

**IREDELL-STATESVILLE
BOARD OF EDUCATION**

Financial Report

Year Ended June 30, 2011

IREDELL-STATESVILLE BOARD OF EDUCATION

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page No.</u>
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government – wide Financial Statements:	
1 Statement of Net Assets.....	11
2 Statement of Activities.....	12
Fund Financial Statements:	
3 Balance Sheet – Governmental Funds.....	13
4 Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	14-15
5 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and Annually Budgeted Major Special Revenue Fund	16
6 Statement of Net Assets – Proprietary Funds.....	17
7 Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	18
8 Statement of Cash Flows – Proprietary Funds	19-20
Notes to the Financial Statements	21-40
Individual Fund Statements and Schedules:	
A-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund	41-42
B-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Outlay Fund.....	43
C-1 Non-major Governmental Funds Combining Balance Sheet.....	44
C-2 Non-major Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balance	45
C-3 Non-major Governmental Funds Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Federal Grants Fund.....	46
C-4 Non-major Governmental Funds Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual – Special Revenue Fund.....	47
D-1 Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – School Food Service Fund	48
D-2 Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Child Care Fund	49

COMPLIANCE

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	50-51
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IREDELL-STATESVILLE BOARD OF EDUCATION

TABLE OF CONTENTS (Continued)

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.....	52-53
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	54-55
Schedule of Findings and Questioned Costs.....	56-58
Corrective Action Plan.....	59
Summary Schedule of Prior Audit Findings	60
Schedule of Expenditures of Federal and State Awards.....	61-63

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INDEPENDENT AUDITOR'S 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, 2011, 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, 2011, 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 August 30, 2011 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 grants. 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 are 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Iredell-Statesville Board of Education, North Carolina. The combining and individual fund 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. The combining and individual fund statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards 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.

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

August 30, 2011

Gastonia, North Carolina

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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

Financial Highlights

- The Board's enrollment remained relatively stable between 2009-10 and 2010-11, decreasing by only 90 students (less than 1%).
- The Board was awarded two direct Federal grants totaling more than \$9 million dollars over five years.
- The Board expended over \$8 million in Federal American Recovery and Reinvestment Act appropriations during the year ended June 30, 2011.
- The Board continues to rank at the bottom in the State in per pupil funding. For the 2010-11 school year, the Board ranked 114th out of 115 school boards state-wide. Our per pupil funding was \$7,088.

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 Auditor's 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, 2011**

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, 2011**

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 \$110,410,466 as of June 30, 2011. The largest component of net assets is invested in capital assets, net of related debt, of \$104,397,620. It comprises 95% of the total net assets.

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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, 2011 and 2010

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Current assets	\$ 15,485,504	\$ 17,010,802	\$ 2,575,367	\$ 2,327,516	\$ 18,060,871	\$ 19,338,318
Capital assets	<u>104,905,858</u>	<u>107,153,588</u>	<u>466,918</u>	<u>546,463</u>	<u>105,372,776</u>	<u>107,700,051</u>
Total assets	<u>120,391,362</u>	<u>124,164,390</u>	<u>3,042,285</u>	<u>2,873,979</u>	<u>123,433,647</u>	<u>127,038,369</u>
Current liabilities	11,060,611	12,633,665	361,220	328,004	11,421,831	12,961,669
Long-term liabilities	<u>1,601,350</u>	<u>2,609,773</u>	<u>-</u>	<u>-</u>	<u>1,601,350</u>	<u>2,609,773</u>
Total liabilities	<u>12,661,961</u>	<u>15,243,438</u>	<u>361,220</u>	<u>328,004</u>	<u>13,023,181</u>	<u>15,571,442</u>
Invested in capital assets, net of related debt	102,930,702	103,922,569	466,918	546,463	103,397,620	104,469,032
Restricted net assets	2,361,732	1,569,979	-	-	2,361,732	1,569,979
Unrestricted net assets	<u>2,436,967</u>	<u>3,428,404</u>	<u>2,214,147</u>	<u>1,999,512</u>	<u>4,651,114</u>	<u>5,427,916</u>
Total net asset	<u>\$ 107,729,401</u>	<u>\$ 108,920,952</u>	<u>\$ 2,681,065</u>	<u>\$ 2,545,975</u>	<u>\$110,410,466</u>	<u>\$111,466,927</u>

Note that net assets decreased during the year, indicating a decline in the financial condition of the Board. The decrease in net assets was due largely to the decrease 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, 2011**

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, 2011 and 2010

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Revenues:						
Program revenues:						
Charges for services	\$ 118,161	\$ 117,452	\$ 6,159,285	\$ 6,470,322	\$ 6,277,446	\$ 6,587,774
Operating grants and contributions	120,477,375	121,120,245	5,108,018	4,991,120	125,585,393	126,111,365
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Other revenues	39,684,790	46,949,898	35,859	619,415	39,720,649	47,569,313
Total revenues	160,280,326	168,187,595	11,303,162	12,080,857	171,583,488	180,268,452
Expenses:						
Governmental activities:						
Instructional services	127,895,624	131,559,219	-	-	127,895,624	131,559,219
System-wide support services	31,030,889	30,410,524	-	-	31,030,889	30,410,524
Ancillary services	66,561	73,335	-	-	66,561	73,335
Non-programmed charges	1,769,091	2,582,333	-	-	1,769,091	2,582,333
Interest on long-term debt	108,206	135,490	-	-	108,206	135,490
Depreciation	556,506	479,720	-	-	556,506	479,720
Business-type activities:						
Food service	-	-	9,658,484	10,243,389	9,658,484	10,243,389
Child care	-	-	1,554,588	1,676,662	1,554,588	1,676,662
Total expenses	161,426,877	165,240,621	11,213,072	11,920,051	172,639,949	177,160,672
Transfers	(45,000)	(45,000)	45,000	45,000	-	-
Increase (decrease) in net assets	(1,191,551)	2,901,974	135,090	205,806	(1,056,461)	3,107,780
Beginning net assets	108,920,952	106,018,978	2,545,975	2,340,169	111,466,927	108,359,147
Ending net assets	<u>\$ 107,729,401</u>	<u>\$ 108,920,952</u>	<u>\$ 2,681,065</u>	<u>\$ 2,545,975</u>	<u>\$ 110,410,466</u>	<u>\$ 111,466,927</u>

Total governmental activities generated revenues of \$160.2 million while expenses in this category totaled \$161.4 million for the year ended June 30, 2011. Comparatively, revenues were \$168.1 million and expenses totaled \$165.2 million for the year ended June 30, 2010. The increase (decrease) in net assets stands at \$(1,191,551) and \$2,901,974 at June 30, 2011 and 2010, comparatively. Instructional service expenses comprised 79% of total governmental-type expenses while system-wide support services made up 19% of those expenses for 2011. County funding comprised 19% of total governmental revenue. In 2010, county funding was 20%. Much of the remaining 81% of total governmental revenue for 2011 consists of restricted State and Federal money. Business-type activities generated revenue of \$11.3 million and had expenses of \$11.2 million. Net assets increased in the business-type activities by \$135,090.

