

**IREDELL-STATESVILLE
BOARD OF EDUCATION**

Financial Report

Year Ended June 30, 2010

IREDELL-STATESVILLE BOARD OF EDUCATION

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McCANNON • ROGERS • DRISCOLL
& ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

DAVID R. ROGERS, CPA
STEPHEN B. DRISCOLL, CPA
RANDY G. BOYD, CPA

ASSOCIATES:

VINCE QUINN, CPA
ANN DAWSON, CPA
ALICE AUTEN, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Iredell-Statesville Board of Education
Statesville, North Carolina

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2010 on our consideration of the Iredell-Statesville Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Iredell-Statesville Board of Education, North Carolina. The combining and individual nonmajor fund financial statements, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McCann, Rogers, Driscoll + Associates, L.L.P.

September 17, 2010

Gastonia, North Carolina

IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

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

Financial Highlights

- The Board's enrollment remained stable between 2008-09 and 2009-10, decreasing by only 22 students (less than 1%).
- The Board successfully opened two International Baccalaureate candidate schools in August 2009.
- The Board expended over \$8.6 million in Federal American Recovery and Reinvestment Act appropriations during the year ended June 30, 2010. This offset the more than \$10.5 million reduction in State and Local funding.
- The Board continues to rank at the bottom in the State in per pupil funding. For the 2009-10 school year, the Board ranked 112th out of 115 school boards state-wide. Our per pupil funding was \$7,159.

Overview of the Financial Statements

The audited financial statements of the Iredell-Statesville Board of Education consist of four components. They are as follows:

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

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

The second type of statement included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary 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.

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

Fund Financial Statements (Continued)

Iredell-Statesville Board of Education has two types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – 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 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. Iredell-Statesville Board of Education has two proprietary funds – both enterprise funds – the School Food Service Fund and the Child Care Fund.

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

Financial Analysis of the Schools as a Whole

Net assets are an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$111,466,927 as of June 30, 2010. The largest component of net assets is invested in capital assets, net of related debt, of \$104,469,032. It comprises 94% of the total net assets.

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

Financial Analysis of the Schools as a Whole (Continued)

Following is a summary of the Statement of Net Assets:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Current assets	\$ 17,010,802	\$ 16,102,678	\$ 2,327,516	\$ 2,208,720	\$ 19,338,318	\$ 18,311,398
Capital assets	107,153,588	104,445,557	546,463	448,570	107,700,051	104,894,127
Total assets	<u>124,164,390</u>	<u>120,548,235</u>	<u>2,873,979</u>	<u>2,657,290</u>	<u>127,038,369</u>	<u>123,205,525</u>
Current liabilities	12,633,665	11,940,259	328,004	306,648	12,961,669	12,246,907
Long-term liabilities	2,609,773	2,588,998	-	10,473	2,609,773	2,599,471
Total liabilities	<u>15,243,438</u>	<u>14,529,257</u>	<u>328,004</u>	<u>317,121</u>	<u>15,571,442</u>	<u>14,846,378</u>
Invested in capital assets, net of related debt	103,922,569	100,165,649	546,463	448,570	104,469,032	100,614,219
Restricted net assets	1,569,979	1,471,598	-	-	1,569,979	1,471,598
Unrestricted net assets	3,428,404	4,381,731	1,999,512	1,891,599	5,427,916	6,273,330
Total net assets	<u>\$108,920,952</u>	<u>\$ 106,018,978</u>	<u>\$ 2,545,975</u>	<u>\$ 2,340,169</u>	<u>\$111,466,927</u>	<u>\$108,359,147</u>

Note that net assets increased during the year, indicating improving in the financial condition of the Board. The increase in net assets was due largely to the increase capital assets. Also note that the Board carries capital assets for which Iredell County carries the offsetting debt.

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

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

Table 2
Condensed Statement of Activities
for the Year Ended June 30, 2010 and 2009

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Revenues:						
Program revenues:						
Charges for services	\$ 117,452	\$ 80,223	\$ 6,470,322	\$ 7,153,246	\$ 6,587,774	\$ 7,233,469
Operating grants and contributions	121,120,245	118,486,663	4,991,120	4,608,110	126,111,365	123,094,773
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Other revenues	46,949,898	51,095,486	619,415	22,134	47,569,313	51,117,620
Total revenues	<u>168,187,595</u>	<u>169,662,372</u>	<u>12,080,857</u>	<u>11,783,490</u>	<u>180,268,452</u>	<u>181,445,862</u>
Expenses:						
Governmental activities:						
Instructional services	131,559,219	134,925,765	-	-	131,559,219	134,925,765
System-wide support services	30,410,524	31,791,016	-	-	30,410,524	31,791,016
Ancillary services	73,335	79,986	-	-	73,335	79,986
Non-programmed charges	2,582,333	2,004,925	-	-	2,582,333	2,004,925
Interest on long-term debt	135,490	445,222	-	-	135,490	445,222
Depreciation	479,720	340,874	-	-	479,720	340,874
Business-type activities:						
Food service	-	-	10,243,389	10,484,650	10,243,389	10,484,650
Child care	-	-	1,676,662	1,801,715	1,676,662	1,801,715
Total expenses	<u>165,240,621</u>	<u>169,587,788</u>	<u>11,920,051</u>	<u>12,286,365</u>	<u>177,160,672</u>	<u>181,874,153</u>
Increase (decrease) in net assets	2,946,974	74,584	160,806	(502,875)	3,107,780	(428,291)
Transfers	(45,000)	-	45,000	-	-	-
Beginning net assets	106,018,978	105,944,394	2,340,169	2,843,044	108,359,147	108,787,438
Ending net assets	<u>\$ 108,920,952</u>	<u>\$ 106,018,978</u>	<u>\$ 2,545,975</u>	<u>\$ 2,340,169</u>	<u>\$ 111,466,927</u>	<u>\$ 108,359,147</u>

Total governmental activities generated revenues of \$168.1 million while expenses in this category totaled \$165.2 million for the year ended June 30, 2010. Comparatively, revenues were \$169.6 million and expenses totaled \$169.6 million for the year ended June 30, 2009. The increase in net assets stands at \$2,946,974 and \$74,584 at June 30, 2010 and 2009, comparatively. Instructional service expenses comprised 80% of total governmental-type expenses while system-wide support services made up 18% of those expenses for 2010. County funding comprised 20% of total governmental revenue. In 2009, county funding was 23%. Much of the remaining 80% of total governmental revenue for 2010 consists of restricted State and Federal money. Business-type activities generated revenue of \$12.1 million and had expenses of \$11.9 million. Net assets increased in the business-type activities by \$205,806.

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

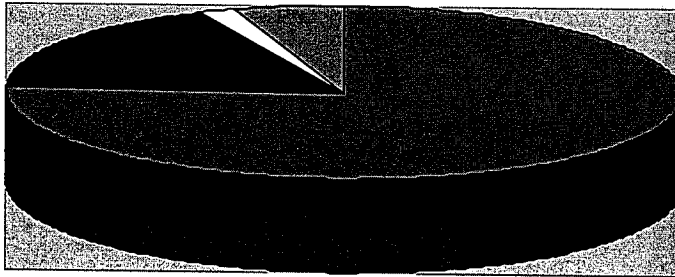
Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of \$12,112,602, a \$369,379 decrease over last year. The Capital Outlay Fund reported a \$604,094 decrease in fund balance, ending the year with \$2,904,573 in fund balance. The Individual Schools Fund and the General Fund reported a \$108,186 increase and \$39,971 increase, respectively, in fund balance for the year ended June 30, 2010.

