$ 261,031</u>

MOORESVILLE GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2018:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Current
Governmental activities:					
Capital leases	\$ 1,225,970	\$ 4,359,959	\$ 3,320,199	\$ 2,265,730	\$ 940,227
Installment purchases	2,380,000	-	341,446	2,038,554	545,716
Net pension liability	20,554,046	-	3,102,586	17,451,460	-
Net OPEB liability	85,012,617	-	19,502,258	65,510,359	-
Compensated absences	2,740,229	2,496,919	2,075,841	3,161,307	1,253,043
Total	\$ 111,912,862	\$ 6,856,878	\$ 28,342,330	\$ 90,427,410	\$ 2,738,986
Business-type activities:					
Net pension liability	\$ 716,762	\$ -	\$ 84,838	\$ 631,924	\$ -
Net OPEB liability	3,078,338	-	706,184	2,372,154	-
Compensated absences	57,740	7,403	1,212	63,931	1,189
Total	\$ 3,852,840	\$ 7,403	\$ 792,234	\$ 3,068,009	\$ 1,189

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

Internal Balances

Internal balances at June 30, 2018 consist of \$13,846 payable from the General Fund to the School Food Service Fund. This item is for reimbursement of expenses and is expected to be paid within the following year.

Transfers to/from other funds

Transfers to/from other funds at June 30, 2018, consist of the following:

	Amount
State Public School Fund to the School Food Service Fund for administrative costs.	\$ 92,428
General Fund to the Child Care Fund to provide cash assistance	\$ 86,300

MOORESVILLE GRADED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Fund Balance

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

Total fund balance - General Fund	\$	908,985
Less:		
Stabilization by State statute		<u>(92,623)</u>
Remaining fund balance	\$	<u><u>816,362</u></u>

NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Board implemented Governmental Accounting Standards Board (GASB) statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Board to record beginning net OPEB liability and Net OPEB asset and the effects on net position from contributions made by the Board during the measurement period (fiscal year end June 30, 2017). As a result, net position for the governmental and business-type activities decreased by \$83,080,922 and \$3,008,392, respectively.

MOORESVILLE GRADED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
Teachers' and State Employees' Retirement System
Last Five Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.223%	0.231%	0.221%	0.211%	0.206%
Board's proportionate share of the net pension liability (asset)	\$ 18,083,384	\$ 21,270,808	\$ 8,139,865	\$ 2,471,581	\$ 12,506,299
Board's covered-employee payroll	\$ 30,551,017	\$ 29,754,282	\$ 29,177,727	\$ 26,683,694	\$ 26,138,166
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	59.19%	71.49%	27.90%	9.26%	47.85%
Plan fiduciary net position as a percentage of the total pension liability	89.51%	87.32%	94.64%	98.24%	90.60%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

This schedule is required supplementary information as required by the Governmental Accounting Standards Board.

MOORESVILLE GRADED SCHOOL DISTRICT
Schedule of Board Contributions
Teachers' and State Employees' Retirement System
Last Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,447,550	\$ 3,048,991	\$ 2,722,517	\$ 2,669,762	\$ 2,318,813
Contributions in relation to the contractually required contribution	<u>3,447,550</u>	<u>3,048,991</u>	<u>2,722,517</u>	<u>2,669,762</u>	<u>2,318,813</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 31,980,981	\$ 30,551,017	\$ 29,754,282	\$ 29,177,727	\$ 26,683,694
Contributions as a percentage of covered-employee payroll	10.78%	9.98%	9.15%	9.15%	8.69%

This schedule is required supplementary information as required by the Governmental Accounting Standards Board.

MOORESVILLE GRADED SCHOOL DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH BENEFIT FUND
*Last Two Fiscal Years**

	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability (asset)	0.207%	0.196%
Board's proportionate share of the net OPEB liability (asset)	\$ 67,882,513	\$ 88,090,955
Board's covered-employee payroll	\$ 30,551,017	\$ 29,754,282
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	222.19%	296.06%
Plan fiduciary net position as a percentage of the total OPEB liability	3.52%	2.41%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

This schedule is required supplementary information as required by the Governmental Accounting Standards Board.