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

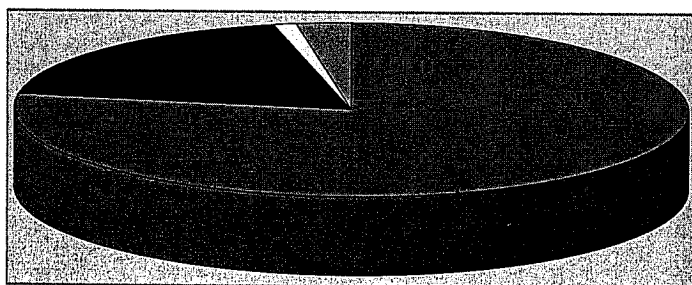
Financial Analysis of the Board's Funds

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 \$12,078,632, a \$33,970 decrease over last year. The Capital Outlay Fund reported a \$648,278 decrease in fund balance, ending the year with \$2,256,295 in fund balance. The Individual Schools Fund and the General Fund reported a \$9,706 decrease and \$220,315 increase, respectively, in fund balance for the year ended June 30, 2011.

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 an increase in net assets from the prior year of \$145,219. The Child Care Fund decreased net assets by \$10,129.

**Categorization of Expenditures for
Governmental Funds**



■ **Instructional
Services**

■ **System-wide
Support Services**

□ **Non-Programmed
Charges**

■ **Capital Projects**

Expenditures presented on modified accrual basis of accounting

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget to account for changes in revenue expectations and to increase 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 decreased by \$2,327,275 from the previous year. This was due to depreciation exceeding capital additions 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, 2011 and 2010

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Land	\$ 12,516,165	\$ 12,540,665	\$ -	\$ -	\$ 12,516,165	\$ 12,540,665
Construction in Progress	-	2,193,999	-	-	-	2,193,999
Building and improvements	86,335,314	86,144,046	-	-	86,335,314	86,144,046
Equipment and furniture	2,927,330	2,496,390	466,918	546,463	3,394,248	3,042,853
Vehicles	3,127,049	3,778,488	-	-	3,127,049	3,778,488
Total	<u>\$104,905,858</u>	<u>\$107,153,588</u>	<u>\$ 466,918</u>	<u>\$ 546,463</u>	<u>\$105,372,776</u>	<u>\$107,700,051</u>

Debt Outstanding

During the year the Board's outstanding debt decreased by \$1,255,863 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 11.1% remains higher than the State unemployment rate of 10.4%.
- Iredell County voted to increase property tax rates from .4450 per \$100 valuation to .4850 per \$100 valuation. Even with the increase, Iredell still maintains the lowest property tax rate in the region.
- Job losses continue to hit the county hard. Recently Zimmer Inc. announced plans to close it's Statesville plant and lay off 124 employees.

**IREDELL-STATESVILLE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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, 2011

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 12,196,547	\$ 2,163,423	\$ 14,359,970
Due from other governments	2,243,762	189,834	2,433,596
Internal balances	-	-	-
Receivables (net)	949,247	40,084	989,331
Inventories	95,948	182,026	277,974
Capital assets:			
Land, improvements, and construction in progress	14,734,664	-	14,734,664
Other capital assets, net of depreciation	90,171,194	466,918	90,638,112
Total capital assets	104,905,858	466,918	105,372,776
Total assets	120,391,362	3,042,285	123,433,647
LIABILITIES			
Accounts payable and accrued expenses	3,102,039	66,686	3,168,725
Unearned revenue	-	88,273	88,273
Long-term liabilities:			
Due within one year	7,958,572	206,261	8,164,833
Due in more than one year	1,601,350	-	1,601,350
Total liabilities	12,661,961	361,220	13,023,181
NET ASSETS			
Invested in capital assets, net of related debt	102,930,702	466,918	103,397,620
Restricted for:			
Individual schools	1,413,607	-	1,413,607
Scholarships	133,427	-	133,427
Stabilization by State Statue	814,698	-	814,698
Unrestricted	2,436,967	2,214,147	4,651,114
Total net assets	\$ 107,729,401	\$ 2,681,065	\$ 110,410,466

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

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	\$ 85,210,965	\$ 39,714	\$ 67,867,053	\$ -
Special populations	15,835,571	-	15,068,290	-
Alternative programs	7,064,292	-	6,547,864	-
School leadership	8,941,361	-	5,835,750	-
Co-curricular	605,012	-	-	-
School-based support	10,238,423	-	7,994,803	-
System-wide support services:				
Support and development	2,366,674	-	1,705,562	-
Special population support	802,418	-	661,030	-
Alternative programs	296,727	-	197,857	-
Technology support	1,288,363	-	489,432	-
Operational support	23,548,548	78,447	12,333,220	-
Financial and human resource	1,804,275	-	1,091,403	-
Accountability	87,482	-	63,590	-
System-wide pupil support	39,787	-	39,275	-
Policy, leadership and public relations	796,615	-	294,259	-
Ancillary services	66,561	-	54,079	-
Non-programmed charges	1,769,091	-	233,908	-
Interest expense	108,206	-	-	-
Unallocated depreciation expense**	556,506	-	-	-
Total governmental activities	161,426,877	118,161	120,477,375	-
Business-type activities:				
School food service	9,658,484	4,618,272	5,108,018	-
Child care	1,554,588	1,541,013	-	-
Total business-type activities	11,213,072	6,159,285	5,108,018	-
Total primary government	\$ 172,639,949	\$ 6,277,446	\$ 125,585,393	\$ -