Proprietary Funds: The Board's business-type funds had a net decrease in net assets in the past year. The School Food Service Fund reflected a increase in net assets from the prior year of \$243,691. The Child Care Fund decreased net assets by \$37,885.

**Categorization of Expenditures for
Governmental Funds**



- **Instructional Services**
- **System-wide Support Services**
- **Non-Programmed Charges**
- **Capital Projects**

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget to account for changes in revenue expectations and to reduce appropriations in light of increased revenue estimates. Given the increase in revenue, revenues were sufficient to cover expenditures, and the Board ended the year with an increase in fund balance.

Capital Assets

Capital assets increased by \$2,805,924 from the previous year. This was largely due to construction projects during the year. The following is a summary of the capital assets, net of depreciation at year-end.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Land	\$ 12,540,665	\$ 10,879,853	\$ -	\$ -	\$ 12,540,665	\$ 10,879,853
Construction in Progress	2,193,999	-	-	-	2,193,999	-
Building and improvements	86,144,046	87,349,628	-	-	86,144,046	87,349,628
Equipment and furniture	2,496,390	1,613,529	546,463	448,570	3,042,853	2,062,099
Vehicles	3,778,488	4,602,547	-	-	3,778,488	4,602,547
Total	\$107,153,588	\$104,445,557	\$ 546,463	\$ 448,570	\$107,700,051	\$104,894,127

Debt Outstanding

During the year the Board's outstanding debt decreased by \$1,048,889 as the Board has paid off portions of the debt. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds the majority of the debt issued for school construction.

Economic Factors

The Board anticipates an increased enrollment over the next several years and will need continued increases in classroom space, teachers, and equipment. 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 negatively affected the economic outlook of Iredell County.

- The County's unemployment rate of 11.4% remains higher than the State unemployment rate of 9.9%.
- Iredell County maintains the lowest property tax rate in the region and the 17th lowest in the State at .4450 per \$100 valuation.
- The State and Iredell County continue to experience an economic downturn. This has a negative impact on the funding available for education as a result of the reduced revenue and collections for income, property, and sales taxes.

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

Requests for Information

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

Melissa Wike, Finance Officer
Iredell-Statesville Board of Education
P.O. Box 911
Statesville, NC 28687

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF NET ASSETS
June 30, 2010

Exhibit 1

	Primary Government	
	Governmental	Business-type
	Activities	Activities
		Total
ASSETS		
Cash and cash equivalents	\$ 13,863,958	\$ 1,888,595
Due from other governments	2,048,997	182,777
Internal balances	(707)	707
Receivables (net)	1,006,704	62,092
Inventories	91,850	193,345
Capital assets:		
Land, improvements, and construction in progress	14,734,664	-
Other capital assets, net of depreciation	92,418,924	546,463
Total capital assets	107,153,588	546,463
Total assets	124,164,390	2,873,979
LIABILITIES		
Accounts payable and accrued expenses	4,592,383	40,530
Unearned revenue	-	86,790
Long-term liabilities:		
Due within one year	8,041,282	200,684
Due in more than one year	2,609,773	-
Total liabilities	15,243,438	328,004
NET ASSETS		
Invested in capital assets, net of related debt	103,922,569	546,463
Restricted for:		
Individual schools	1,423,313	-
Scholarships	146,666	-
Unrestricted	3,428,404	1,999,512
Total net assets	\$ 108,920,952	\$ 2,545,975
		\$ 111,466,927

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Exhibit 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
Instructional services:				
Regular instructional	\$ 88,257,116	\$ 44,397	\$ 70,481,608	\$ -
Special populations	15,654,669	-	14,795,135	-
Alternative programs	8,013,545	-	7,178,259	-
School leadership	8,693,246	-	5,110,474	-
Co-curricular	572,015	-	-	-
School-based support	10,368,628	-	7,864,506	-
System-wide support services:				
Support and development	2,132,432	-	1,478,002	-
Special population support	725,645	-	695,035	-
Alternative programs	189,138	-	163,992	-
Technology support	1,280,189	-	478,110	-
Operational support	23,223,683	73,055	11,403,116	-
Financial and human resource	1,917,205	-	1,023,840	-
Accountability	86,141	-	62,602	-
System-wide pupil support	20,778	-	20,503	-
Policy, leadership and public relations	835,313	-	365,063	-
Ancillary services	73,335	-	-	-
Non-programmed charges	2,582,333	-	-	-
Interest expense	135,490	-	-	-
Unallocated depreciation expense**	479,720	-	-	-
Total governmental activities	165,240,621	117,452	121,120,245	-
Business-type activities:				
School food service	10,243,389	4,835,408	4,991,120	-
Child care	1,676,662	1,634,914	-	-
Total business-type activities	11,920,051	6,470,322	4,991,120	-
Total primary government	\$ 177,160,672	\$ 6,587,774	\$ 126,111,365	\$ -

General revenues:

Unrestricted county appropriations - operating
Unrestricted county appropriations - capital
Unrestricted State appropriations - operating
Unrestricted State appropriations - capital
Investment earnings, unrestricted
Miscellaneous, unrestricted
Transfers
Total general revenues
Change in net assets
Net assets-beginning
Net assets-ending

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (17,731,111)	\$ -	\$ (17,731,111)
(859,534)	-	(859,534)
(835,286)	-	(835,286)
(3,582,772)	-	(3,582,772)
(572,015)	-	(572,015)
(2,504,122)	-	(2,504,122)
(654,430)	-	(654,430)
(30,610)	-	(30,610)
(25,146)	-	(25,146)
(802,079)	-	(802,079)
(11,747,512)	-	(11,747,512)
(893,365)	-	(893,365)
(23,539)	-	(23,539)
(275)	-	(275)
(470,250)	-	(470,250)
(73,335)	-	(73,335)
(2,582,333)	-	(2,582,333)
(135,490)	-	(135,490)
(479,720)	-	(479,720)
(44,002,924)	-	(44,002,924)
-	(416,861)	(416,861)
-	(41,748)	(41,748)
-	(458,609)	(458,609)
(44,002,924)	(458,609)	(44,461,533)
30,600,625	-	30,600,625
2,496,470	-	2,496,470
-	612,217	612,217
7,722,907	-	7,722,907
115,887	8,142	124,029
6,014,009	(944)	6,013,065
(45,000)	45,000	-
46,904,898	664,415	47,569,313
2,901,974	205,806	3,107,780
106,018,978	2,340,169	108,359,147
\$ 108,920,952	\$ 2,545,975	\$ 111,466,927