MOORESVILLE GRADED SCHOOL DISTRICT
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,934,849	\$ 1,774,414	\$ 1,666,476	\$ 1,603,093	\$ 1,440,261
Contributions in relation to the contractually required contribution	<u>1,934,849</u>	<u>1,774,414</u>	<u>1,666,476</u>	<u>1,603,093</u>	<u>1,440,261</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 31,980,981	\$ 30,551,017	\$ 29,754,282	\$ 29,177,727	\$ 26,683,694
Contributions as a percentage of covered-employee payroll	6.05%	5.81%	5.60%	5.49%	5.40%

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 1,377,896	\$ 1,266,271	\$ 1,262,635	\$ 1,194,558	\$ 1,150,714
Contributions in relation to the contractually required contribution	<u>1,377,896</u>	<u>1,266,271</u>	<u>1,262,635</u>	<u>1,194,558</u>	<u>1,150,714</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 25,998,038	\$ 25,325,420	\$ 25,768,061	\$ 26,545,733	\$ 28,066,195
Contributions as a percentage of covered-employee payroll	5.30%	5.00%	4.90%	4.50%	4.10%

This schedule is required supplementary information as required by the Governmental Accounting Standards Board.

MOORESVILLE GRADED SCHOOL DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB ASSET
DISABILITY INCOME PLAN OF NORTH CAROLINA
*Last Two Fiscal Years**

	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset	0.202%	0.207%
Board's proportionate share of the net OPEB asset	\$ 123,230	\$ 128,286
Board's covered-employee payroll	\$ 30,551,017	\$ 29,754,282
Board's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	0.40%	0.43%
Plan fiduciary net position as a percentage of the total OPEB asset	116.23%	116.06%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

This schedule is required supplementary information as required by the Governmental Accounting Standards Board.

**MOORESVILLE GRADED SCHOOL DISTRICT
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
Last Ten Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 44,774	\$ 115,008	\$ 121,571	\$ 118,377	\$ 116,540
Contributions in relation to the contractually required contribution	44,774	115,008	121,571	118,377	116,540
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 31,980,981	\$ 30,551,017	\$ 29,754,282	\$ 29,177,727	\$ 26,683,694
Contributions as a percentage of covered-employee payroll	0.14%	0.38%	0.41%	0.41%	0.44%

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 114,391	\$ 131,692	\$ 133,994	\$ 138,038	\$ 145,944
Contributions in relation to the contractually required contribution	114,391	131,692	133,994	138,038	145,944
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 25,998,038	\$ 25,325,420	\$ 25,768,061	\$ 26,545,733	\$ 28,066,195
Contributions as a percentage of covered-employee payroll	0.44%	0.52%	0.52%	0.52%	0.52%

This schedule is required supplementary information as required by the Governmental Accounting Standards Board.

MOORESVILLE GRADED SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2018

	Budget	Actual	Exhibit A-1 Positive (Negative) Variance
Revenues:			
Iredell County:			
County appropriations	\$ 10,274,850	\$ 10,274,850	\$ -
Supplementary taxes	5,898,384	5,899,571	1,187
Total	16,173,234	16,174,421	1,187
Other:			
Fines and forfeitures	215,019	215,032	13
Total revenues	16,388,253	16,389,453	1,200
Expenditures:			
Instructional services:			
Regular instructional	5,298,538	5,198,389	100,149
Special populations	369,815	349,321	20,494
Alternative programs	366,569	362,536	4,033
School leadership	1,903,981	1,848,151	55,830
Co-curricular services	655,292	592,744	62,548
School-based support	666,694	621,020	45,674
Total	9,260,889	8,972,161	288,728
System-wide support services:			
Support and development	574,084	553,418	20,666
Technology support	709,868	698,189	11,679
Operational support	5,141,017	5,125,710	15,307
Financial and human resource services	385,899	359,928	25,971
Accountability	14,500	12,426	2,074
Policy, leadership and public relations	1,340,719	1,290,879	49,840
Total	8,166,087	8,040,550	125,537
Ancillary services	221,959	188,045	33,914
Non-programmed charges			
Payments to charter schools	898,328	893,328	5,000
Debt service:			
Principal payments		3,320,199	
Interest expense		63,187	
	3,383,386	3,383,386	-
Total expenditures	21,930,649	21,477,470	453,179
Revenues over (under) expenditures	(5,542,396)	(5,088,017)	454,379
Other financing sources (uses):			
Installment purchase/capital lease obligation issued	4,359,959	4,359,959	-
Operating transfers out	(90,649)	(86,300)	4,349
Revenues and other financing sources over (under) expenditures and other uses	(1,273,086)	(814,358)	458,728
Appropriated fund balance	1,273,086	-	(1,273,086)
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other uses	\$ -	(814,358)	\$ (814,358)
Fund balances:			
Beginning of year, July 1		1,723,343	
End of year, June 30		\$ 908,985	

