

**IREDELL-STATESVILLE  
BOARD OF EDUCATION**

Financial Report

Year Ended June 30, 2013

# ***IREDELL-STATESVILLE BOARD OF EDUCATION***

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Iredell-Statesville Board of Education, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Iredell-Statesville Board of Education's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information of the Iredell-Statesville Board of Education as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and State Public School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Iredell-Statesville Board of Education's basic financial statements. The combining and individual non-major fund financial statements and schedules, budgetary schedules and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and State awards are presented for purposes of additional analysis 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, and are also not a required part of the basis financial statements.

The combining and individual non-major fund financial statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our reported dated August 22, 2013 on our consideration of Iredell-Statesville Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Iredell-Statesville Board of Education's internal control over financial reporting and compliance.

Gastonia, North Carolina

August 22, 2013

**IREDELL-STATESVILLE BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

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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, 2013. 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 2011-12 and 2012-13, decreasing by 40 students (less than 1%).
- The Board was one of 16 recipients nationwide to receive a federal Race to the Top-District award. The grant is for \$20 million to be spent over a four year period. This grant will allow the Board to implement a blended learning program that mixes online and traditional teaching methods. In addition, all middle and high school students will be provided a laptop or tablet device.
- The Board continues to rank at the bottom in the State in per pupil funding. For the 2012-13 school year, the Board preliminarily ranked 110<sup>th</sup> out of 115 school boards state-wide. Our per pupil funding was preliminarily \$7,271.

**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 combining and budgetary statements for non-major governmental funds and budgetary statements for enterprise funds*

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

The second set of statements 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, 2013**

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***Government-wide Statements***

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

The two government-wide statements report the board's net position and it has changed. Net position – 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 position are an indicator of whether its financial position is improving or deteriorating.
- To assess the Board's overall health, you need to consider additional non-financial factors such as changes in 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, 2013**

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***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 position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$108,288,928 as of June 30, 2013. The largest component of net position is net investment in capital assets of \$101,425,448. It comprises 93% of the total net position.

**IREDELL-STATESVILLE BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

**Financial Analysis of the Schools as a Whole (Continued)**

Following is a summary of the Statement of Net Position:

Table 1  
Condensed Statement of Net Position  
as of June 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Current assets	\$ 18,923,358	\$ 19,913,258	\$ 2,231,653	\$ 2,509,978	\$ 21,155,011	\$ 22,423,236
Capital assets	104,509,261	106,869,495	450,049	489,420	104,959,310	107,358,915
Total assets	<u>123,432,619</u>	<u>126,782,753</u>	<u>2,681,702</u>	<u>2,999,398</u>	<u>126,114,321</u>	<u>129,782,151</u>
Current liabilities	10,769,515	10,725,720	477,298	394,535	11,246,813	11,120,255
Long-term liabilities	6,578,580	3,911,644	-	-	6,578,580	3,911,644
Total liabilities	<u>17,348,095</u>	<u>14,637,364</u>	<u>477,298</u>	<u>394,535</u>	<u>17,825,393</u>	<u>15,031,899</u>
Net investment in capital assets	100,975,399	103,267,735	450,049	489,420	101,425,448	103,757,155
Restricted net position	2,672,861	2,245,460	-	-	2,672,861	2,245,460
Unrestricted net position	2,436,264	6,632,194	1,754,355	2,115,443	4,190,619	8,747,637
Total net position	<u>\$ 106,084,524</u>	<u>\$ 112,145,389</u>	<u>\$ 2,204,404</u>	<u>\$ 2,604,863</u>	<u>\$ 108,288,928</u>	<u>\$ 114,750,252</u>

Note that net position decreased during the year, indicating deterioration in the financial condition of the Board. The decrease in net position was due largely to the decrease in unrestricted net assets. Unrestricted net position decreased as a result of expenditures exceeding revenues by \$6.5 million. 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, 2013**

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, 2013 and 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 141,740	\$ 165,458	\$ 5,764,030	\$ 5,982,350	\$ 5,905,770	\$ 6,147,808
Operating grants and contributions	121,532,435	123,953,101	5,508,313	5,313,028	127,040,748	129,266,129
Capital grants and contributions	762,020	-	-	-	762,020	-
General revenues:						
Other revenues	40,406,654	41,044,721	705	50,955	40,407,359	41,905,676
<b>Total revenues</b>	<u>162,842,849</u>	<u>165,163,280</u>	<u>11,273,048</u>	<u>11,346,333</u>	<u>174,115,897</u>	<u>176,509,613</u>
<b>Expenses:</b>						
<b>Governmental activities:</b>						
Instructional services	129,162,608	126,848,321	-	-	129,162,608	126,848,321
System-wide support services	35,995,415	31,241,360	-	-	35,995,415	31,241,360
Ancillary services	45,484	50,099	-	-	45,484	50,099
Non-programmed charges	1,875,920	1,831,897	-	-	1,875,920	1,831,897
Interest on long-term debt	141,524	54,431	-	-	141,524	54,431
Depreciation	1,637,763	676,184	-	-	1,637,763	676,184
<b>Business-type activities:</b>						
Food service	-	-	10,258,809	9,917,129	10,258,809	9,917,129
Child care	-	-	1,459,698	1,550,406	1,459,698	1,550,406
<b>Total expenses</b>	<u>168,858,714</u>	<u>160,702,292</u>	<u>11,718,507</u>	<u>11,467,535</u>	<u>180,577,221</u>	<u>172,169,827</u>
Transfers	(45,000)	(45,000)	45,000	45,000	-	-
Change in net position	(6,060,865)	4,415,988	(400,459)	(76,202)	(6,461,324)	4,339,786
Beginning net position	112,145,389	107,729,401	2,604,863	2,681,065	114,750,252	110,410,466
Ending net position	<u>\$ 106,084,524</u>	<u>\$ 112,145,389</u>	<u>\$ 2,204,404</u>	<u>\$ 2,604,863</u>	<u>\$108,288,928</u>	<u>\$114,750,252</u>

Total governmental activities generated revenues of \$162.8 million while expenses in this category totaled \$168.9 million for the year ended June 30, 2013. Comparatively, revenues were \$165.2 million and expenses totaled \$160.7 million for the year ended June 30, 2012. The increase (decrease) in net position stands at \$(6,060,865) and \$4,415,988 at June 30, 2013 and 2012, comparatively. Instructional service expenses comprised 76% of total governmental-type expenses while system-wide support services made up 21% of those expenses for 2013. County funding comprised 20% of total governmental revenue in 2013 and 2012. Much of the remaining 80% of total governmental revenue for 2013 consists of restricted State and Federal money. Business-type activities generated revenue of \$11.3 million and had expenses of \$11.7 million. Net position decreased in the business-type activities by \$(400,459).