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
\$ (17,304,198)	\$ -	\$ (17,304,198)
(767,281)	-	(767,281)
(516,428)	-	(516,428)
(3,105,611)	-	(3,105,611)
(605,012)	-	(605,012)
(2,243,620)	-	(2,243,620)
(661,112)	-	(661,112)
(141,388)	-	(141,388)
(98,870)	-	(98,870)
(798,931)	-	(798,931)
(11,136,881)	-	(11,136,881)
(712,872)	-	(712,872)
(23,892)	-	(23,892)
(512)	-	(512)
(502,356)	-	(502,356)
(12,482)	-	(12,482)
(1,535,183)	-	(1,535,183)
(108,206)	-	(108,206)
(556,506)	-	(556,506)
<u>(40,831,341)</u>	<u>-</u>	<u>(40,831,341)</u>
-	67,806	67,806
-	<u>(13,575)</u>	<u>(13,575)</u>
-	54,231	54,231
<u>(40,831,341)</u>	<u>54,231</u>	<u>(40,777,110)</u>
29,292,915	-	29,292,915
1,368,704	-	1,368,704
-	3,776	3,776
2,988,117	-	2,988,117
88,879	8,800	97,679
5,946,175	23,283	5,969,458
(45,000)	45,000	-
<u>39,639,790</u>	<u>80,859</u>	<u>39,720,649</u>
(1,191,551)	135,090	(1,056,461)
<u>108,920,952</u>	<u>2,545,975</u>	<u>111,466,927</u>
<u>\$ 107,729,401</u>	<u>\$ 2,681,065</u>	<u>\$ 110,410,466</u>

IREDELL-STATESVILLE BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

Exhibit 3

	Major Funds			
	General	State Public School	Individual Schools	Capital Outlay
ASSETS				
Cash and cash equivalents	\$ 8,381,509	\$ -	\$ 1,413,607	\$ 1,872,781
Accounts receivable	192,531	-	-	504,257
Due from other funds	-	1,034	-	-
Due from other governments	117,520	1,798,245	-	390
Inventories	95,948	-	-	-
Total assets	<u>\$ 8,787,508</u>	<u>\$ 1,799,279</u>	<u>\$ 1,413,607</u>	<u>\$ 2,377,428</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 848,268	\$ 1,798,245	\$ -	\$ 121,133
Due to other funds	12,307	-	-	-
Deferred revenue	8,460	1,034	-	-
Total liabilities	<u>869,035</u>	<u>1,799,279</u>	<u>-</u>	<u>121,133</u>
Fund balances:				
Nonspendable:				
Inventories	95,948	-	-	-
Restricted:				
Stabilization by State Statute	310,051	-	-	504,647
School Capital Outlay	-	-	-	1,751,648
Scholarships	133,427	-	-	-
Individual Schools	-	-	1,413,607	-
Assigned:				
Subsequent years expenditures	-	-	-	-
Special revenues	-	-	-	-
Unassigned:				
	7,379,047	-	-	-
Total fund balances	<u>7,918,473</u>	<u>-</u>	<u>1,413,607</u>	<u>2,256,295</u>
Total liabilities and fund balances	<u>\$ 8,787,508</u>	<u>\$ 1,799,279</u>	<u>\$ 1,413,607</u>	<u>\$ 2,377,428</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>	
\$ 528,650	\$ 12,196,547	
252,459	949,247	
11,273	12,307	
327,607	2,243,762	
-	95,948	
<u>\$ 1,119,989</u>	<u>\$ 15,497,811</u>	
\$ 334,393	\$ 3,102,039	
-	12,307	
<u>295,339</u>	<u>304,833</u>	
<u>629,732</u>	<u>3,419,179</u>	
-	95,948	
-	814,698	
-	1,751,648	
-	133,427	
-	1,413,607	
114,934	114,934	
375,323	375,323	
-	7,379,047	
<u>490,257</u>	<u>12,078,632</u>	
<u>\$ 1,119,989</u>		

104,905,858
304,833

(9,559,922)
\$ 107,729,401

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

Exhibit 4

	Major Funds			
	General	State Public School	Individual Schools	Capital Outlay
REVENUES				
State of North Carolina	\$ -	\$ 100,808,721	\$ -	\$ 2,988,117
Iredell County	29,292,915	-	-	1,368,704
U.S. Government	-	-	-	-
Other	1,347,344	-	4,653,733	192,068
Total revenues	30,640,259	100,808,721	4,653,733	4,548,889
EXPENDITURES				
Current:				
Instructional services:				
Regular instructional	7,942,691	59,065,627	4,663,439	139,915
Special populations	704,483	11,260,455	-	-
Alternative programs	466,162	2,983,586	-	-
School leadership	3,089,103	5,421,305	-	1,752
Co-curricular	604,348	-	-	-
School-based support	2,193,281	7,555,136	-	33,894
System-wide support services:				
Support and development	648,980	906,142	-	-
Special population support	135,593	248,974	-	-
Alternative programs	96,185	-	-	-
Technology support	797,517	489,432	-	-
Operational support	9,709,612	11,462,178	-	396,633
Financial and human resource	703,913	933,103	-	5,096
Accountability	23,796	63,590	-	-
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	501,470	293,291	-	-
Ancillary services	11,954	15,934	-	-
Non-programmed charges	1,766,893	-	-	-
Debt service:				
Principal	1,272,812	64,968	-	610,757
Interest expense	79,203	-	-	29,003
Capital outlay	-	-	-	4,368,637
Total expenditures	30,747,996	100,763,721	4,663,439	5,585,687
Revenues over (under) expenditures	(107,737)	45,000	(9,706)	(1,036,798)
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	-	(45,000)	-	-
Proceeds from issuance of debt	323,954	-	-	388,520
Net change in fund balance	216,217	-	(9,706)	(648,278)
Fund balances-beginning	7,698,158	-	1,423,313	2,904,573
Increase in reserve for inventories	4,098	-	-	-
Fund balances-ending	\$ 7,918,473	\$ -	\$ 1,413,607	\$ 2,256,295

Non-major Funds		
Other	Total	
Governmental	Governmental	
Funds	Funds	
\$ 288,230	\$ 104,085,068	
-	30,661,619	
17,807,002	17,807,002	
2,151,889	8,345,034	
20,247,121	160,898,723	
8,846,426	80,658,098	
3,807,835	15,772,773	
3,564,278	7,014,026	
414,445	8,926,605	
-	604,348	
439,667	10,221,978	
799,420	2,354,542	
412,056	796,623	
197,857	294,042	
-	1,286,949	
871,042	22,439,465	
158,300	1,800,412	
-	87,386	
39,275	39,275	
968	795,729	
38,145	66,033	
233,908	2,000,801	
19,800	1,968,337	
-	108,206	
-	4,368,637	
19,843,422	161,604,265	
403,699	(705,542)	
-	(45,000)	
-	712,474	
403,699	(38,068)	
86,558	12,112,602	
-	4,098	
\$ 490,257	\$ 12,078,632	