IREDELL-STATESVILLE BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

Exhibit 3

	Major Funds			
	General	State Public School	Individual Schools	Capital Outlay
ASSETS				
Cash and cash equivalents	\$ 9,325,718	\$ -	\$ 1,423,313	\$ 3,069,472
Accounts receivable	226,014	-	-	456,814
Due from other funds	-	6,666	-	-
Due from other governments	128,007	1,623,716	-	-
Inventories	91,850	-	-	-
Total assets	<u>\$ 9,771,589</u>	<u>\$ 1,630,382</u>	<u>\$ 1,423,313</u>	<u>\$ 3,526,286</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,049,235	\$ 1,625,081	\$ -	\$ 621,713
Due to other funds	20,726	-	-	-
Deferred revenue	3,470	5,301	-	-
Total liabilities	<u>2,073,431</u>	<u>1,630,382</u>	<u>-</u>	<u>621,713</u>
Fund balances:				
Reserved by:				
Inventories	91,850	-	-	-
Scholarships	146,666	-	-	-
State statute	354,021	-	-	456,814
Unreserved:				
Designated for subsequent year's expenditures	1,916,877	-	-	1,206,155
Undesignated, reported in:				
General Fund	5,188,744	-	-	-
Special Revenue Funds	-	-	1,423,313	-
Capital Projects Fund	-	-	-	1,241,604
Total fund balances	<u>7,698,158</u>	<u>-</u>	<u>1,423,313</u>	<u>2,904,573</u>
Total liabilities and fund balances	<u>\$ 9,771,589</u>	<u>\$ 1,630,382</u>	<u>\$ 1,423,313</u>	<u>\$ 3,526,286</u>

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

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

Liabilities for earned but deferred revenues in fund statements.

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 (Note 2).

Net assets of governmental activities

<u>Non-major Funds</u>	
<u>Other</u>	<u>Total</u>
<u>Governmental</u>	<u>Governmental</u>
<u>Funds</u>	<u>Funds</u>
\$ 45,455	\$ 13,863,958
323,876	1,006,704
13,353	20,019
297,274	2,048,997
-	91,850
<u>\$ 679,958</u>	<u>\$ 17,031,528</u>

\$ 296,354	\$ 4,592,383
-	20,726
297,046	305,817
<u>593,400</u>	<u>4,918,926</u>

-	91,850
-	146,666
-	810,835
-	3,123,032
-	5,188,744
86,558	1,509,871
-	1,241,604
<u>86,558</u>	<u>12,112,602</u>
<u>\$ 679,958</u>	

107,153,588
305,817

(10,651,055)
\$ 108,920,952

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

Exhibit 4

	Major Funds			
	General	State Public School	Individual Schools	Capital Outlay
REVENUES				
State of North Carolina	\$ -	\$ 102,323,624	\$ -	\$ 7,722,907
Iredell County	30,600,625	-	-	2,496,470
U.S. Government	-	-	-	-
Other	1,555,122	-	4,376,706	309,727
Total revenues	32,155,747	102,323,624	4,376,706	10,529,104
EXPENDITURES				
Current:				
Instructional services:				
Regular instructional	8,329,617	62,793,277	4,268,520	518,556
Special populations	792,051	10,990,671	-	-
Alternative programs	767,289	2,439,134	-	-
School leadership	3,558,074	5,059,371	-	11,945
Co-curricular	571,215	-	-	-
School-based support	2,417,848	6,975,015	-	61,199
System-wide support services:	-	-	-	-
Support and development	644,329	883,951	-	-
Special population support	24,730	288,991	-	-
Alternative programs	23,624	59,056	-	-
Technology support	800,236	473,691	-	-
Operational support	10,517,092	11,029,074	-	101,295
Financial and human resource	886,447	884,262	-	2,568
Accountability	23,419	62,602	-	-
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	468,773	339,273	-	-
Ancillary services	30,001	256	-	-
Non-programmed charges	2,550,349	-	-	-
Debt service:				
Principal	265,169	-	-	1,551,611
Interest expense	70,727	-	-	64,763
Capital outlay	-	-	-	8,909,231
Total expenditures	32,740,990	102,278,624	4,268,520	11,221,168
Revenues over (under) expenditures	(585,243)	45,000	108,186	(692,064)
OTHER FINANCING SOURCES				
Transfers (to) from other funds	-	(45,000)	-	-
Proceeds from issuance of debt	679,921	-	-	87,970
Net change in fund balance	94,678	-	108,186	(604,094)
Fund balances-beginning	7,658,187	-	1,315,127	3,508,667
Increase in reserve for inventories	(54,707)	-	-	-
Fund balances-ending	\$ 7,698,158	\$ -	\$ 1,423,313	\$ 2,904,573

The accompanying notes are an integral part of the financial statements.

<u>Non-major Funds</u>		
Other		Total
Governmental		Governmental
Funds		Funds
\$ 246,309	\$	110,292,840
-		33,097,095
18,057,079		18,057,079
967,716		7,209,271
<u>19,271,104</u>		<u>168,656,285</u>

7,733,331	83,643,301
3,804,464	15,587,186
4,739,125	7,945,548
51,103	8,680,493
-	571,215
889,491	10,343,553

594,051	2,122,331
406,044	719,765
104,936	187,616
4,419	1,278,346
374,042	22,021,503
139,578	1,912,855
-	86,021
20,503	20,503

25,790	833,836
42,466	72,723
255,203	2,805,552

-	1,816,780
-	135,490
-	8,909,231

<u>19,184,546</u>	<u>169,693,848</u>
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86,558	(1,037,563)
--------	-------------

-	(45,000)
-	767,891

86,558	(314,672)
--------	-----------

-	12,481,981
-	(54,707)

<u>\$ 86,558</u>	<u>\$ 12,112,602</u>
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IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

Exhibit 4
(Continued)

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

Net changes in fund balances - total governmental funds	\$	(314,672)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		2,851,946
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		(270,071)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		1,048,889
Change in fund balance due to change in reserve for inventories		(54,707)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(215,496)
Net book value of disposed capital assets		(143,915)
Total changes in net assets of governmental activities	\$	<u>2,901,974</u>

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL
REVENUE FUND
For the Year Ended June 30, 2010

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Iredell County	30,600,625	30,600,625	30,600,625	-
U.S. Government	-	-	-	-
Other	3,828,815	2,713,565	1,555,122	(1,158,443)
Total revenues	34,429,440	33,314,190	32,155,747	(1,158,443)
Expenditures:				
Current:				
Instructional services:				
Regular instructional			8,329,617	
Special populations			792,051	
Alternative programs			767,289	
School leadership			3,558,074	
Co-curricular			571,215	
School-based support			2,417,848	
Total instructional services	16,763,970	18,330,555	16,436,094	1,894,461
System-wide support services:				
Support and development			644,329	
Special population support			24,730	
Alternative programs			23,624	
Technology support			800,236	
Operational support			10,517,092	
Financial and human resource			886,447	
Accountability			23,419	
System-wide pupil support			-	
Policy, leadership and public relations			468,773	
Total support services	18,102,569	13,763,689	13,388,650	375,039
Ancillary services	9,810	30,075	30,001	74
Non-programmed charges	1,958,757	2,929,200	2,550,349	378,851
Debt service:				
Principal	-	265,169	265,169	-
Interest expense	-	70,727	70,727	-
Total expenditures	36,835,106	35,389,415	32,740,990	2,648,425
Revenues over (under) expenditures	(2,405,666)	(2,075,225)	(585,243)	1,489,982
Other financing sources (uses):				
Proceeds from issuance of debt	-	770,061	679,921	(90,140)
Transfers (to) from other funds	-	-	-	-
	-	770,061	679,921	(90,140)
Revenues and other sources over (under) expenditures and other uses	(2,405,666)	(1,305,164)	94,678	1,399,842
Other financing sources:				
Proceeds from issuance of debt	-	-	-	-
Appropriated fund balance	2,405,666	1,305,164	-	(1,305,164)
Revenues and appropriated fund balance over expenditures	\$ -	\$ -	94,678	\$ 94,678
Fund balances, beginning of year			7,658,187	
Increase in reserve for inventories			(54,707)	
Fund balances, end of year			\$ 7,698,158	