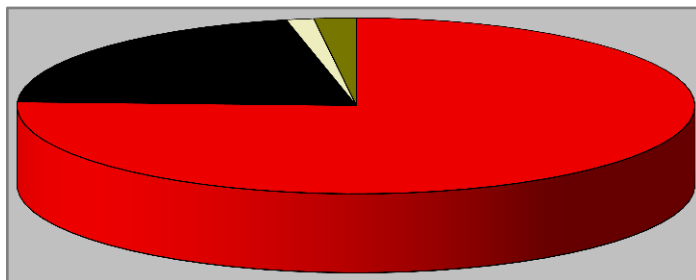
**Financial Analysis of the Board's Funds**

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 \$13,751,886, a \$2,487,676 decrease over last year. The Capital Outlay Fund reported a \$120,253 increase in fund balance, ending the year with \$2,075,987 in fund balance. The Individual Schools Fund and the General Fund reported a \$101,840 increase and \$2,572,513 decrease, respectively, in fund balance for the year ended June 30, 2013.

Proprietary Funds: The Board's business-type funds had a net decrease in net position in the past year. The School Food Service Fund reflected a decrease in net position from the prior year of \$362,358. The Child Care Fund decreased net position by \$38,101.

**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, 2013**

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**General Fund Budgetary Highlights**

Over the course of the year, the Board revised the budget to account for changes in revenue and expenditure expectations.

**Capital Assets**

Capital assets decreased by \$2,360,234 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, 2013 and 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Land	\$ 13,087,943	\$ 12,910,831	\$ -	\$ -	\$ 13,087,943	\$ 12,910,831
Building and improvements	80,890,921	84,577,279	-	-	80,890,821	84,577,279
Equipment and furniture	6,609,215	6,884,192	450,049	489,420	7,059,264	7,373,612
Vehicles	3,921,182	2,497,193	-	-	3,921,182	2,497,193
<b>Total</b>	<b>\$104,509,261</b>	<b>\$106,869,495</b>	<b>\$ 450,049</b>	<b>\$ 489,420</b>	<b>\$104,959,310</b>	<b>\$107,358,915</b>

**Debt Outstanding**

During the year the Board's outstanding debt decreased by \$67,898. 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 technology. County funding is a major source of income for the Board; therefore the County's economic outlook directly affects that of the schools. The following factors have impacted the economic outlook of Iredell County:

- Iredell County's unemployment rate of 9.2% at June 2013 has improved from 10.1% at June 2012. However, it remains higher than the State unemployment rate of 8.8%.
- Job creation has stalled in Iredell County with only 7 announced jobs created through the first quarter of 2013.
- Iredell County maintains the lowest property tax rate in the region and the 20th lowest in the State at .4850 per \$100 of valuation.

**IREDELL-STATESVILLE BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

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***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 POSITION**  
**June 30, 2013**

**Exhibit 1**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,044,545	\$ 1,972,355	\$ 17,016,900
Receivables (net)	336,436	36,099	372,535
Due from other governments	3,463,924	120,306	3,584,230
Inventories	78,453	102,893	181,346
Capital assets:			
Land, improvements, and construction in progress	13,087,943	-	13,087,943
Other capital assets, net of depreciation	91,421,318	450,049	91,871,367
Total capital assets	<u>104,509,261</u>	<u>450,049</u>	<u>104,959,310</u>
Total assets	<u>123,432,619</u>	<u>2,681,702</u>	<u>126,114,321</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	5,042,458	137,289	5,179,747
Unearned revenue	-	108,614	108,614
Long-term liabilities:			
Due within one year	5,727,057	231,395	5,958,452
Due in more than one year	6,578,580	-	6,578,580
Total liabilities	<u>17,348,095</u>	<u>477,298</u>	<u>17,825,393</u>
<b>NET POSITION</b>			
Net investment in capital assets	100,975,399	450,049	101,425,448
Restricted:			
Individual schools	1,606,059	-	1,606,059
Scholarships	134,188	-	134,188
Stabilization by State Statue	932,614	-	932,614
Unrestricted	2,436,264	1,754,355	4,190,619
Total net position	<u>\$ 106,084,524</u>	<u>\$ 2,204,404</u>	<u>\$ 108,288,928</u>

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2013**

*Exhibit 2*

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental Activities:				
Instructional services:				
Regular instructional	\$ 85,829,075	\$ 65,995	\$ 69,683,880	\$ -
Special populations	14,365,973	-	13,605,112	-
Alternative programs	8,622,610	-	8,188,473	-
School leadership	9,221,529	-	6,047,831	-
Co-curricular	613,497	-	-	-
School-based support	10,509,924	-	7,895,421	-
System-wide support services:				
Support and development	2,598,388	-	1,729,953	-
Special population	1,342,486	-	1,270,237	-
Alternative programs	420,407	-	412,456	-
Technology support	2,166,534	-	416,056	-
Operational support	26,349,006	75,745	11,407,300	762,020
Financial and human resource	1,963,904	-	334,281	-
Accountability	5,265	-	50,064	-
System-wide pupil support	248,503	-	-	-
Policy, leadership and public relations	900,922	-	180,363	-
Ancillary services	45,484	-	44,541	-
Non-programmed charges	1,875,920	-	266,467	-
Interest expense	141,524	-	-	-
Unallocated depreciation expense**	1,637,763	-	-	-
Total governmental activities	<u>168,858,714</u>	<u>141,740</u>	<u>121,532,435</u>	<u>762,020</u>
Business-type activities:				
School food service	10,258,809	4,343,381	5,508,313	-
Child care	1,459,698	1,420,649	-	-
Total business-type activities	<u>11,718,507</u>	<u>5,764,030</u>	<u>5,508,313</u>	<u>-</u>
Total primary government	<u>\$ 180,577,221</u>	<u>\$ 5,905,770</u>	<u>\$ 127,040,748</u>	<u>\$ 762,020</u>
General revenues:				
Unrestricted county appropriations - operating				
Unrestricted county appropriations - capital				
Unrestricted State appropriations - capital				
Investment earnings, unrestricted				
Miscellaneous, unrestricted				
Transfers				
Total general revenues				
Change in net position				
Net position-beginning				
Net position-ending				