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

Exhibit 4
(Continued)

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

Net changes in fund balances - total governmental funds	\$ (38,068)
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 depreciation exceeded capital outlay in the current period.	(1,626,198)
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	(984)
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.	1,255,863
Change in fund balance due to change in reserve for inventories	4,098
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	(164,730)
Net book value of disposed capital assets	(621,532)
Total changes in net assets of governmental activities	<u>\$ (1,191,551)</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, 2011

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Iredell County	29,292,915	29,292,915	29,292,915	-
Other	1,404,400	1,488,401	1,347,344	(141,057)
Total revenues	30,697,315	30,781,316	30,640,259	(141,057)
Expenditures:				
Current:				
Instructional services:				
Regular instructional			7,942,691	
Special populations			704,483	
Alternative programs			466,162	
School leadership			3,089,103	
Co-curricular			604,348	
School-based support			2,193,281	
Total instructional services	16,170,403	16,138,052	15,000,068	1,137,984
System-wide support services:				
Support and development			648,980	
Special population support			135,593	
Alternative programs			96,185	
Technology support			797,517	
Operational support			9,709,612	
Financial and human resource			703,913	
Accountability			23,796	
Policy, leadership and public relations			501,470	
Total support services	13,188,450	13,209,101	12,617,066	592,035
Ancillary services	-	12,500	11,954	546
Non-programmed charges	2,051,924	2,022,354	1,766,893	255,461
Debt service:				
Principal	1,203,115	1,278,546	1,272,812	5,734
Interest expense	-	79,203	79,203	-
Total expenditures	32,613,892	32,739,756	30,747,996	1,991,760
Revenues over (under) expenditures	(1,916,577)	(1,958,440)	(107,737)	1,850,703
Other financing sources (uses):				
Proceeds from issuance of debt	-	323,954	323,954	-
Transfers (to) from other funds	-	-	-	-
	-	323,954	323,954	-
Revenues and other sources over (under) expenditures and other uses	(1,916,577)	(1,634,486)	216,217	1,850,703
Appropriated fund balance	1,916,577	1,634,486	-	(1,634,486)
Revenues and appropriated fund balance over expenditures	\$ -	\$ -	216,217	\$ 216,217
Fund balances, beginning of year			7,698,158	
Increase in reserve for inventories			4,098	
Fund balances, end of year			\$ 7,918,473	

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

State Public School Fund

Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ 100,327,346	\$ 102,330,594	\$ 100,808,721	\$ (1,521,873)
-	-	-	-
-	-	-	-
100,327,346	102,330,594	100,808,721	(1,521,873)
		59,065,627	
		11,260,455	
		2,983,586	
		5,421,305	
		-	
		7,555,136	
86,441,900	87,511,463	86,286,109	1,225,354
		906,142	
		248,974	
		-	
		489,432	
		11,462,178	
		933,103	
		63,590	
		293,291	
13,860,029	14,690,913	14,396,710	294,203
500	16,000	15,934	66
-	-	-	-
24,917	67,218	64,968	2,250
-	-	-	-
100,327,346	102,285,594	100,763,721	1,521,873
-	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, 2011

Exhibit 6

	Enterprise Funds		
	Major Fund	Non-major Fund	Total
	School Food Service	Child Care	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,530,437	\$ 632,986	\$ 2,163,423
Due from other governments	189,111	723	189,834
Accounts receivable	1,983	38,101	40,084
Inventories	182,026	-	182,026
Total current assets	<u>1,903,557</u>	<u>671,810</u>	<u>2,575,367</u>
Noncurrent assets:			
Capital assets, net	466,918	-	466,918
	<u>2,370,475</u>	<u>671,810</u>	<u>3,042,285</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	60,936	5,750	66,686
Compensated absences	123,677	82,584	206,261
Deferred revenues	79,614	8,659	88,273
Total current liabilities	<u>264,227</u>	<u>96,993</u>	<u>361,220</u>
NET ASSETS			
Invested in capital assets	466,918	-	466,918
Unrestricted	1,639,330	574,817	2,214,147
Total net assets	<u>\$ 2,106,248</u>	<u>\$ 574,817</u>	<u>\$ 2,681,065</u>

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
For the Year Ended June 30, 2011

Exhibit 7

	Enterprise Funds		
	Major Fund	Non-major Fund	Total
	School Food Service	Child Care	
OPERATING REVENUES			
Food sales	\$ 4,618,272	\$ -	\$ 4,618,272
Child care fees	-	1,541,013	1,541,013
Total operating revenues	4,618,272	1,541,013	6,159,285
OPERATING EXPENSES			
Food cost:			
Purchase of food	3,721,224	46,758	3,767,982
Salaries and benefits	4,655,209	1,427,574	6,082,783
Indirect costs	663,776	-	663,776
Utilities and telephone	26,333	4,414	30,747
Contracted services	3,158	15,510	18,668
Materials and supplies	361,502	28,898	390,400
Repairs and maintenance	79,254	805	80,059
Travel	12,166	5,251	17,417
Field trips	-	25,378	25,378
Depreciation	137,588	-	137,588
Other	(1,726)	-	(1,726)
Total operating expenses	9,658,484	1,554,588	11,213,072
Operating loss	(5,040,212)	(13,575)	(5,053,787)
NONOPERATING REVENUES			
Federal reimbursements	4,596,527	-	4,596,527
State reimbursements	5,421	-	5,421
Federal commodities	506,070	-	506,070
Indirect cost not paid	3,776	-	3,776
Interest earned	6,077	2,723	8,800
Other	22,560	723	23,283
Total nonoperating revenue	5,140,431	3,446	5,143,877
OTHER FINANCING SOURCES			
Transfer from other funds	45,000	-	45,000
Change in net assets	145,219	(10,129)	135,090
Total net assets - beginning	1,961,029	584,946	2,545,975
Total net assets - ending	\$ 2,106,248	\$ 574,817	\$ 2,681,065