MOORESVILLE GRADED SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL OUTLAY FUND
For the Year Ended June 30, 2018

Exhibit B-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Public School Capital Fund - lottery	\$ 2,505,171	\$ 999,731	\$ (1,505,440)
Local Government:			
Supplementary taxes	1,090,000	1,090,000	-
County appropriation	1,312,769	1,703,723	390,954
Bond proceeds from county	6,570,199	5,026,850	(1,543,349)
	<u>8,972,968</u>	<u>7,820,573</u>	<u>(1,152,395)</u>
Other:			
Interest	32,500	34,469	1,969
Total revenues	<u>11,510,639</u>	<u>8,854,773</u>	<u>(2,655,866)</u>
Expenditures:			
Instructional services	41,686	41,686	-
System-wide support services	3,036,117	1,920,720	1,115,397
Capital outlay	9,257,940	5,854,758	3,403,182
Debt service			
Principal payments	341,446	341,446	-
Interest expense	233,450	233,450	-
Total expenditures	<u>12,910,639</u>	<u>8,392,060</u>	<u>4,518,579</u>
Revenues over (under) expenditures	(1,400,000)	462,713	1,862,713
Appropriated fund balance	<u>1,400,000</u>	<u>-</u>	<u>(1,400,000)</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>462,713</u>	<u>\$ 462,713</u>
Fund balances:			
Beginning of year, July 1		<u>2,459,245</u>	
End of year, June 30		<u>\$ 2,921,958</u>	

MOORESVILLE GRADED SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - FEDERAL GRANTS FUND
For the Year Ended June 30, 2018

Exhibit C-1

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
U. S. Government	\$ 2,546,247	\$ 1,885,257	\$ (660,990)
Expenditures:			
Instructional services	2,279,547	1,837,726	441,821
System-wide support services	10,500	5,000	5,500
Non-programmed charges	256,200	42,531	213,669
Total expenditures	<u>2,546,247</u>	<u>1,885,257</u>	<u>660,990</u>
Revenues over expenditures	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances:			
Beginning of year, July 1		-	
End of year, June 30		<u>\$ -</u>	

MOORESVILLE GRADED SCHOOL DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-
GAAP) - SCHOOL FOOD SERVICE FUND
For the Year Ended June 30, 2018

Exhibit D-1

	Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Food sales	\$ 1,349,668	\$ 1,031,382	\$ (318,286)
Operating expenditures:			
Purchase of food		929,835	
Salaries and benefits		1,286,854	
Materials and supplies		112,112	
Repairs and maintenance		38,629	
Capital outlay		15,655	
Other		8,634	
Total operating expenditures	<u>3,034,647</u>	<u>2,391,719</u>	<u>642,928</u>
Operating loss	<u>(1,684,979)</u>	<u>(1,360,337)</u>	<u>324,642</u>
Nonoperating revenues:			
Federal reimbursements	1,246,000	1,276,442	30,442
Federal commodities	94,000	179,027	85,027
State reimbursements	-	5,433	5,433
Interest earned	4,000	10,383	6,383
Other	250,000	-	(250,000)
Total nonoperating revenues	<u>1,594,000</u>	<u>1,471,285</u>	<u>(122,715)</u>
Revenues over (under) expenditures before other financing sources	(90,979)	110,948	201,927
Other financing sources:			
Transfers from other funds	90,979	92,428	1,449
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 203,376</u>	<u>\$ 203,376</u>