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



**Net (Expense) Revenue and Changes in Net Position****Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (16,079,200)	\$ -	\$ (16,079,200)
(760,861)	-	(760,861)
(434,137)	-	(434,137)
(3,173,698)	-	(3,173,698)
(613,497)	-	(613,497)
(2,614,503)	-	(2,614,503)
(868,435)	-	(868,435)
(72,249)	-	(72,249)
(7,951)	-	(7,951)
(1,750,478)	-	(1,750,478)
(14,103,941)	-	(14,103,941)
(1,629,623)	-	(1,629,623)
44,799	-	44,799
(248,503)	-	(248,503)
(720,559)	-	(720,559)
(943)	-	(943)
(1,609,453)	-	(1,609,453)
(141,524)	-	(141,524)
<u>(1,637,763)</u>	<u>-</u>	<u>(1,637,763)</u>
<u>(46,422,519)</u>	<u>-</u>	<u>(46,422,519)</u>
-	(407,115)	(407,115)
<u>-</u>	<u>(39,049)</u>	<u>(39,049)</u>
-	(446,164)	(446,164)
<u>(46,422,519)</u>	<u>(446,164)</u>	<u>(46,868,683)</u>
31,254,418	-	31,254,418
1,873,172	-	1,873,172
2,722,846	-	2,722,846
55,500	3,305	58,805
4,500,718	(2,600)	4,498,118
(45,000)	45,000	-
<u>40,361,654</u>	<u>45,705</u>	<u>40,407,359</u>
(6,060,865)	(400,459)	(6,461,324)
<u>112,145,389</u>	<u>2,604,863</u>	<u>114,750,252</u>
<u>\$ 106,084,524</u>	<u>\$ 2,204,404</u>	<u>\$ 108,288,928</u>

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2013**

**Exhibit 3**

	<b>Major Funds</b>			
	<b>General</b>	<b>State Public School</b>	<b>Individual Schools</b>	<b>Capital Outlay</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,717,208	\$ -	\$ 1,606,059	\$ 1,731,257
Accounts receivable	275,360	-	-	-
Due from other funds	-	183	-	-
Due from other governments	157,112	2,364,829	-	457,114
Inventories	78,453	-	-	-
Total assets	<u>\$ 11,228,133</u>	<u>\$ 2,365,012</u>	<u>\$ 1,606,059</u>	<u>\$ 2,188,371</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,303,425	\$ 2,364,829	\$ -	\$ 112,384
Due to other funds	11,955	-	-	-
Deferred revenue	12,500	183	-	-
Total liabilities	<u>2,327,880</u>	<u>2,365,012</u>	<u>-</u>	<u>112,384</u>
Fund balances:				
Nonspendable:				
Inventories	78,453	-	-	-
Restricted:				
Stabilization by State Statute	595,549	-	-	-
School Capital Outlay	-	-	-	2,075,987
Scholarships	134,188	-	-	-
Individual Schools	-	-	1,606,059	-
Committed				
Board designated	-	-	-	-
Assigned:				
Subsequent years expenditures	1,450,470	-	-	-
Unassigned	6,641,593	-	-	-
Total fund balances	<u>8,900,253</u>	<u>-</u>	<u>1,606,059</u>	<u>2,075,987</u>
Total liabilities and fund balances	<u>\$ 11,228,133</u>	<u>\$ 2,365,012</u>	<u>\$ 1,606,059</u>	<u>\$ 2,188,371</u>

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

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

Liabilities for earned but unavailable 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 position of governmental activities

<u>Non-major Funds</u>		<u>Total Governmental Funds</u>
<u>Other Governmental Funds</u>		
\$ 990,021	\$	15,044,545
61,076		336,436
11,772		11,955
484,869		3,463,924
-		78,453
<u>\$ 1,547,738</u>	<u>\$</u>	<u>18,935,313</u>

\$ 261,820	\$	5,042,458
-		11,955
<u>116,331</u>		<u>129,014</u>
<u>378,151</u>		<u>5,183,427</u>

-		78,453
337,065		932,614
-		2,075,987
-		134,188
-		1,606,059
595,412		595,412
237,110		1,687,580
-		6,641,593
<u>1,169,587</u>		<u>13,751,886</u>
<u>\$ 1,547,738</u>		

104,509,261  
129,014

(12,305,637)  
\$ 106,084,524

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2013**

**Exhibit 4**

	<b>Major Funds</b>		
	<b>General</b>	<b>State Public School</b>	<b>Individual Schools</b>
<b>REVENUES</b>			
State of North Carolina	\$ -	\$ 104,728,867	\$ -
Iredell County	31,254,418	-	-
U.S. Government	-	-	-
Other	935,747	-	4,561,909
Total revenues	32,190,165	104,728,867	4,561,909
<b>EXPENDITURES</b>			
<b>Current:</b>			
Instructional services:			
Regular instructional	7,940,669	65,810,197	4,460,069
Special populations	609,395	9,962,897	-
Alternative programs	302,947	3,413,645	-
School leadership	3,112,775	6,043,172	-
Co-curricular	609,449	-	-
School-based support	2,532,274	7,067,854	-
System-wide support services:			
Support and development	835,227	697,623	-
Special population support	48,638	322,106	-
Alternative programs	-	79,749	-
Technology support	1,734,128	284,086	-
Operational support	11,653,393	10,494,940	-
Financial and human resource	1,613,372	122,698	-
Accountability	5,014	216	-
System-wide pupil support			
Policy, leadership and public relations	714,499	172,935	-
Ancillary services	268	20,400	-
Non-programmed charges	1,861,784	-	-
<b>Debt service:</b>			
Principal	1,156,610	178,408	-
Interest expense	119,865	12,941	-
<b>Capital outlay</b>			
-	-	-	-
Total expenditures	34,850,307	104,683,867	4,460,069
Revenues over (under) expenditures	(2,660,142)	45,000	101,840
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from (to) other funds	(280,000)	(45,000)	-
Installment purchase obligations issued	-	-	-
Proceeds from issuance of debt	364,011	-	-
Total other financing sources (uses)	84,011	(45,000)	-
Net change in fund balance	(2,576,131)	-	101,840
Fund balances-beginning	11,472,766	-	1,504,219
Increase in reserve for inventories	3,618	-	-
Fund balances-ending	\$ 8,900,253	\$ -	\$ 1,606,059