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2011

Exhibit 8

	Enterprise Funds		
	Major Fund	Non-major Fund	
	School Food Service	Child Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,621,530	\$ 1,554,862	\$ 6,176,392
Cash paid for goods and services	(4,337,550)	(127,198)	(4,464,748)
Cash paid to employees for services	(4,603,723)	(1,428,483)	(6,032,206)
Net cash used by operating activities	(4,319,743)	(819)	(4,320,562)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Government reimbursements	4,601,948	-	4,601,948
Other	22,560	-	22,560
Net cash provided by noncapital financing activities	4,624,508	-	4,624,508
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sale of capital assets	21,580	-	21,580
Acquisition of capital assets	(60,221)	-	(60,221)
Net cash used by capital and related financing activities	(38,641)	-	(38,641)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	6,077	3,446	9,523
Net increase in cash and cash equivalents	272,201	2,627	274,828
Balances-beginning of the year	1,258,236	630,359	1,888,595
Balances-end of the year	\$ 1,530,437	\$ 632,986	\$ 2,163,423

IREDELL-STATESVILLE BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2011

Exhibit 8
(Continued)

Reconciliation of operating loss to net cash used by operating activities

Operating loss	\$ (5,040,212)	- \$ (13,575)	\$ (5,053,787)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	137,588	-	137,588
Donated commodities consumed	506,070	-	506,070
Salaries paid by other funds	45,000	-	45,000
Indirect cost not paid	3,776	-	3,776
Gain on disposal of capital assets	(19,402)	-	(19,402)
Changes in assets and liabilities:			
Decrease in accounts receivable	298	21,710	22,008
(Increase) decrease in due from other governments	(7,091)	34	(7,057)
Decrease in due from funds	707	-	707
Decrease in inventories	11,319	-	11,319
Increase (decrease) in accounts payable and accrued expenses	26,374	(218)	26,156
Increase (decrease) in deferred revenues	9,344	(7,861)	1,483
Increase (decrease) in compensated absences	6,486	(909)	5,577
Total adjustments	720,469	12,756	733,225
Net cash used by operating activities	\$ (4,319,743)	\$ (819)	\$ (4,320,562)

Noncash investing, capital, and financing activities:

The School Food Service Fund received donated commodities with a value of \$506,070 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 \$3,776 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, 2011

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, 2011

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, 2011

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 functional 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 functional 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, 2011

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, 2011

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

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.

Fund Balance

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

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental fund types classify fund balances as follows:

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

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

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

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

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

Restricted 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.

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

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

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

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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 \$95,650,769 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)	\$ 177,101,086
Less Accumulated Depreciation	<u>(72,195,228)</u>
Net capital assets	104,905,858
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide	304,833
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	(1,975,156)
Compensated absences	<u>(7,584,766)</u>
Total adjustment	<u>\$ 95,650,769</u>

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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 \$(1,153,486) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 4,249,986
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.	(5,876,184)
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	(984)
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.	(712,474)
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.	1,968,337
Change in fund balance due to change in reserve for inventories	4,098
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.	(164,730)
Net book value of disposed capital assets	(621,532)
Total adjustment	<u>\$ (1,153,483)</u>

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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, 2011, the Board had deposits with banks and savings and loans with a carrying amount of \$3,800,251 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$6,577,615 and \$2,273,795, respectively. Of these balances, \$1,505,460 was covered by federal depository insurance and \$7,345,950 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

At June 30, 2011, the Board had \$16,220 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 \$10,543,499 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, 2011. 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, 2011

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Accounts Receivable

Receivables at the government-wide level at June 30, 2011, were as follows:

	Due from other governments	Accounts receivable, net	Total
Governmental activities:			
General Fund	\$ 117,520	\$ 192,531	\$ 310,051
Other governmental activities	<u>2,126,242</u>	<u>756,716</u>	<u>2,882,958</u>
Total	<u>\$ 2,243,762</u>	<u>\$ 949,247</u>	<u>\$ 3,193,009</u>
Business-type activities:			
School Food Service	\$ 189,111	\$ 1,983	\$ 191,094
Child Care	<u>723</u>	<u>38,101</u>	<u>38,824</u>
Total	<u>\$ 189,834</u>	<u>\$ 40,084</u>	<u>\$ 229,918</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 117,520	Sales tax refund due from the State
State Public School Fund	1,798,245	Salary accrual due from NC
Federal Grants Fund	311,021	Salary accrual due from Federal Grants
Capital Outlay	390	Iredell County
Other Special Revenue Fund	<u>16,586</u>	Grant funds
	<u>\$ 2,243,762</u>	
Business-type activities:		
School Food Service Fund	\$ 189,111	Federal reimbursements
Child Care Fund	<u>723</u>	Iredell and Catawba County funds
	<u>\$ 189,834</u>	

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,540,665	\$ -	\$ 24,500	\$ 12,516,165
Construction in process	2,193,999	2,565,798	4,759,797	-
Total capital assets not being depreciated	<u>14,734,664</u>	<u>2,565,798</u>	<u>4,784,297</u>	<u>12,516,165</u>
Capital assets being depreciated:				
Buildings and improvements	138,179,598	5,033,520	1,165,355	142,047,763
Equipment and furniture	5,563,709	987,445	298,077	6,253,077
Vehicles	15,980,093	423,020	119,032	16,284,081
Total capital assets being depreciated	<u>159,723,400</u>	<u>6,443,985</u>	<u>1,582,464</u>	<u>164,584,921</u>
Less accumulated depreciation for:				
Buildings and improvements	52,035,552	4,245,217	568,320	55,712,449
Equipment and furniture	3,067,319	556,506	298,078	3,325,747
Vehicles	12,201,605	1,074,461	119,034	13,157,032
Total accumulated depreciation	<u>67,304,476</u>	<u>5,876,184</u>	<u>985,432</u>	<u>72,195,228</u>
Total capital assets being depreciated, net	<u>92,418,924</u>			<u>92,389,693</u>
Governmental activity capital assets, net	<u>\$107,153,588</u>			<u>\$104,905,858</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 1,987,992	\$ 60,221	\$ 46,231	\$ 2,001,982
Less accumulated depreciation for:				
Furniture and office equipment	<u>1,441,529</u>	<u>137,588</u>	<u>44,053</u>	<u>1,535,064</u>
Business-type activity capital assets, net	<u>\$ 546,463</u>			<u>\$ 466,918</u>

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 4,245,217
Operational support	1,074,461
Unallocated depreciation	556,506
Total	<u>\$ 5,876,184</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 4.93% 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, 2011, 2010, and 2009 were \$4,898,477, \$3,707,367, and \$3,627,536, 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, 2011

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, 2011, 2010, and 2009, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$4,868,669, \$4,673,152, and \$4,426,457 respectively. These contributions represented 4.90%, 4.50%, and 4.10% of covered payroll, respectively.