**MOORESVILLE GRADED SCHOOL DISTRICT
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-
 GAAP) - SCHOOL FOOD SERVICE FUND
 For the Year Ended June 30, 2018**

**Exhibit D-1
 (Continued)**

	<u>Actual</u>
Reconciliation of modified accrual to full accrual basis:	
Revenues, other sources, and appropriated fund balance over expenditures	\$ 203,376
Reconciling items:	
Depreciation	(109,435)
Loss on sale of capital assets	(4,647)
Capital outlay	15,655
Increase (decrease) in inventory	(654)
(Increase) decrease in unavailable revenues	1,672
(Increase) decrease in compensated absences	(5,107)
Net pension liability	97,316
Net OPEB liability	402,062
Deferred outflows - pension	(46,351)
Deferred inflows - pension	(517,705)
Change in net position	<u>\$ 36,182</u>

MOORESVILLE GRADED SCHOOL DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-
GAAP) - CHILD CARE FUND
For the Year Ended June 30, 2018

Exhibit D-2

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Operating revenues:			
Child care fees	\$ 627,400	\$ 627,367	\$ (33)
Operating expenditures:			
Purchase of food		51,303	
Salaries and benefits		611,674	
Materials and supplies		32,111	
Utilities		4,347	
Other		11,563	
Total operating expenditures	<u>718,049</u>	<u>710,998</u>	<u>7,051</u>
Revenues over (under) expenditures	(90,649)	(83,631)	7,018
Other financing sources:			
Transfer from General Fund	<u>90,649</u>	<u>86,300</u>	<u>(4,349)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 2,669</u>	<u>\$ 2,669</u>
Reconciliation of modified accrual to full accrual basis:			
Revenues under expenditures		\$ 2,669	
Reconciling items:			
(Increase) decrease in compensated absences		(1,084)	
Net pension liability		(12,478)	
Net OPEB liability		234,176	
Deferred outflows - pension		19,309	
Deferred inflows - pension		<u>(304,800)</u>	
Change in net position		<u>\$ (62,208)</u>	

COMPLIANCE SECTION



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

**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***

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Mooresville Graded School District
Mooresville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mooresville Graded School District, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Mooresville Graded School District, North Carolina's basic financial statements and have issued our report thereon dated October 10, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mooresville Graded School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson Smith & Wike PLLC

October 10, 2018
Statesville, North Carolina



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with the OMB Uniform Guidance and the State Single Audit Implementation Act

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Mooresville Graded School District
Mooresville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Mooresville Graded School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Mooresville Graded School District's major federal programs for the year ended June 30, 2018. The Mooresville Graded School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Mooresville Graded School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Mooresville Graded School District'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Mooresville Graded School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Mooresville Graded School District complied, in all material respects, with the types of 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, 2018.

Report on Internal Control Over Compliance

Management of the Mooresville Graded School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Mooresville Graded School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

October 10, 2018
Statesville, North Carolina



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Mooresville Graded School District
Mooresville, North Carolina

Report on Compliance for Each Major State Program

We have audited the Mooresville Graded School District's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Mooresville Graded School District's major state programs for the year ended June 30, 2018. The Mooresville Graded School District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Mooresville Graded School District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Mooresville Graded School District'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 on compliance for each major State program. However, our audit does not provide a legal determination of the Mooresville Graded School District's compliance.

Opinion on Each Major State Program

In our opinion, the Mooresville Graded School District complied, in all material respects, with the types of 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, 2018.