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

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	<b>Non-major Funds Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Capital Outlay</b>		
\$ 2,722,846	\$ 52,605	\$ 107,504,318
1,873,172	-	33,127,590
-	14,059,879	14,059,879
47,213	2,853,750	8,398,619
<u>4,643,231</u>	<u>16,966,234</u>	<u>163,090,406</u>
2,179	3,918,683	82,131,797
-	3,642,215	14,214,507
-	4,774,828	8,491,420
-	4,659	9,160,606
-	-	609,449
-	827,567	10,427,695
-	1,032,330	2,565,180
-	948,131	1,318,875
-	332,707	412,456
-	131,970	2,150,184
2,143,125	912,360	25,203,818
-	211,583	1,947,653
-	-	5,230
194,607	50,064	244,671
-	7,428	894,862
-	24,141	44,809
-	266,467	2,128,251
883,721	17,888	2,236,627
8,249	469	141,524
3,375,815	-	3,375,815
<u>6,607,696</u>	<u>17,103,490</u>	<u>167,705,429</u>
(1,964,465)	(137,256)	(4,615,023)
280,000	-	(45,000)
1,329,793	-	1,329,793
474,925	-	838,936
<u>2,084,718</u>	<u>-</u>	<u>2,123,729</u>
120,253	(137,256)	(2,491,294)
1,955,734	1,306,843	16,239,562
-	-	3,618
<u>\$ 2,075,987</u>	<u>\$ 1,169,587</u>	<u>\$ 13,751,886</u>

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2013**

**Exhibit 4**  
**(Continued)**

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

Net changes in fund balances - total governmental funds	\$ (2,491,294)
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.	(2,359,641)
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	(250,582)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of 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.	67,898
Change in fund balance due to change in reserve for inventories	3,618
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	(1,030,271)
Net book value of disposed capital assets	(593)
	<hr/>
Total changes in net position of governmental activities	<u>\$ (6,060,865)</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, 2013**

**Exhibit 5**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Iredell County	31,254,418	31,254,418	31,254,418	-
Other	1,096,200	934,399	935,747	1,348
Total revenues	<u>32,350,618</u>	<u>32,188,817</u>	<u>32,190,165</u>	<u>1,348</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services:				
Regular instructional			7,940,669	
Special populations			609,395	
Alternative programs			302,947	
School leadership			3,112,775	
Co-curricular			609,449	
School-based support			2,532,274	
Total instructional services	<u>13,784,074</u>	<u>15,177,530</u>	<u>15,107,509</u>	<u>70,021</u>
System-wide support services:				
Support and development			835,227	
Special population support			48,638	
Alternative programs			-	
Technology support			1,734,128	
Operational support			11,653,393	
Financial and human resource			1,613,372	
Accountability			5,014	
Policy, leadership and public relations			714,499	
Total support services	<u>17,110,789</u>	<u>16,826,341</u>	<u>16,604,271</u>	<u>222,070</u>
Ancillary services	-	270	268	2
Non-programmed charges	1,850,000	1,886,000	1,861,784	24,216
<b>Debt service:</b>				
Principal	1,156,610	1,156,610	1,156,610	-
Interest expense	119,865	119,865	119,865	-
Total expenditures	<u>34,021,338</u>	<u>35,166,616</u>	<u>34,850,307</u>	<u>316,309</u>
Revenues over (under) expenditures	(1,670,720)	(2,977,799)	(2,660,142)	317,657
Other financing sources (uses):				
Proceeds from issuance of debt	-	364,011	364,011	-
Transfers to other funds	-	(280,000)	(280,000)	-
	-	84,011	84,011	-
Appropriated fund balance	<u>1,670,720</u>	<u>2,893,788</u>	-	<u>(2,893,788)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(2,576,131)</u>	<u>\$ (2,576,131)</u>
Fund balances, beginning of year			11,472,766	
Increase in reserve for inventories			3,618	
Fund balances, end of year			<u>\$ 8,900,253</u>	

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

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**State Public School Fund**

Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ 105,184,215	\$ 106,874,417	\$ 104,728,867	\$ (2,145,550)
-	-	-	-
-	-	-	-
<u>105,184,215</u>	<u>106,874,417</u>	<u>104,728,867</u>	<u>(2,145,550)</u>
		65,810,197	
		9,962,897	
		3,413,645	
		6,043,172	
		-	
		<u>7,067,854</u>	
<u>93,217,089</u>	<u>94,027,783</u>	<u>92,297,765</u>	<u>1,730,018</u>
		697,623	
		322,106	
		79,749	
		284,086	
		10,494,940	
		122,698	
		216	
		<u>172,935</u>	
<u>11,722,999</u>	<u>12,585,185</u>	<u>12,174,353</u>	<u>410,832</u>
22,000	25,100	20,400	4,700
-	-	-	-
165,148	178,408	178,408	-
11,979	12,941	12,941	-
<u>105,139,215</u>	<u>106,829,417</u>	<u>104,683,867</u>	<u>2,145,550</u>
45,000	45,000	45,000	-
-	-	-	-
<u>(45,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>
<u>(45,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
		-	
		-	
		<u>\$ -</u>	



**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**June 30, 2013**

**Exhibit 6**

	<b>Enterprise Funds</b>		
	<b>Major Fund</b>	<b>Non-major Fund</b>	
	<b>School Food Service</b>	<b>Child Care</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,450,604	\$ 521,751	\$ 1,972,355
Due from other governments	119,892	414	120,306
Accounts receivable	3,851	32,248	36,099
Inventories	102,893	-	102,893
Total current assets	<u>1,677,240</u>	<u>554,413</u>	<u>2,231,653</u>
Noncurrent assets:			
Capital assets, net	450,049	-	450,049
	<u>2,127,289</u>	<u>554,413</u>	<u>2,681,702</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	131,128	6,161	137,289
Compensated absences	152,910	78,485	231,395
Deferred revenues	92,774	15,840	108,614
Total current liabilities	<u>376,812</u>	<u>100,486</u>	<u>477,298</u>
<b>NET POSITION</b>			
Net investment in capital assets	450,049	-	450,049
Unrestricted	1,300,428	453,927	1,754,355
Total net position	<u>\$ 1,750,477</u>	<u>\$ 453,927</u>	<u>\$ 2,204,404</u>