State Public School Fund

Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ 98,252,416	\$ 104,788,870	\$ 102,323,624	\$ (2,465,246)
-	-	-	-
-	-	-	-
98,252,416	104,788,870	102,323,624	(2,465,246)
		62,793,277	
		10,990,671	
		2,439,134	
		5,059,371	
		-	
		6,975,015	
91,422,218	90,428,916	88,257,468	2,171,448
		883,951	
		288,991	
		59,056	
		473,691	
		11,029,074	
		884,262	
		62,602	
		-	
		339,273	
6,830,198	14,306,954	14,020,900	286,054
-	8,000	256	7,744
-	-	-	-
-	-	-	-
98,252,416	104,743,870	102,278,624	2,465,246
-	45,000	45,000	-
-	-	-	-
-	-	-	-
-	(45,000)	(45,000)	-
-	(45,000)	(45,000)	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	-	\$ -
		\$ -	

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2010

Exhibit 6

	Enterprise Funds		
	Major Fund	Non-major Fund	Total
	School Food Service	Child Care	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,258,236	\$ 630,359	\$ 1,888,595
Due from other governments	182,020	757	182,777
Due from funds	707	-	707
Accounts receivable	2,281	59,811	62,092
Inventories	193,345	-	193,345
Total current assets	<u>1,636,589</u>	<u>690,927</u>	<u>2,327,516</u>
Noncurrent assets:			
Capital assets, net	<u>546,463</u>	<u>-</u>	<u>546,463</u>
	<u>2,183,052</u>	<u>690,927</u>	<u>2,873,979</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	34,562	5,968	40,530
Compensated absences	117,191	83,493	200,684
Deferred revenues	70,270	16,520	86,790
Total current liabilities	<u>222,023</u>	<u>105,981</u>	<u>328,004</u>
NET ASSETS			
Invested in capital assets	546,463	-	546,463
Unrestricted	1,414,566	584,946	1,999,512
Total net assets	<u>\$ 1,961,029</u>	<u>\$ 584,946</u>	<u>\$ 2,545,975</u>

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

Exhibit 7

	Enterprise Funds		
	Major Fund	Non-major Fund	Total
	School Food Service	Child Care	
OPERATING REVENUES			
Food sales	\$ 4,835,408	\$ -	\$ 4,835,408
Child care fees	-	1,634,914	1,634,914
Total operating revenues	4,835,408	1,634,914	6,470,322
OPERATING EXPENSES			
Food cost:			
Purchase of food	4,158,088	60,413	4,218,501
Salaries and benefits	4,776,112	1,512,166	6,288,278
Indirect costs	657,217	-	657,217
Utilities and telephone	30,634	5,615	36,249
Contracted services	5,730	36,327	42,057
Materials and supplies	420,210	41,620	461,830
Repairs and maintenance	54,751	422	55,173
Travel	11,797	-	11,797
Field trips	-	20,099	20,099
Depreciation	127,097	-	127,097
Other	1,753	-	1,753
Total operating expenses	10,243,389	1,676,662	11,920,051
Operating loss	(5,407,981)	(41,748)	(5,449,729)
NONOPERATING REVENUES			
Federal reimbursements	4,453,529	-	4,453,529
State reimbursements	4,214	-	4,214
Federal commodities	492,633	-	492,633
Indirect cost not paid	612,217	-	612,217
Interest earned	4,279	3,863	8,142
Other	(944)	-	(944)
Total nonoperating revenue	5,565,928	3,863	5,569,791
OTHER SOURCES			
Transfer from other funds	45,000	-	45,000
Contributions of fixed assets	40,744	-	40,744
Change in net assets	243,691	(37,885)	205,806
Total net assets - beginning	1,717,338	622,831	2,340,169
Total net assets - ending	\$ 1,961,029	\$ 584,946	\$ 2,545,975

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2010

Exhibit 8

	Enterprise Funds		
	Major Fund	Non-major Fund	Total
	School Food Service	Child Care	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,871,628	\$ 1,609,543	\$ 6,481,171
Cash paid for goods and services	(4,067,085)	(164,755)	(4,231,840)
Cash paid to employees for services	(4,719,262)	(1,527,805)	(6,247,067)
Net cash provided (used) by operating activities	(3,914,719)	(83,017)	(3,997,736)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Government reimbursements	4,457,743	-	4,457,743
Other	(944)	-	(944)
Net cash provided by noncapital financing activities	4,456,799	-	4,456,799
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(185,155)	-	(185,155)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	4,279	3,863	8,142
Net increase (decrease) in cash and cash equivalents	361,204	(79,154)	282,050
Balances-beginning of the year	897,032	709,513	1,606,545
Balances-end of the year	\$ 1,258,236	\$ 630,359	\$ 1,888,595

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2010

Exhibit 8
(Continued)

Reconciliation of operating loss to net cash used by operating activities

Operating loss	\$ (5,407,981)	\$ (41,748)	\$ (5,449,729)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	127,097	-	127,097
Donated commodities consumed	492,633	-	492,633
Salaries paid by other funds	45,000	-	45,000
Indirect cost not paid	612,217	-	612,217
Loss on disposal of capital assets	909	-	909
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	18,692	(26,244)	(7,552)
(Increase) decrease in due from other governments	15,809	(757)	15,052
Decrease in inventories	155,754	-	155,754
Increase in accounts payable and accrued expenses	11,582	498	12,080
Increase in deferred revenues	1,719	873	2,592
Increase (decrease) in compensated absences	11,850	(15,639)	(3,789)
Total adjustments	1,493,262	(41,269)	1,451,993
Net cash used by operating activities	\$ (3,914,719)	\$ (83,017)	\$ (3,997,736)

Noncash investing, capital, and financing activities:

The School Food Service Fund received donated commodities with a value of \$492,633 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue on Exhibit 7.

The State Public School Fund paid salaries of \$45,000 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as a transfer in and an operating expense on Exhibit 7.

Indirect costs of \$612,217 that would be due to the General Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 7.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Iredell-Statesville Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education of the children of Iredell County not living within the boundaries of the Mooresville City Local Educational Agency. 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 assets and the statement of activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. This fund is the "Local Current Expense Fund," which is mandated by State law [G.S. 115C-426].

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

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, lottery proceeds, as well as certain State assistance.