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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, 2011

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, 2011, 2010, and 2009, the Board paid all annual required contributions to the DIPNC for disability benefits of \$516,675, \$540,009, and \$561,404, 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, 2011

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2011, are as follows:

	<u>Vendors</u>	<u>Accrued Salaries</u>	<u>Total</u>
Governmental Activities:			
General	\$ 200,974	\$ 647,294	\$ 647,294
Other Governmental	141,516	2,112,255	2,253,771
Total governmental activities	<u>\$ 342,490</u>	<u>\$ 2,759,549</u>	<u>\$ 3,102,039</u>
Business-type Activities:			
School Food Service	\$ 13,296	\$ 47,640	\$ 60,936
Child Care	5,750	-	5,750
Total business-type activities	<u>\$ 19,046</u>	<u>\$ 47,640</u>	<u>\$ 66,686</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)	\$ 79,614
Prepaid summer fees (Child Care Fund)	8,659
	<u>\$ 88,273</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, 2011

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, 2011

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

At June 30, 2011, 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	\$ 403,125	\$ 1,715,964

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, 2011:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2012	\$ 1,688,723
2013	149,454
Total minimum lease payments	1,838,177
Less: amount representing interest	57,292
Present value of the minimum lease payments	<u>\$ 1,780,885</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 Mercedes - Benz Financial Services USA, LLC 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.

The future minimum payments of the installment purchases as of June 30, 2011, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	<u>\$ 194,271</u>	<u>\$ -</u>

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

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, 2011:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Current Portion
Governmental activities:					
Installment purchases	\$ 186,802	\$ 388,520	\$ 381,051	\$ 194,271	\$ 194,271
Capital leases	3,044,217	323,954	1,587,286	1,780,885	1,640,137
Compensated absences	7,420,036	6,288,894	6,124,164	7,584,766	6,124,164
Total	<u>\$10,651,055</u>	<u>\$ 7,001,368</u>	<u>\$ 8,092,501</u>	<u>\$ 9,559,922</u>	<u>\$ 7,958,572</u>
Business-type activities:					
Compensated absences	<u>\$ 200,684</u>	<u>\$ 330,002</u>	<u>\$ 324,425</u>	<u>\$ 206,261</u>	<u>\$ 206,261</u>

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

Fund Balance

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

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

Total fund balance – General Fund	\$ 7,918,473
Less:	
Inventories	95,948
Scholarships	133,427
Stabilization by State Statute	<u>310,051</u>
Remaining Fund Balance	<u>\$ 7,379,047</u>

IREDELL-STATESVILLE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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, 2011

Exhibit A-1

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Iredell County	<u>\$ 29,292,915</u>	<u>\$ 29,292,915</u>	<u>\$ -</u>
Other:			
Fines and forfeitures	893,300	758,870	(134,430)
Disposition of property and equipment	34,808	34,808	-
Tuition and fees	45,000	39,714	(5,286)
Interest	150,000	88,879	(61,121)
Rental of school property	70,677	78,447	7,770
MAC revenues	163,818	216,754	52,936
Activity bus charges	-	-	-
Other	130,798	129,872	(926)
Total	<u>1,488,401</u>	<u>1,347,344</u>	<u>(141,057)</u>
Total revenues	<u>30,781,316</u>	<u>30,640,259</u>	<u>(141,057)</u>
Expenditures:			
Instructional services:			
Regular instructional		7,942,691	
Special populations		704,483	
Alternative programs		466,162	
School leadership		3,089,103	
Co-curricular		604,348	
School-based support		2,193,281	
Total instructional services	<u>16,138,052</u>	<u>15,000,068</u>	<u>1,137,984</u>
System-wide support services:			
Support and development		648,980	
Special population support		135,593	
Alternative programs		96,185	
Technology support		797,517	
Operational support		9,709,612	
Financial and human resource		703,913	
Accountability		23,796	
Policy, leadership and public relations		501,470	
Total system-wide support services	<u>13,209,101</u>	<u>12,617,066</u>	<u>592,035</u>

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, 2011

Exhibit A-1
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Ancillary services	<u>12,500</u>	<u>11,954</u>	<u>546</u>
Nonprogrammed charges	<u>2,022,354</u>	<u>1,766,893</u>	<u>255,461</u>
Debt service:			
Principal	1,278,546	1,272,812	5,734
Interest expense	<u>79,203</u>	<u>79,203</u>	<u>-</u>
	<u>1,357,749</u>	<u>1,352,015</u>	<u>5,734</u>
Total expenditures	<u>32,739,756</u>	<u>30,747,996</u>	<u>1,991,760</u>
Revenues over (under) expenditures	(1,958,440)	(107,737)	1,850,703
Other financing sources:			
Proceeds from issuance of debt	323,954	323,954	-
Appropriated fund balance	<u>1,634,486</u>	<u>-</u>	<u>(1,634,486)</u>
Revenues, other financing sources and appropriated fund balance over expenditures	<u>\$ -</u>	<u>216,217</u>	<u>\$ 216,217</u>
Fund balance:			
Beginning of year, July 1		7,698,158	
Increase in reserve for inventories		<u>4,098</u>	
End of year, June 30		<u>\$ 7,718,473</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, 2011