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2013**

**Exhibit 7**

	<b>Enterprise Funds</b>		
	<b>Major Fund</b>	<b>Non-major Fund</b>	
	<b>School Food Service</b>	<b>Child Care</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Food sales	\$ 4,343,381	\$ -	\$ 4,343,381
Child care fees	-	1,420,649	1,420,649
Total operating revenues	<u>4,343,381</u>	<u>1,420,649</u>	<u>5,764,030</u>
<b>OPERATING EXPENSES</b>			
Food cost:			
Purchase of food	3,937,229	55,024	3,992,253
Salaries and benefits	5,000,695	1,350,873	6,351,568
Indirect costs	712,330	-	712,330
Utilities and telephone	14,416	3,098	17,514
Contracted services	6,096	184	6,280
Materials and supplies	487,520	12,564	500,084
Repairs and maintenance			-
Travel	18,685	5,973	24,658
Field trips		28,088	28,088
Depreciation	81,063	-	81,063
Other	775	3,894	4,669
Total operating expenses	<u>10,258,809</u>	<u>1,459,698</u>	<u>11,718,507</u>
Operating loss	<u>(5,915,428)</u>	<u>(39,049)</u>	<u>(5,954,477)</u>
<b>NONOPERATING REVENUES</b>			
Federal reimbursements	5,028,684	-	5,028,684
State reimbursements	20,051	-	20,051
Federal commodities	459,578	-	459,578
Indirect cost not paid		-	-
Interest earned	2,357	948	3,305
Loss on disposal of capital assets	(3,175)	-	(3,175)
Other	575	-	575
Total nonoperating revenue	<u>5,508,070</u>	<u>948</u>	<u>5,509,018</u>
<b>OTHER FINANCING SOURCES</b>			
Transfer from other funds	<u>45,000</u>	<u>-</u>	<u>45,000</u>
Change in net position	(362,358)	(38,101)	(400,459)
Total net position - beginning	<u>2,112,835</u>	<u>492,028</u>	<u>2,604,863</u>
Total net position - ending	<u>\$ 1,750,477</u>	<u>\$ 453,927</u>	<u>\$ 2,204,404</u>

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

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**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2013**

**Exhibit 8**

	<b>Enterprise Funds</b>		
	<b>Major Fund</b>	<b>Non-major Fund</b>	
	<b>School Food Service</b>	<b>Child Care</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 4,346,767	\$ 1,420,388	\$ 5,767,155
Cash paid for goods and services	(4,691,533)	(107,053)	(4,798,586)
Cash paid to employees for services	(4,936,573)	(1,352,923)	(6,289,496)
Net cash used by operating activities	<u>(5,281,339)</u>	<u>(39,588)</u>	<u>(5,320,927)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Government reimbursements	5,078,496	-	5,078,496
Other	575	-	575
Net cash provided by noncapital financing activities	<u>5,079,071</u>	<u>-</u>	<u>5,079,071</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from sale of capital assets	924	-	924
Acquisition of capital assets	(45,791)	-	(45,791)
Net cash used by capital and related financing activities	<u>(44,867)</u>	<u>-</u>	<u>(44,867)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	2,357	948	3,305
Net decrease in cash and cash equivalents	(244,778)	(38,640)	(283,418)
Balances-beginning of the year	<u>1,695,382</u>	<u>560,391</u>	<u>2,255,773</u>
Balances-end of the year	<u>\$ 1,450,604</u>	<u>\$ 521,751</u>	<u>\$ 1,972,355</u>

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2013**

**Exhibit 8**  
**(Continued)**

Reconciliation of operating loss to net cash used by operating activities			
Operating loss	\$ (5,915,428)	\$ (39,049)	\$ (5,954,477)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	81,063	-	81,063
Donated commodities consumed	459,578	-	459,578
Salaries paid by other funds	45,000	-	45,000
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(3,458)	8,751	5,293
Decrease in due from other governments	-	(131)	(131)
Increase in inventories	(40,016)	-	(40,016)
Increase in accounts payable and accrued expenses	65,956	1,903	67,859
Increase (decrease) in deferred revenues	6,844	(9,012)	(2,168)
Increase (decrease) in compensated absences	19,122	(2,050)	17,072
Total adjustments	634,089	(539)	633,550
Net cash used by operating activities	<u>\$ (5,281,339)</u>	<u>\$ (39,588)</u>	<u>\$ (5,320,927)</u>

**Noncash investing, capital, and financing activities:**

The School Food Service Fund received donated commodities with a value of \$459,578 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.

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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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 position 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 on 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 of which is 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, 2013**

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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 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, 2013**

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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 is both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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, 2013**

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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; 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, 2013**

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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, 2013 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years’ records of the current portion of compensated absences.

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

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted and unrestricted. Restricted net position represents 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 five 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, 2013**

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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.

**Committed Fund Balance** – Portion of fund balance that can only be used for specific purpose imposed by majority vote of the Iredell-Statesville Schools governing body (highest level of decision-making authority). Any changes or removal of specific purposed requires majority action by the governing body.

Committed for Board designated purposes – portion of fund balance generated by revenues that can only be expended for specific purposes as designated by the Board.

**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.

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$92,332,638 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 189,117,639
Less Accumulated depreciation	<u>84,608,378</u>
Net capital assets	104,509,261
Liabilities for revenue unavailable but earned and therefore recorded in the fund statements but not the government-wide	129,014
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Leases and installment financing	(3,533,862)
Compensated absences	<u>(8,771,775)</u>
Total adjustment	<u>\$ 92,332,638</u>

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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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 a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(3,569,571) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 4,797,460
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.	(7,157,101)
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	(250,582)
New debt issued during the year is recorded as a source of funds on the funds statements, but has no effect on the statement of net activities – it affects only the government-wide statement of net position.	(2,168,729)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position in the government-wide statements.	2,236,627
Change in fund balance due to change in reserve for inventories	3,618
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.	(1,030,271)
Net book value of disposed capital assets	(593)
Total adjustment	<u>\$ (3,569,571)</u>

**IREDELL-STATESVILLE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

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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, 2013, the Board had deposits with banks and savings and loans with a carrying amount of \$5,994,822 and with the State Treasurer of none. The bank balances with the financial institutions and the State Treasurer were \$7,220,952, \$7,222,306 and \$4,276,886, respectively. Of these balances, \$1,590,650 was covered by federal depository insurance and \$9,908,542 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

At June 30, 2013, the Board had \$29,263 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 \$10,992,815 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, 2013. 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, 2013**

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NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Accounts Receivable

Receivables at the government-wide level at June 30, 2013, were as follows:

	<u>Due from other governments</u>	<u>Accounts receivable, net</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 157,112	\$ 275,360	\$ 432,472
Other governmental activities	<u>3,306,812</u>	<u>61,076</u>	<u>3,367,888</u>
Total	<u>\$ 3,463,924</u>	<u>\$ 336,436</u>	<u>\$ 3,800,360</u>
Business-type activities:			
School Food Service	\$ 119,892	\$ 3,851	\$ 123,743
Child Care	<u>414</u>	<u>32,248</u>	<u>32,662</u>
Total	<u>\$ 120,306</u>	<u>\$ 36,099</u>	<u>\$ 156,405</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 157,112	Sales tax refund due from the State
State Public School Fund	2,364,829	Salary accrual due from NC
Federal Grants Fund	208,880	Salary accrual due from Federal Grants
Capital Outlay	457,114	Iredell County and the State of NC
Other Special Revenue Fund	<u>275,989</u>	Grant funds
	<u>\$ 3,463,924</u>	
Business-type activities:		
School Food Service Fund	\$ 119,892	Federal reimbursements and NC sales tax
Child Care Fund	<u>414</u>	Sales tax refund due from the State
	<u>\$ 120,306</u>	