The Board reports the following major enterprise fund:

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

Measurement Focus and Basis of Accounting

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within 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.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

All governmental and business-type activities 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 purpose level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to \$1,000) from one function to another within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change purpose appropriations by more than \$1,000. All amendments must be approved by the governing board. During the year, several immaterial 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.

Assets, Liabilities, 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.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Inventories

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

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

Capital Assets

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

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. 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.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>Years</u>
Buildings	30
Equipment and furniture	12
Vehicles	7
Computer equipment	5

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.

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, 2010 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

Net Assets/Fund Balances

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

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

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

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental fund types classify fund balances as follows:

RESERVED

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

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

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

UNRESERVED

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

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

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$96,808,350 consists of several elements as follows:

Description	Amount
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)	\$ 174,458,064
Less Accumulated Depreciation	67,304,476
Net capital assets	107,153,588
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide	305,817
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:	
Leases and installment financing	(3,231,019)
Compensated absences	(7,420,036)
Total adjustment	<u>\$ 96,808,350</u>

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$3,216,646 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 8,823,233
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(5,971,287)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Change in deferred revenue	(270,071)
New debt issued during the year is recorded as a source of funds on the funds statements, but affect only the statement of net assets in the government-wide statements.	(767,891)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements.	1,816,780
Change in fund balance due to change in reserve for inventories	(54,707)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(215,496)
Net book value of disposed capital assets	(143,915)
Total adjustment	<u>\$ 3,216,646</u>

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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, 2010, the Board had deposits with banks and savings and loans with a carrying amount of \$6,620,707 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$6,594,878 and \$2,457,038, respectively. Of these balances, \$1,772,723 was covered by federal depository insurance and \$7,279,193 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

At June 30, 2010, the Board had \$134,684 deposited with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. There was \$8,997,162 deposited with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and is authorized under NC General Statute 147-69.1 and had a weighted average maturity of 1.6 years at June 30, 2010. The Board has no policy for managing interest rate risk or credit risk.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Accounts Receivable

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

	<u>Due from other governments</u>	<u>Accounts receivable, net</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 128,007	\$ 226,014	\$ 354,021
Other governmental activities	1,920,990	780,690	2,701,679
Total	<u>\$ 2,048,997</u>	<u>\$ 1,006,704</u>	<u>\$ 3,655,700</u>
Business-type activities:			
School Food Service	\$ 182,020	\$ 2,281	\$ 184,301
Child Care	757	59,811	60,568
Total	<u>\$ 182,777</u>	<u>\$ 62,092</u>	<u>\$ 244,869</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 128,007	Sales tax refund due from the State
State Public School Fund	1,623,716	Salary accrual due from NC
Federal Grants Fund	283,384	Salary accrual due from Federal Grants
Other Special Revenue Fund	13,890	Grant funds
	<u>\$ 2,048,997</u>	
Business-type activities:		
School Food Service Fund	\$ 182,020	Federal reimbursements
Child Care Fund	59,811	Iredell and Catawba County funds
	<u>\$ 241,831</u>	

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,879,853	\$ 1,804,727	\$ 143,915	\$ 12,540,665
Construction in process	-	2,193,999	-	2,193,999
Total capital assets not being depreciated	<u>10,879,853</u>	<u>3,998,726</u>	<u>143,915</u>	<u>14,734,664</u>
Capital assets being depreciated:				
Buildings and improvements	135,066,825	3,118,994	6,221	138,179,598
Equipment and furniture	4,260,757	1,362,581	59,629	5,563,709
Vehicles	16,087,260	342,932	450,099	15,980,093
Total capital assets being depreciated	<u>155,414,842</u>	<u>4,824,507</u>	<u>515,949</u>	<u>159,723,400</u>
Less accumulated depreciation for:				
Buildings and improvements	47,717,197	4,324,576	6,221	52,035,552
Equipment and furniture	2,647,228	479,720	59,629	3,067,319
Vehicles	11,484,713	1,166,991	450,099	12,201,605
Total accumulated depreciation	<u>61,849,138</u>	<u>5,971,287</u>	<u>515,949</u>	<u>67,304,476</u>
Total capital assets being depreciated, net	<u>93,565,704</u>			<u>92,418,924</u>
Governmental activity capital assets, net	<u>\$104,445,557</u>			<u>\$107,153,588</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 1,774,517	\$ 225,899	\$ 12,424	\$ 1,987,992
Less accumulated depreciation for:				
Furniture and office equipment	<u>1,325,947</u>	<u>\$ 127,097</u>	<u>\$ 11,515</u>	<u>1,441,529</u>
Business-type activity capital assets, net	<u>\$ 448,570</u>			<u>\$ 546,463</u>

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Depreciation was charged to governmental functions as follows:

Instructional services	\$	4,324,576
Operational support		1,166,991
Unallocated depreciation		479,720
Total	\$	<u>5,971,287</u>

Liabilities

Pension Plan Obligations

a. Teachers' and State Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 3.57% of annual covered payroll. The contribution requirements of plan members and Iredell-Statesville Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2010, 2009, and 2008 were \$3,707,367, \$3,627,536, and \$3,424,118, respectively, equal to the required contributions for each year.

b. Other Post-employment Benefits

Post-employment Healthcare Benefits

Plan Description. The post-employment healthcare benefits are provided through multiple-employer cost-sharing plans defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the "Plan"). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

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

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

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2010, 2009, and 2008, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$4,673,152, \$4,426,457, and \$4,483,980 respectively. These contributions represented 4.50%, 4.10%, and 4.10% of covered payroll, respectively.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

2. Other Employment Benefits

In addition to providing pension and post employment healthcare benefits, the Board provides death benefits and disability benefits, in accordance with State statutes, to certain employees.

Death Benefits

Death benefits are provided through the Benefit Plan for members of the Teachers' and State Employees' Retirement System (Death Benefit Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. Employees who die in active service after one year of contributing membership service in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's highest 12 months salary in a row during the 24 months prior to his/her death with a minimum benefit of \$25,000 and a maximum of \$50,000.

Disability Benefits

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

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

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

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

All short-term disability benefit payments are made by various State-administered plans. The Board has no liability beyond payment of monthly contributions except for short-term disability benefits, which are paid by the Board during the first six months of the short-term period.