Exhibit B-1

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State of North Carolina			
Public School Building Capital Fund	\$ 2,521,000	\$ 2,585,947	\$ 64,947
State sales tax refund	-	21,106	21,106
State appropriations - buses	500,000	381,064	(118,936)
	<u>3,021,000</u>	<u>2,988,117</u>	<u>(32,883)</u>
Iredell County:			
General county revenues	<u>1,370,104</u>	<u>1,368,704</u>	<u>(1,400)</u>
Other:			
Miscellaneous	<u>34,000</u>	<u>192,068</u>	<u>158,068</u>
Total revenues	<u>4,425,104</u>	<u>4,548,889</u>	<u>123,785</u>
Expenditures:			
Current			
Instructional services	231,329	175,561	55,768
System-wide support services	472,712	401,723	70,989
Capital outlay	4,873,567	4,368,637	504,930
Debt Service:			
Principal	724,648	610,757	113,891
Interest	29,003	29,003	-
Total expenditures	<u>6,331,259</u>	<u>5,585,681</u>	<u>745,578</u>
Revenues under expenditures	(1,906,155)	(1,036,792)	869,363
Other financing sources:			
Proceeds from issuance of debt	500,000	388,514	(111,486)
Appropriated fund balance	<u>1,406,155</u>	<u>-</u>	<u>(1,406,155)</u>
Revenues, other financing sources and appropriated fund balance under expenditures	<u>\$ -</u>	<u>(648,278)</u>	<u>\$ (648,278)</u>
Fund balance:			
Beginning of year, July 1		<u>2,904,573</u>	
End of year, June 30		<u>\$ 2,256,295</u>	

**IREDELL-STATESVILLE BOARD OF EDUCATION
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2011**

Exhibit C-1

	Non-Major Funds		
	Federal Grants	Other Special Revenue Fund	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 528,650	\$ 528,650
Receivables (net)	-	252,459	252,459
Due from other funds	11,273	-	11,273
Due from other governments	311,021	16,586	327,607
Prepaid assets	-	-	-
Total assets	<u>\$ 322,294</u>	<u>\$ 797,695</u>	<u>\$ 1,119,989</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 311,021	\$ 23,372	\$ 334,393
Unearned revenue	11,273	284,066	295,339
Total liabilities	<u>322,294</u>	<u>307,438</u>	<u>629,732</u>
Fund balances:			
Assigned	-	490,257	490,257
Total fund balances	<u>-</u>	<u>490,257</u>	<u>490,257</u>
Total liabilities and fund balances	<u>\$ 322,294</u>	<u>\$ 797,695</u>	<u>\$ 1,119,989</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, 2011**

Exhibit C-2

	Non-Major Funds		
	Federal Grants	Special Revenue Fund	Total
REVENUES			
State of North Carolina	\$ -	\$ 288,230	\$ 288,230
U.S. Government	14,606,961	3,200,041	17,807,002
Other	-	2,151,889	2,151,889
Total revenues	14,606,961	5,640,160	20,247,121
EXPENDITURES			
Current:			
Instructional services:			
Regular instructional	6,545,608	2,300,818	8,846,426
Special populations	3,690,381	117,454	3,807,835
Alternative programs	3,054,741	509,537	3,564,278
School leadership	-	414,445	414,445
Co-curricular	-	-	-
School-based support	267,455	172,212	439,667
System-wide support services:			
Support and development	155,766	643,654	799,420
Special populations support and development	348,851	63,205	412,056
Alternative programs and services support and development	56,666	141,191	197,857
Technology support	-	-	-
Operational support	288,041	583,001	871,042
Financial and human resource	-	158,300	158,300
Accountability	-	-	-
System-wide pupil support	9,279	29,996	39,275
Policy, leadership and public relations	-	968	968
Ancillary Services	-	38,145	38,145
Non-programmed charges	190,173	43,735	233,908
Debt service:			
Principal payments	-	19,800	19,800
Interest and other charges	-	-	-
Total expenditures	14,606,961	5,236,461	19,843,422
Revenues over expenditures	-	403,699	403,699
Fund balances-beginning	-	86,558	86,558
Fund balances-ending	\$ -	\$ 490,257	\$ 490,257

**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, 2011**

Exhibit C-3

	Budget	Actual	Variance Positive (Negative)
Revenues:			
U. S. Government	\$ 25,216,771	\$ 14,606,961	\$ (10,609,810)
Expenditures:			
Instructional services	14,797,125	13,558,185	1,238,940
System-wide supporting services	1,054,432	858,603	195,829
Ancillary services	-	-	-
Non-programmed charges	9,365,214	190,173	9,175,041
Total expenditures	25,216,771	14,606,961	10,609,810
Net change in fund balance	\$ -	-	\$ -
Fund balances:			
Beginning of year, July 1		-	
End of year, June 30		\$ -	

**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, 2011**

Exhibit C-4

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina	\$ 394,917	\$ 288,230	\$ (106,687)
U.S. Government	4,805,252	3,200,041	(1,605,211)
Other	1,528,346	2,151,889	623,543
Total Revenues	6,728,515	5,640,160	(1,088,355)
Expenditures:			
Current			
Instructional services	4,859,499	3,514,466	1,345,033
System-wide supporting services	1,701,529	1,620,315	81,214
Ancillary services	77,710	38,144	39,566
Non-programmed charges	69,977	43,736	26,241
Debt Service			
Principal	19,800	19,800	-
Total expenditures	6,728,515	5,236,461	1,492,054
Revenues over expenditures	\$ -	403,699	\$ 403,699
Fund balances:			
Beginning of year, July 1		86,558	
End of year, June 30		\$ 490,257	

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, 2011

Exhibit D-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Food sales	\$ 5,050,000	\$ 4,618,272	\$ (431,728)
Operating expenditures:			
Food costs:			
Purchase of food		3,709,905	
Salaries and benefits		4,661,695	
Indirect costs		663,776	
Utilities and telephone		26,333	
Contracted services		3,158	
Materials and supplies		361,502	
Repairs and maintenance		79,254	
Travel		12,166	
Capital outlay		60,221	
Other		(1,726)	
Total expenditures	10,808,500	9,576,284	1,232,216
Operating loss	(5,758,500)	(4,958,012)	800,488
Nonoperating revenues:			
Federal reimbursements	4,550,000	4,596,527	46,527
State reimbursements	5,000	5,421	421
Federal commodities	500,000	506,070	6,070
Indirect cost not paid	700,000	3,776	(696,224)
Interest earned	3,500	6,077	2,577
Other	-	22,560	22,560
Total nonoperating revenues	5,758,500	5,140,431	(618,069)
Revenues over expenditures	-	182,419	182,419
Other financing sources:			
Operating transfer in	-	45,000	45,000
Revenues and other financing sources over expenditures	\$ -	227,419	\$ 227,419
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(137,588)	
Decrease in inventories		(11,319)	
Capital outlay		60,221	
Increase in compensated absences payable		6,486	
Net income (full accrual)		\$ 145,219	

IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) -
CHILD CARE FUND
For the Year Ended June 30, 2011

Exhibit D-2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Child care fees	<u>\$ 1,700,000</u>	<u>\$ 1,541,013</u>	<u>\$ (158,987)</u>
Expenditures:			
Food purchases		46,758	
Salaries and benefits		1,426,665	
Utilities and telephone		4,414	
Contracted services		15,510	
Material and supplies		28,898	
Repairs and maintenance		805	
Travel		5,251	
Field trips		25,378	
Total expenditures	<u>1,736,000</u>	<u>1,553,679</u>	<u>182,321</u>
Operating loss	(36,000)	(12,666)	23,334
Nonoperating revenues:			
Interest and other	<u>-</u>	<u>3,446</u>	<u>3,446</u>
Revenues under expenditures	<u>\$ (36,000)</u>	<u>(9,220)</u>	<u>\$ 26,780</u>
Appropriated fund balance	<u>36,000</u>	<u>-</u>	<u>(36,000)</u>
Revenues and appropriated fund balance under expenditures	<u><u>\$ -</u></u>	<u><u>\$ (9,220)</u></u>	<u><u>\$ (9,220)</u></u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Decrease in compensated absences		(909)	
Net income (full accrual)		<u><u>\$ (10,129)</u></u>	

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:

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, 2011, which collectively comprise the Iredell-Statesville Board of Education's basic financial statements and have issued our report thereon dated August 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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.

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

August 30, 2011

Gastonia, North Carolina

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

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

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

ASSOCIATES:

ANN DAWSON, CPA
ALICE AUTEN, CPA

**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, 2011. 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 to each of its major federal 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 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, 2011.

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

Our consideration of 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.

August 30, 2011

Gastonia, North Carolina

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

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

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

ASSOCIATES:

ANN DAWSON, CPA
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 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, 2011. 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, 2011.

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

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

This report is intended solely for the information and use of 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.

August 30, 2011

Gastonia, North Carolina

**Iredell-Statesville Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___yes Xno

Federal Awards

Internal control over major federal 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 federal programs: Unqualified

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

**Iredell-Statesville Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

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, 2011**

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, 2011**

Findings: 2010
None

Findings: 2009
None

Findings: 2008
None

IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2011

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		\$ 946,573
National School Lunch Program - Cash Assistance	10.555		3,649,954
National School Lunch Program - Non-cash (Commodities)	10.559		506,070
Total Child Nutrition Cluster:			5,102,597
Total U. S. Department of Agriculture			5,102,597
<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	3,006,648
Educationally Deprived Children - ARRA	84.389	PRC 141	231,725
			3,238,373
School Improvement Grant	84.377	PRC 105	193,617
School Improvement Grant - ARRA	84.388	PRC 142	34,501
Safe and Drug Free Schools and Communities -			
Title IV, Part A	84.186	PRC 048	4,682
Mckinney Vento	84.196A	PRC 026	41,287
Mckinney Vento - ARRA	84.387	PRC 148	118
Education Technology - ARRA	84.386	PRC 146	9,496
Language Acquisition Grant	84.365A	PRC 104	92,167
Language Acquisition Grant	84.365A	PRC 111	3,546
Race to the Top - ARRA	84.395	PRC 156	69,436
Enhancing Education through Technology State			
Grant Program - Title II, Part D	84.318X	PRC 107	476
State Fiscal Stabilization Fund - ARRA	84.394	PRC 140	5,275,897
Investment in Innovation Fund (i3)	84.396C		792,594
<u>Improving Teacher Quality Cluster:</u>			
- Teacher Quality Enhancement	84.367	PRC 103	561,419
<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	1,178,998
Education of the Handicapped - ARRA	84.391	PRC 144	2,644,609
Capital Building and Improvement	84.173	PRC 044	62,952
Children with Disabilities	84.027A	PRC 070	764,634
Special Needs	84.027A	PRC 118	15,790
Preschool Handicapped	84.173	PRC 049	130,551
Preschool Grants - ARRA	84.392	PRC 145	57,480
Total Special Education Cluster:			4,855,014
Title VI-B, Education of the Handicapped	84.323A	PRC 082	1,473

IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the Year Ended June 30, 2011

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	225,459
<u>Office of the Assistant Secretary for Postsecondary Education</u> Passed-through the University of North Carolina: Gear-Up Program	84.344		131,950
Direct Program: Smaller Learning Communities	84.215L		1,102,381
<u>Office of Safe and Drug Free Schools</u> Direct Program: Carol M. White Physical Education Program	84.215F		514,928
Total U. S. Department of Education			17,147,341
<u>U.S. Department of Health and Human Services</u> <u>Office of the Secretary</u> Direct Program Teenage Pregnancy Prevention Grant	93.297		347,502
<u>Corporation for National & Community Service</u> Direct Program Learn and Serve America	94.004		12,800
Total U. S. Department of Health and Human Services			360,302
<u>U.S. Department of Defense</u> Direct Program: ROTC	NONE		297,886
Total federal assistance			22,908,126

IREDELL-STATESVILLE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the Year Ended June 30, 2011

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			94,025,611
Driver Training - SPSF		PRC 012	503,376
School Technology Fund - SPSF		PRC 015	288,557
Vocational Education			
- State Months of Employment		PRC 013	5,435,035
- Program Support Funds		PRC 014	403,901
			<u>100,656,480</u>
Passed through Iredell County:			
Public School Building Capital Fund			<u>2,585,947</u>
Total N.C. Department of Public Instruction			<u>103,242,427</u>
<u>Division of School Food Service:</u>			
Kindergarten Breakfast Program			<u>5,421</u>
<u>North Carolina General Assembly</u>			
Sage Drop Out Prevention Grant			<u>222,600</u>
<u>N.C. Biotechnology Center</u>			
Education Enhancement Grant			<u>8,139</u>
<u>N.C. Health & Wellness Trust Fund</u>			
A+ Fit Grant			<u>7,491</u>
<u>N.C. Department of Health & Human Services</u>			
<u>Division of Public Health</u>			
School Nursing Funding Initiative			<u>50,000</u>
<u>N.C. Department of Public Instruction:</u>			
School buses			381,064
Textbooks - Noncash			<u>152,241</u>
Total N.C. Department of Public Instruction - Noncash			<u>533,305</u>
Total State assistance			<u>104,069,383</u>
Total federal and State assistance			<u>\$ 126,977,509</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.