**IREDELL-STATESVILLE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2013**

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
<b>Capital assets not   being depreciated:</b>				
Land	\$ 12,910,831	\$ 177,112	\$ -	\$ 13,087,943
<b>Capital assets being   depreciated:</b>				
Buildings and improvements	144,540,428	855,264	-	145,395,692
Equipment and furniture	10,764,397	1,363,379	151,997	11,975,779
Vehicles	16,301,350	2,401,705	44,830	18,658,225
Total capital assets being depreciated	<u>171,606,175</u>	<u>4,620,348</u>	<u>196,827</u>	<u>176,029,696</u>
<b>Less accumulated   depreciation for:</b>				
Buildings and improvements	59,963,149	4,541,622	-	64,504,771
Equipment and furniture	3,880,205	1,637,763	151,404	5,366,564
Vehicles	13,804,157	977,716	44,830	14,737,043
Total accumulated depreciation	<u>77,647,511</u>	<u>7,157,101</u>	<u>196,234</u>	<u>84,608,378</u>
Total capital assets being depreciated, net	<u>93,958,664</u>			<u>91,421,318</u>
<b>Governmental activity   capital assets, net</b>	<u>\$106,869,495</u>			<u>\$104,509,261</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type activities:</b>				
<b>School Food Service Fund:</b>				
Capital assets being depreciated:				
Furniture and office equipment	\$ 2,099,359	\$ 45,791	\$ 22,116	\$ 2,123,034
<b>Less accumulated depreciation for:</b>				
Furniture and office equipment	<u>1,609,939</u>	<u>81,063</u>	<u>18,017</u>	<u>1,672,985</u>
<b>Business-type activity capital assets,   net</b>	<u>\$ 489,420</u>			<u>\$ 450,049</u>

**IREDELL-STATESVILLE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

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NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 4,541,622
Operational support	977,716
Unallocated depreciation	<u>1,637,763</u>
Total	<u>\$ 7,157,101</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 8.33% 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, 2013, 2012, and 2011 were \$8,236,733, \$7,345,657, and \$4,898,477, 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, 2013**

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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, 2013, 2012, and 2011, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$5,240,658, \$4,897,104, and \$4,868,669 respectively. These contributions represented 5.30%, 5.00%, and 4.59% of covered payroll, respectively.

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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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, 2013**

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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, 2013, 2012, and 2011, the Board paid all annual required contributions to the DIPNC for disability benefits of \$593,282, \$515,485, and \$516,675, respectively. These contributions represented 0.60%, 0.52%, and 0.52% of covered payroll, respectively.

**IREDELL-STATESVILLE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

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NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2013, are as follows:

	<u>Vendors</u>	<u>Accrued Salaries &amp; Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 132,045	\$ 2,171,380	\$ 2,303,425
Other Governmental	127,999	2,611,034	2,739,033
Total governmental activities	<u>\$ 260,044</u>	<u>\$ 4,782,414</u>	<u>\$ 5,042,458</u>
Business-type Activities:			
School Food Service	\$ 50,061	\$ 81,067	\$ 131,128
Child Care	6,161	-	6,161
Total business-type activities	<u>\$ 56,222</u>	<u>\$ 81,067</u>	<u>\$ 137,289</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)	\$ 92,774
Prepaid summer fees (Child Care Fund)	15,840
	<u>\$ 108,614</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 \$2,550,000 for general liability and errors and omissions claims. 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, 2013**

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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 monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees who 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, 2013**

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

At June 30, 2013, assets recorded under the capital leases were as follows:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 4,189,903	\$ 973,939	\$ 3,215,964

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, 2013:

Year Ending June 30	Governmental Activities
2014	\$ 1,459,601
2015	1,459,601
2016	<u>129,950</u>
Total minimum lease payments	3,049,152
Less: amount representing interest	<u>180,187</u>
Present value of the minimum lease payments	<u><u>\$ 2,868,965</u></u>

b. Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase 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 year ended June 30, 2013 the Board entered into an installment purchase contract to finance the purchase of 16 school buses. The financing contract requires only principal payments of \$332,448 due at the beginning of each contract year.

The future minimum payments of the installment purchases as of June 30, 2013, are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2014	\$ 332,448	\$ -
2015	332,449	-
	<u>\$ 664,897</u>	<u>\$ -</u>

**IREDELL-STATESVILLE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2013**

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, 2013:

Governmental activities:	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion
Installment purchases	\$ 97,141	\$ 1,329,793	\$ 762,037	\$ 664,897	\$ 332,448
Capital leases	3,504,619	838,936	1,474,590	2,868,965	1,338,561
Compensated absences	<u>7,741,504</u>	<u>5,086,319</u>	<u>4,056,048</u>	<u>8,771,775</u>	<u>4,056,048</u>
Total	<u>\$ 11,343,264</u>	<u>\$ 7,255,048</u>	<u>\$ 6,292,675</u>	<u>\$ 12,305,637</u>	<u>\$ 5,727,057</u>
Business-type activities:					
Compensated absences	<u>\$ 214,323</u>	<u>\$ 283,147</u>	<u>\$ 266,075</u>	<u>\$ 231,395</u>	<u>\$ 231,395</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 a 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	\$ 8,900,253
Less:	
Inventories	78,453
Scholarships	134,188
Subsequent years expenditures	1,450,470
Stabilization by State Statute	<u>595,549</u>
Remaining Fund Balance	<u>\$ 6,641,593</u>

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLES

The Board implemented Governmental Accounting Standard Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, or Net Position.