For members with five or more years of membership service as of July 31, 2007, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S.127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which the member might be entitled should the member become age 62 during the first 36 months. After 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and is in receipt of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2010, 2009, and 2008, the Board paid all annual required contributions to the DIPNC for disability benefits of \$540,009, \$561,404, and \$568,700, respectively. These contributions represented 0.52% of covered payroll for each of the three fiscal years.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2010, are as follows:

	<u>Vendors and Accrued Salaries</u>
Governmental Activities:	
General	\$ 2,049,235
Other Governmental	2,543,148
Total governmental activities	<u>\$ 4,592,383</u>
Business-type Activities:	
School Food Service	\$ 34,562
Child Care	5,968
Total business-type activities	<u>\$ 40,530</u>

Unearned Revenues

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

	<u>Unearned Revenue</u>
Prepaid lunch balances (School Food Service Fund)	\$ 70,270
Prepaid summer fees	16,520
	<u>\$ 86,790</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 Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit of \$3,150,000 for general liability and errors and omissions. Workers' compensation coverage is provided by Montgomery Insurance Company up to \$100,000 per accident for employees to the extent they are paid from local or federal funds. The State of North Carolina provides workers' compensation for employees to the extent they are paid from State funds.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability coverage. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction, insuring the tangible property assets of the Board. The Fund provides coverage up to \$10 million per occurrence and \$20 million in aggregate annually. Excess reinsurance is purchased through commercial insurers, who participate in property losses in excess of the Fund's self-insured retention of \$10 million. A total limit of \$100 million per occurrence is purchased for covered catastrophic events, \$400 million maximum per occurrence for any one flood or earthquake.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits up to a \$5 million lifetime limit. 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 moneys at any given time 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 various lease agreements to lease equipment and vehicles. The leasing arrangements were made for various 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.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

At June 30, 2010, assets recorded under the capital leases were as follows:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 2,119,089	\$ 211,169	\$ 1,907,920

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, 2008:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2011	\$ 1,595,243
2012	1,595,239
Total minimum lease payments	3,190,482
Less: amount representing interest	146,265
Present value of the minimum lease payments	<u>\$ 3,044,217</u>

b. Installment Purchases and Notes Payable

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement by SunTrust Equipment Finance and Leasing Corporation at total payments less than the purchase price. During the years ended June 30, 2004, June 30, 2007, June 30, 2008 and June 30, 2009 the Board entered into installment purchase contracts to finance the purchase of school buses. The financing contract requires only principal payments due at the beginning of each contract year.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

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

Year Ending June 30, 2011	Governmental Activities	
	Principal	Interest
	<u>\$ 186,802</u>	<u>\$ 5,045</u>

c. Long-Term Obligation Activity

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

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Current Portion
Governmental activities:					
Installment purchases	\$ 494,521	\$ 87,970	\$ 395,689	\$ 186,802	\$ 186,802
Capital leases	2,884,676	679,921	520,380	3,044,217	1,516,274
Note payable	900,711	-	900,711	-	-
Compensated absences	7,204,540	6,553,702	6,338,206	7,420,036	6,338,206
Total	<u>\$ 11,484,448</u>	<u>\$ 7,321,593</u>	<u>\$ 8,154,986</u>	<u>\$ 10,651,055</u>	<u>\$ 8,041,282</u>
Business-type activities:					
Compensated absences	<u>\$ 204,473</u>	<u>\$ 330,480</u>	<u>\$ 334,269</u>	<u>\$ 200,684</u>	<u>\$ 200,684</u>

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

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.

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

Exhibit A-1

	Budget	Actual	Positive (Negative) Variance
Revenues:			
Iredell County	\$ 30,600,625	\$ 30,600,625	\$ -
Other:			
Fines and forfeitures	823,500	885,015	61,515
Disposition of property and equipment	32,959	37,043	4,084
Tuition and fees	44,400	44,397	(3)
Interest	255,000	115,887	(139,113)
Rental of school property	62,700	73,055	10,355
MAC revenues	261,200	148,675	(112,525)
Activity bus charges	236,912	-	(236,912)
Other	996,894	251,050	(745,844)
Total	2,713,565	1,555,122	(1,158,443)
Total revenues	33,314,190	32,155,747	(1,158,443)
Expenditures:			
Instructional services:			
Regular instructional		8,329,617	
Special populations		792,051	
Alternative programs		767,289	
School leadership		3,558,074	
Co-curricular		571,215	
School-based support		2,417,848	
Total instructional services	18,330,555	16,436,094	1,894,461
System-wide support services:			
Support and development		644,329	
Special population support		24,730	
Alternative programs		23,624	
Technology support		800,236	
Operational support		10,517,092	
Financial and human resource		886,447	
Accountability		23,419	
System-wide pupil support		-	
Policy, leadership and public relations		468,773	
Total system-wide support services	13,763,689	13,388,650	375,039

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

Exhibit A-1
(Continued)

	Budget	Actual	Positive (Negative) Variance
Ancillary services	30,075	30,001	74
Nonprogrammed charges	2,929,200	2,550,349	378,851
Debt service:			
Principal	265,169	265,169	-
Interest expense	70,727	70,727	-
	335,896	335,896	-
Total expenditures	35,389,415	32,740,990	2,648,425
Revenues over (under) expenditures	(2,075,225)	(585,243)	1,489,982
Other financing sources:			
Proceeds from issuance of debt	770,061	679,921	90,140
Appropriated fund balance	1,305,164	-	(1,305,164)
Revenues, other financing sources and appropriated fund balance over expenditures	\$ -	94,678	\$ 94,678
Fund balance:			
Beginning of year, July 1		7,658,187	
Decrease in reserve for inventories		(54,707)	
End of year, June 30		<u>\$ 7,698,158</u>	

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

Exhibit B-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina			
Public School Building Capital Fund	\$ 7,300,403	\$ 7,300,403	\$ -
State sales tax refund	-	26,814	26,814
State appropriations - buses	500,000	395,690	(104,310)
	<u>7,800,403</u>	<u>7,722,907</u>	<u>(77,496)</u>
Iredell County:			
General county revenues	2,555,607	2,496,470	(59,137)
Other:			
Miscellaneous	288,621	309,727	21,106
Total revenues	<u>10,644,631</u>	<u>10,529,104</u>	<u>(115,527)</u>
Expenditures:			
Current			
Instructional services	748,338	591,700	156,638
System-wide support services	516,050	104,022	412,028
Capital outlay	9,851,270	8,917,367	933,903
Debt Service:			
Principal	1,612,390	1,551,611	60,779
Interest	100,000	56,468	43,532
Total expenditures	<u>12,828,048</u>	<u>11,221,168</u>	<u>1,606,880</u>
Revenues under expenditures	(2,183,417)	(692,064)	1,491,353
Other financing sources:			
Proceeds from issuance of debt	500,000	87,970	(412,030)
Appropriated fund balance	<u>1,683,417</u>	<u>-</u>	<u>(1,683,417)</u>
Revenues, other financing sources and appropriated fund balance under expenditures	<u>\$ -</u>	<u>(604,094)</u>	<u>\$ (604,094)</u>
Fund balance:			
Beginning of year, July 1		<u>3,508,667</u>	
End of year, June 30		<u>\$ 2,904,573</u>	

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

Exhibit C-1

	Non-Major Funds		
	Federal Grants	Other Special Revenue Fund	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 45,455	\$ 45,455
Receivables (net)	-	323,876	323,876
Due from other funds	13,353	-	13,353
Due from other governments	283,384	13,890	297,274
Prepaid assets	-	-	-
Total assets	<u>\$ 296,737</u>	<u>\$ 383,221</u>	<u>\$ 679,958</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 283,841	\$ 12,513	\$ 296,354
Unearned revenue	12,896	284,150	297,046
Total liabilities	<u>296,737</u>	<u>296,663</u>	<u>593,400</u>
Fund balances:			
Undesignated	-	86,558	86,558
Total fund balances	<u>-</u>	<u>86,558</u>	<u>86,558</u>
Total liabilities and fund balances	<u>\$ 296,737</u>	<u>\$ 383,221</u>	<u>\$ 679,958</u>