Report on Internal Control over Compliance

Management of the Mooresville Graded School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Mooresville Graded School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

October 10, 2018
Statesville, North Carolina

**Mooresville Graded School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

**Mooresville Graded School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
84.027	Special Education Cluster: Grants to States Grants to States - Preschool
84.173	

Dollar threshold used to distinguish
between Type A and Type B Programs:

\$ 750,000

Auditee qualified as low-risk auditee?

yes no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___yes no
- Significant deficiency(s) identified that
are not considered to be material weaknesses? ___yes none reported

Type of auditors' report issued on compliance for major State programs: Unmodified

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:

- Program Name
- State Public School Fund
- Vocational Education – State Months of Employment
- Public School Capital Fund - lottery

**Mooreville Graded School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Section II. Financial Statement Findings

None Reported

Section III. Federal Award Findings and Questioned Costs

None Reported

Section IV. State Award Findings and Questioned Costs

None Reported

**Mooresville Graded School District
Corrective Action Plan
For the Year Ended June 30, 2018**

Section II. Financial Statement Findings

Finding: None Reported

Section III. Federal Award Findings and Questioned Costs

Finding: None Reported

Section IV. State Award Findings and Questioned Costs

Finding: None Reported

**Mooresville Graded School District
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018**

Finding: 2017
Status: None reported

MOORESVILLE GRADED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>		<u>Expenditures</u>
Federal Grants:			
Cash Assistance:			
<u>U.S. Department of Agriculture</u>			
Food and Nutrition Service			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555		\$ <u>179,027</u>
Cash Assistance:			
School Breakfast Program	10.553		294,019
After School Snack Program	10.555		367
National School Lunch Program	10.555		<u>982,056</u>
Cash Assistance Subtotal			<u>1,276,442</u>
Total Child Nutrition Cluster			<u>1,455,469</u>
<u>U.S. Department of Education</u>			
Office of Elementary and Secondary Education			
Passed-through the N.C. Department of Public Instruction:			
Education Consolidation and Improvement Act of 1981			
Improving America School Act of 1994 (IASA)			
Title I, Grants to Local Educational Agencies			
Educationally Deprived Children	84.010	PRC 050	674,261
Education for Homeless Children and Youth	84.196	PRC 026	10,309
Supporting Effective Instruction State Grant	84.367	PRC 103	73,249
Student Support and Academic Enrichment Program	84.424	PRC 108	7,425
Office of Special Education and Rehabilitative Services			
Passed-through the N.C. Department of Public Instruction:			
Special Education Cluster:			
Individuals with Disabilities Education Act			
Special Education - Grants to States	84.027	PRC 060	1,013,047
Special Education - Targeted Assistance	84.027	PRC 118	6,855
Special Education - Special Needs at Risk	84.027	PRC 114	25,942
Special Education - Targeted Assisstance for Preschool	84.027	PRC 119	701
Special Education - Preschool Grants	84.173	PRC 049	<u>37,108</u>
Total Special Education Cluster			<u>1,083,653</u>

MOORESVILLE GRADED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018

Passed-through the N.C. Department of Public Instruction:			
Carl D. Perkins Vocational and Applied Technology			
Education Act Amendments of 1990			
Basic Grants to States			
Program Development	84.048	PRC 017	<u>36,360</u>
Total U.S. Department of Education			<u>1,885,257</u>
Other Federal Assistance:			
<u>U.S. Department of Defense</u>			
Direct Program:			
JROTC		None	<u>70,752</u>
Total Federal Assistance			<u>3,411,478</u>
State Grants:			
Cash Assistance:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund			31,459,309
Vocational Education			
State Months of Employment		PRC 013	1,789,155
Program Support Funds		PRC 014	329,622
Driver Training		PRC 012	101,841
School Technology Fund		PRC 015	<u>95,788</u>
Passed-through Iredell County			
Public School Capital Fund - lottery			<u>999,731</u>
Total N.C. Department of Public Instruction			<u>34,775,446</u>
<u>N.C. Department of Agriculture</u>			
State Reduced Breakfast Program			<u>5,433</u>
Total State Assistance			<u>34,780,879</u>
Total Federal and State Assistance			<u>\$ 38,192,357</u>

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

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Mooresville Graded School District under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Mooresville Graded School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of Mooresville Graded School District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.