**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, 2013**

**Exhibit A-1**

	Budget	Actual	Positive (Negative) Variance
<b>Revenues:</b>			
Iredell County	\$ 31,254,418	\$ 31,254,418	\$ -
Other:			
Fines and forfeitures	594,200	625,683	31,483
Disposition of property and equipment	713	713	-
Interest	89,600	55,500	(34,100)
Rental of school property	72,600	75,745	3,145
Other	177,286	178,106	820
Total	934,399	935,747	1,348
<b>Total revenues</b>	<b>32,188,817</b>	<b>32,190,165</b>	<b>1,348</b>
<b>Expenditures:</b>			
Instructional services:			
Regular instructional		7,940,669	
Special populations		609,395	
Alternative programs		302,947	
School leadership		3,112,775	
Co-curricular		609,449	
School-based support		2,532,274	
Total instructional services	15,177,530	15,107,509	70,021
System-wide support services:			
Support and development		835,227	
Special population support		48,638	
Alternative programs		-	
Technology support		1,734,128	
Operational support		11,653,393	
Financial and human resource		1,613,372	
Accountability		5,014	
Policy, leadership and public relations		714,499	
Total system-wide support services	16,826,341	16,604,271	222,070
Ancillary services	270	268	2
Non-programmed charges	1,886,000	1,861,784	24,216

**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, 2013**

	<u>Budget</u>	<u>Actual</u>	<b>Exhibit A-1 (Continued)</b>  Positive (Negative) Variance
Debt service:			
Principal	1,156,610	1,156,610	-
Interest expense	119,865	119,865	-
	<u>1,276,475</u>	<u>1,276,475</u>	<u>-</u>
<b>Total expenditures</b>	<u>35,166,616</u>	<u>34,850,307</u>	<u>316,309</u>
Revenues over (under) expenditures	(2,977,799)	(2,660,142)	317,657
Other financing sources (uses):			
Proceeds from issuance of debt	364,011	364,011	-
Transfer to the Capital Outlay fund	(280,000)	(280,000)	-
	<u>84,011</u>	<u>84,011</u>	<u>-</u>
Appropriated fund balance	<u>2,893,788</u>	<u>-</u>	<u>(2,893,788)</u>
Revenues, other financing sources & appropriated fund balance under expenditures and other financing uses	<u>\$ -</u>	<u>(2,576,131)</u>	<u>\$ (2,576,131)</u>
<b>Fund balance:</b>			
Beginning of year, July 1		11,472,766	
Increase in reserve for inventories		<u>3,618</u>	
End of year, June 30		<u>\$ 8,900,253</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, 2013**

	<i>Exhibit B-1</i>		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina			
Public School Building Capital Fund - Lottery	\$ 1,721,236	\$ 1,931,825	\$ 210,589
State sales tax refund	-	29,001	29,001
State appropriations - buses	762,020	762,020	-
	<u>2,483,256</u>	<u>2,722,846</u>	<u>239,590</u>
Iredell County:			
General county revenues	1,944,665	1,873,172	(71,493)
Other:			
Miscellaneous	87,376	47,213	(40,163)
Total revenues	<u>4,515,297</u>	<u>4,643,231</u>	<u>127,934</u>
Expenditures:			
Current			
Instructional services	2,181	2,179	2
System-wide support services	2,428,788	2,337,732	91,056
Capital outlay	3,682,481	3,375,815	306,666
Debt Service:			
Principal	883,721	883,721	-
Interest	8,515	8,249	266
Total expenditures	<u>7,005,686</u>	<u>6,607,696</u>	<u>397,990</u>
Revenues under expenditures	(2,490,389)	(1,964,465)	525,924
Other financing sources:			
Proceeds from issuance of debt	474,925	474,925	-
Installment purchase obligations issued	1,329,793	1,329,793	-
Transfer in from Local Current Expense fund	280,000	280,000	-
	<u>2,084,718</u>	<u>2,084,718</u>	<u>-</u>
Appropriated fund balance	405,671	-	(405,671)
Revenues, other financing sources and appropriated fund balance over expenditures	<u>\$ -</u>	120,253	<u>\$ 120,253</u>
Fund balance:			
Beginning of year, July 1		<u>1,955,734</u>	
End of year, June 30		<u>\$ 2,075,987</u>	

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2013**

*Exhibit C-1*

	<b>Non-Major Funds</b>		
	<b>Federal Grants</b>	<b>Other Special Revenue Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 990,021	\$ 990,021
Receivables (net)	-	61,076	61,076
Due from other funds	11,772	-	11,772
Due from other governments	208,880	275,989	484,869
Total assets	<u>\$ 220,652</u>	<u>\$ 1,327,086</u>	<u>\$ 1,547,738</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 208,880	\$ 52,940	\$ 261,820
Deferred revenue	11,772	104,559	116,331
Total liabilities	<u>220,652</u>	<u>157,499</u>	<u>378,151</u>
Fund balances:			
Restricted			
Stabilization by State Statue	-	337,065	337,065
Committed			
Board designated	-	595,412	595,412
Assigned			
Subsequent years expenditures	-	237,110	237,110
Unassigned	-	-	-
Total fund balances	<u>-</u>	<u>1,169,587</u>	<u>1,169,587</u>
Total liabilities and fund balances	<u>\$ 220,652</u>	<u>\$ 1,327,086</u>	<u>\$ 1,547,738</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, 2013**

**Exhibit C-2**

	<b>Non-Major Funds</b>		
	<b>Federal Grants</b>	<b>Special Revenue Fund</b>	<b>Total</b>
<b>REVENUES</b>			
State of North Carolina	\$ -	\$ 52,605	\$ 52,605
U.S. Government	10,370,798	3,689,081	14,059,879
Other	-	2,853,750	2,853,750
Total revenues	<u>10,370,798</u>	<u>6,595,436</u>	<u>16,966,234</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Instructional services:			
Regular instructional	1,532,361	2,386,322	3,918,683
Special populations	3,296,982	345,233	3,642,215
Alternative programs	4,152,524	622,304	4,774,828
School leadership	-	4,659	4,659
School-based support	341,279	486,288	827,567
System-wide support services:			
Support and development	32,201	1,000,129	1,032,330
Special populations support and development	748,666	199,465	948,131
Alternative programs and services support and development	60,394	272,313	332,707
Technology support	12,401	119,569	131,970
Operational support	13,408	898,952	912,360
Financial and human resource	-	211,583	211,583
System-wide pupil support	-	50,064	50,064
Policy, leadership and public relations	-	7,428	7,428
Ancillary Services	-	24,141	24,141
Non-programmed charges	180,582	85,885	266,467
<b>Debt service:</b>			
Principal payments	-	17,888	17,888
Interest and other charges	-	469	469
Total expenditures	<u>10,370,798</u>	<u>6,732,692</u>	<u>17,103,490</u>
Revenues under expenditures	-	(137,256)	(137,256)
Fund balances-beginning	-	1,306,843	1,306,843
Fund balances-ending	<u>\$ -</u>	<u>\$ 1,169,587</u>	<u>\$ 1,169,587</u>

**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, 2013**

**Exhibit C-3**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
U. S. Government	<u>\$ 15,416,696</u>	<u>\$ 10,370,798</u>	<u>\$ (5,045,898)</u>
Expenditures:			
Instructional services	10,158,123	9,323,146	834,977
System-wide supporting services	968,772	867,070	101,702
Non-programmed charges	<u>4,289,801</u>	<u>180,582</u>	<u>4,109,219</u>
Total expenditures	<u>15,416,696</u>	<u>10,370,798</u>	<u>5,045,898</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances:			
Beginning of year, July 1		<u>-</u>	
End of year, June 30		<u>\$ -</u>	