**IREDELL-STATESVILLE BOARD OF EDUCATION
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2010**

Exhibit C-2

	Non-Major Funds		
	Federal Grants	Special Revenue Fund	Total
REVENUES			
State of North Carolina	\$ -	\$ 246,309	\$ 246,309
U.S. Government	15,831,982	2,225,097	18,057,079
Other	-	967,716	967,716
Total revenues	15,831,982	3,439,122	19,271,104
EXPENDITURES			
Current:			
Instructional services:			
Regular instructional	5,735,737	1,997,594	7,733,331
Special populations	3,802,331	2,133	3,804,464
Alternative programs	4,401,161	337,964	4,739,125
School leadership	51,103	-	51,103
Co-curricular	-	-	-
School-based support	686,101	203,390	889,491
System-wide support services:			
Support and development	181,803	412,248	594,051
Special populations support and	326,994	79,050	406,044
Alternative programs and services			
support and development	91,312	13,624	104,936
Technology support	4,419	-	4,419
Operational support	283,128	90,914	374,042
Financial and human resource	-	139,578	139,578
Accountability	-	-	-
System-wide pupil support	-	20,503	20,503
Policy, leadership and public relations	-	25,790	25,790
Ancillary Services	40,744	1,722	42,466
Non-programmed charges	227,149	28,054	255,203
Total expenditures	15,831,982	3,352,564	19,184,546
Revenues over expenditures	-	86,558	86,558
Fund balances-beginning	-	-	-
Fund balances-ending	\$ -	\$ 86,558	\$ 86,558

IREDELL-STATESVILLE BOARD OF EDUCATION**NON-MAJOR GOVERNMENTAL FUNDS****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - FEDERAL GRANTS FUND****For the Year Ended June 30, 2010****Exhibit C-3**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
U. S. Government	<u>\$ 21,619,736</u>	<u>\$ 15,831,982</u>	<u>\$ (5,787,754)</u>
Expenditures:			
Instructional services	17,006,718	14,676,433	2,330,285
System-wide supporting services	1,275,223	887,656	387,567
Ancillary services	40,744	40,744	-
Non-programmed charges	3,297,051	227,149	3,069,902
Total expenditures	<u>21,619,736</u>	<u>15,831,982</u>	<u>5,787,754</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:			
Beginning of year, July 1		-	
End of year, June 30		<u>\$ -</u>	

**IREDELL-STATESVILLE BOARD OF EDUCATION
NON-MAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - OTHER SPECIAL REVENUE FUND
For the Year Ended June 30, 2010**

Exhibit C-4

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina	\$ 465,721	\$ 246,309	\$ (219,412)
U.S. Government	2,967,558	2,225,097	(742,461)
Other	1,223,229	967,716	(255,513)
Total Revenues	4,656,508	3,439,122	(1,217,386)
Expenditures:			
Instructional services	3,592,923	2,541,081	1,051,842
System-wide supporting services	987,747	781,707	206,040
Ancillary services	1,822	1,722	100
Non-programmed charges	74,016	28,054	45,962
Total expenditures	4,656,508	3,352,564	1,303,944
Revenues over expenditures	\$ -	86,558	\$ 86,558
Fund balances:			
Beginning of year, July 1		-	
End of year, June 30		\$ 86,558	

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

Exhibit D-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Food sales	\$ 6,471,175	\$ 4,835,408	\$ (1,635,767)
Operating expenditures:			
Food costs:			
Purchase of food		4,138,239	
Salaries and benefits		4,787,962	
Indirect costs		657,217	
Utilities and telephone		30,634	
Contracted services		5,730	
Materials and supplies		420,210	
Repairs and maintenance		54,751	
Travel		11,797	
Capital outlay		185,155	
Other		1,753	
Total expenditures	10,974,175	10,293,448	680,727
Operating loss	(4,503,000)	(5,458,040)	(955,040)
Nonoperating revenues:			
Federal reimbursements	4,000,000	4,453,529	453,529
State reimbursements	25,000	4,214	(20,786)
Federal commodities	428,000	492,633	64,633
Indirect cost not paid	-	612,217	612,217
Interest earned	50,000	4,279	(45,721)
Other	-	(944)	(944)
Total nonoperating revenues	4,503,000	5,565,928	1,062,928
Revenues under expenditures	-	107,888	107,888
Other financing sources:			
Operating transfer in	-	45,000	45,000
Contributions of fixed assets	-	40,744	40,744
Revenues and other financing sources over (under) expenditures	\$ -	193,632	\$ 193,632
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(127,097)	
Decrease in inventories		(19,849)	
Capital outlay		185,155	
Increase in compensated absences payable		11,850	
Net income (full accrual)		\$ 243,691	

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

Exhibit D-2

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Child care fees	\$ 1,875,000	\$ 1,634,914	\$ (240,086)
Expenditures:			
Food purchases		60,413	
Salaries and benefits		1,496,527	
Indirect costs		-	
Utilities and telephone		5,615	
Contracted services		36,327	
Material and supplies		41,620	
Repairs and maintenance		422	
Field Trips		20,099	
Other		-	
Total expenditures	1,887,500	1,661,023	226,477
Operating income	(12,500)	(26,109)	(13,609)
Nonoperating revenues:			
Interest and other	12,500	3,863	(8,637)
Revenues over expenditures	\$ -	(22,246)	\$ (22,246)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Decrease in compensated absences		(15,639)	
Net income (full accrual)		\$ (37,885)	

COMPLIANCE SECTION

McCANNON • ROGERS • DRISCOLL
& ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

DAVID R. ROGERS, CPA
STEPHEN B. DRISCOLL, CPA
RANDY G. BOYD, CPA

ASSOCIATES:

VINCE QUINN, CPA
ANN DAWSON, CPA
ALICE AUTEN, CPA

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of
Financial Statements Performed In Accordance With
*Government Auditing Standards***

To the Board of Education
Iredell-Statesville Board of Education
Statesville, North Carolina

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Iredell-Statesville Board of Education, North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the Iredell-Statesville Board of Education's basic financial statements and have issued our report thereon dated September 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

September 17, 2010

McConna, Rogers, Driscoll & Associates, L.L.P.

Gastonia, North Carolina

McCANNON • ROGERS • DRISCOLL
& ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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**Report On Compliance With Requirements Applicable
To Each Major Federal Program And Internal Control
Over Compliance In Accordance With OMB
Circular A-133 And The State Single Audit Implementation Act**

To the Board of Education
Iredell-Statesville Board of Education
Statesville, North Carolina

Compliance

We have audited the compliance of Iredell-Statesville Board of Education, North Carolina, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Iredell-Statesville's major federal programs for the year ended June 30, 2010. The Iredell-Statesville Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable its major federal programs are the responsibility of Iredell-Statesville Board of Education's management. Our responsibility is to express an opinion on Iredell-Statesville Board of Education's compliance based on our audit.

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

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

Internal Control Over Compliance

Management of the Iredell-Statesville Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Iredell-Statesville Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A 133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Iredell-Statesville Board of Education's internal control over compliance.

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

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

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

Mc Cannan, Rogers, Driscoll + Associates, L.L.P.

September 17, 2010

Gastonia, North Carolina

McCANNON • ROGERS • DRISCOLL
& ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

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ALICE AUTEN, CPA

**Report On Compliance With Requirements Applicable
To Each Major State Program And Internal Control Over
Compliance In Accordance With Applicable Sections Of OMB
Circular A-133 And The State Single Audit Implementation Act**

To the Board of Education
Iredell-Statesville Board of Education
Statesville, North Carolina

Compliance

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

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

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

Internal Control Over Compliance

The management of Iredell-Statesville Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Iredell-Statesville Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major State program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Iredell-Statesville Board of Education's internal control over compliance.

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

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

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

McCannon, Rogers, Driscoll & Associates, L.L.P.

September 17, 2010

Gastonia, North Carolina

**Iredell-Statesville Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ☐yes ☒no

Federal Awards

Internal control over major federal programs:

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

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

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

**Iredell-Statesville Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
84.010	Title I Cluster:
84.389	Educationally Deprived Children
	Educationally Deprived Children - ARRA
84.394	State Fiscal Stabilization Fund - ARRA
84.027	Special Education Cluster:
84.173	Education of the Handicapped
84.027A	Capital Building Improvement
84.173	Children with Disabilities
84.391	Preschool Handicapped
84.027A	Education of the Handicapped - ARRA
84.392	Special Needs
	Preschool Grants - ARRA

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

\$ 690,997

Auditee qualified as low-risk auditee?

X yes ___no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___yes Xno
- Significant deficiency(ies) identified that
are not considered to be material weaknesses? ___yes Xnone reported

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

Any audit findings disclosed that are required to be reported
in accordance with the State Single Audit Implementation Act?

___yes Xno

Identification of major State programs:

Program Name
State Public School Fund
Public School Building Capital Fund

**Iredell-Statesville Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Section II. Financial Statement Findings

Finding: None

Section III. Federal Award Findings and Questioned Costs

Finding: None

Section IV. State Award Findings and Questioned Costs

Finding: None

**Iredell-Statesville Board of Education
Corrective Action Plan
For the Year Ended June 30, 2010**

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

**Iredell-Statesville Board of Education
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2010**

Findings: 2008
None

Findings: 2007
None

Findings: 2006
None

IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2010

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
Cash Programs:			
<u>U. S. Department of Agriculture</u>			
<u>Food and Nutrition Service</u>			
Passed-through the N.C. Department of Public Instruction:			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	10.553		\$ 891,334
National School Lunch Program - Cash Assistance	10.555		3,505,576
National School Lunch Program - Non-cash (Commodities)	10.555		492,633
Passed-through the N.C. Department of Health and Human Services:			
Summer Food Service Program for Children	10.559		56,619
Total Child Nutrition Cluster:			4,946,162
Child Nutrition Discretionary Funds - ARRA	10.579	PRC 149	40,744
Total U. S. Department of Agriculture			4,986,906
<u>U.S. Department of Education</u>			
<u>Office of Elementary and Secondary Education</u>			
Passed-through the N.C. Department of Public Instruction:			
Grants to Local Education - Basic and Concentration			
Title I Cluster:			
Educationally Deprived Children	84.010	PRC 050	2,636,399
Educationally Deprived Children - ARRA	84.389	PRC 141	1,945,746
			4,582,145
Title I - School Improvement Grant	84.010	PRC 105	129,888
Title I - School Improvement Grant - ARRA	84.389	PRC 142	19,197
Safe and Drug Free Schools and Communities -			
Title IV, Part A			
Mckinney Vento	84.186	PRC 048	60,741
Mckinney Vento - ARRA	84.196A	PRC 026	31,229
Mckinney Vento - ARRA	84.387	PRC 148	25,952
Education Technology - ARRA	84.386	PRC 146	44,087
Language Acquisition Grant	84.365A	PRC 104	110,708
Language Acquisition Grant	84.365A	PRC 111	99,706
Enhancing Education through Technology State			
Grant Program - Title II, Part D			
	84.318X	PRC 107	40,491
State Fiscal Stabilization Fund - ARRA	84.394	PRC 140	4,915,778
<u>Improving Teacher Quality Cluster:</u>			
- Teacher Quality Enhancement	84.367	PRC 103	631,545
<u>Office of Special Education and Rehabilitative Services</u>			
Passed-through the N.C. Department of Public Instruction:			
<u>Special Education Cluster:</u>			
Individuals with Disabilities Education Act			
- Education of the Handicapped	84.027	PRC 060	2,386,152
Education of the Handicapped - ARRA	84.391	PRC 144	1,525,633
- Capital Building and Improvement	84.173	PRC 044	4,943
- Children with Disabilities	84.027A	PRC 070	790,834
Special Needs	84.027A	PRC 118	5,212
- Preschool Handicapped	84.173	PRC 049	10,701
Preschool Grants - ARRA	84.392	PRC 145	110,799
Total Special Education Cluster:			4,834,274
Title VI-B, Education of the Handicapped	84.3232A	PRC 082	15,006

IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the Year Ended June 30, 2010

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
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	235,492
Passed-through Mitchell Community College: Department of Education - Office of Vocational and Adult Education	84.243		45,018
<u>Office of the Assistant Secretary for Postsecondary Education</u> Passed-through the University of North Carolina: Gear-Up Program	84.344		96,085
<u>U.S. Department Education</u> Direct Program: Smaller Learning Communities	84.215L		1,112,876
<u>Office of Safe and Drug Free Schools</u> Direct Program: Carol M. White Physical Education Program	84.215F		689,300
Total U. S. Department of Education			17,719,518
<u>U.S. Department of Health and Human Services</u> <u>Health Resources and Services Administration</u> <u>Corporation for National and Community Service</u> Passed-through the N.C. Department of Public Instruction: Learn and Serve America	94.004	PRC 064	15,000
Total U. S. Department of Health and Human Services			15,000
<u>National Institute of Standards</u> Direct Program: Balridge National Quality Program	11.609		29,996
<u>U.S. Department of Defense</u> Direct Program: ROTC	NONE		281,818
Total federal assistance			23,033,238

IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the Year Ended June 30, 2010

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
State Grants:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund			95,089,367
Driver Training - SPSF		PRC 012	522,252
School Technology Fund - SPSF		PRC 015	553,301
Vocational Education			
- State Months of Employment		PRC 013	5,320,647
- Program Support Funds		PRC 014	351,424
			<u>101,836,991</u>
Passed through Iredell County:			
Public School Building Capital Fund			<u>7,300,403</u>
Total N.C. Department of Public Instruction			<u>109,137,394</u>
<u>Division of School Food Service:</u>			
Kindergarten Breakfast Program			<u>4,214</u>
<u>North Carolina General Assembly</u>			
Sage Drop Out Prevention Grant			<u>117,318</u>
<u>Governor's Office</u>			
Sovereign Alliance for Youth			<u>128,991</u>
<u>N.C. Department of Public Instruction:</u>			
School buses			395,690
Textbooks - Noncash			<u>486,633</u>
Total N.C. Department of Public Instruction - Noncash			<u>882,323</u>
Total State assistance			<u>110,270,240</u>
Total federal and State assistance			<u>\$ 133,303,478</u>

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