**IREDELL-STATESVILLE BOARD OF EDUCATION  
NON-MAJOR GOVERNMENTAL FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - OTHER SPECIAL REVENUE FUND  
For the Year Ended June 30, 2013**

**Exhibit C-4**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina	\$ 58,000	\$ 52,605	\$ (5,395)
U.S. Government	10,084,123	3,689,081	(6,395,042)
Other	2,572,036	2,853,750	281,714
Total Revenues	<u>12,714,159</u>	<u>6,595,436</u>	<u>(6,118,723)</u>
Expenditures:			
Current			
Instructional services	9,372,943	3,844,806	5,528,137
System-wide supporting services	3,646,159	2,759,503	886,656
Ancillary services	88,964	24,141	64,823
Non-programmed charges	379,476	85,885	293,591
Debt Service			
Principal	17,888	17,888	-
Interest	469	469	-
Total expenditures	<u>13,505,899</u>	<u>6,732,692</u>	<u>6,773,207</u>
Revenues under expenditures	(791,740)	(137,256)	654,484
Appropriated fund balance	<u>791,740</u>	<u>-</u>	<u>(791,740)</u>
Revenues and appropriated fund balance under expenditures	<u>\$ -</u>	<u>(137,256)</u>	<u>\$ (137,256)</u>
Fund balances:			
Beginning of year, July 1		<u>1,306,843</u>	
End of year, June 30		<u>\$ 1,169,587</u>	

**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, 2013**

**Exhibit D-1**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Food sales	\$ 4,977,000	\$ 4,343,381	\$ (633,619)
Operating expenditures:			
Food costs:			
Purchase of food		3,897,213	
Salaries and benefits		5,019,817	
Indirect costs		712,330	
Utilities and telephone		14,416	
Contracted services		6,096	
Materials and supplies		487,520	
Repairs and maintenance		-	
Travel		18,685	
Capital outlay		(45,791)	
Other		775	
Total expenditures	10,551,000	10,111,061	439,939
Operating loss	(5,574,000)	(5,767,680)	(193,680)
Nonoperating revenues:			
Federal reimbursements	5,000,000	5,028,684	28,684
State reimbursements	20,000	20,051	51
Federal commodities	500,000	459,578	(40,422)
Indirect cost not paid	-	-	-
Interest earned	5,000	2,357	(2,643)
Loss on disposal of capital assets	1,500	(3,175)	(4,675)
Other	2,500	575	(1,925)
Total nonoperating revenues	5,529,000	5,508,070	(20,930)
Revenues over expenditures	(45,000)	(259,610)	(214,610)
Other financing sources:			
Operating transfer in	45,000	45,000	-
Revenues and other financing sources over expenditures	\$ -	(214,610)	\$ (214,610)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(81,063)	
Decrease in inventories		(40,016)	
Capital outlay		(45,791)	
Increase in compensated absences payable		19,122	
Change in net position (full accrual)		\$ (362,358)	



**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-**  
**GAAP) - CHILD CARE FUND**  
**For the Year Ended June 30, 2013**

**Exhibit D-2**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Child care fees	\$ 1,633,500	\$ 1,420,649	\$ (212,851)
Expenditures:			
Food purchases		55,024	
Salaries and benefits		1,348,823	
Utilities and telephone		3,098	
Contracted services		184	
Material and supplies		12,564	
Travel		5,973	
Field trips		28,088	
Other		3,894	
Total expenditures	<u>1,633,500</u>	<u>1,457,648</u>	<u>175,852</u>
Operating loss	-	(36,999)	(36,999)
Nonoperating revenues:			
Interest and other	-	948	948
Revenues under expenditures	<u>\$ -</u>	(36,051)	<u>\$ (36,051)</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Decrease in compensated absences		(2,050)	
Change in net position (full accrual)		<u>\$ (38,101)</u>	

***COMPLIANCE SECTION***

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the 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 (the "Board"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated August 22, 2013.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Gastonia, North Carolina

August 22, 2013

**Independent Auditor's Report On Compliance For  
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

**Report on Compliance for Each Major Federal Program**

We have audited Iredell-Statesville Board of Education (the "Board"), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission that could have a direct and material effect on the Board's major federal programs for the year ended June 30, 2013. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Those standards and OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Board's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Board, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of the Board, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gastonia, North Carolina

August 22, 2013

**Independent Auditor's Report On Compliance For  
Each Major State Program And Internal Control Over  
Compliance In Accordance With OMB Circular A-133  
And The State Single Audit Implementation Act**

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

**Report on Compliance for Each Major State Program**

We have audited the Iredell-Statesville Board of Education (the "Board"), 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 the Board's major state programs for the year ended June 30, 2013. The Board's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Board's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, 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 state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Board's compliance.

## **Opinion on Each Major State Program**

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

## **Report on Internal Control Over Compliance**

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gastonia, North Carolina

August 22, 2013



**Iredell-Statesville Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013**

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Section I. Summary of Auditors' Results

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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, 2013**

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
84.416	U.S. Department of Health Race to the Top - District
84.010	Office of Elementary and Secondary Education: Title I Grants to Local Education Agencies – Educationally Deprived Children
84.027	Special Education Cluster: Individuals with Disabilities Education Act Education of the Handicap Children with Disabilities Special Needs Targeted Assistance Risk Pool Preschool Handicapped Preschool Grants Targeted Assistance
84.027	
84.027	
84.027	
84.173	
84.173	

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

\$ 586,444

Auditee qualified as low-risk auditee?

yes     no

State Awards

Internal control over major State programs:

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

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

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

yes     no

Identification of major State programs:

Program Name  
State Public School Fund  
Public School Building Capital Fund  
Textbooks - Noncash

**Iredell-Statesville Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013**

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Section II. Financial Statement Findings

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Finding: None

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Section III. Federal Award Findings and Questioned Costs

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Finding: None

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Section IV. State Award Findings and Questioned Costs

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Finding: None

**Iredell-Statesville Board of Education  
Corrective Action Plan  
For the Year Ended June 30, 2013**

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Section II. Financial Statement Findings

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None Reported

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Section III. Federal Award Findings and Questioned Costs

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None Reported

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Section IV. State Award Findings and Questioned Costs

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None Reported

**Iredell-Statesville Board of Education  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2013**

Findings: 2012  
None

Findings: 2011  
None

Findings: 2010  
None

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2013**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<b>Federal Grants:</b>			
<b>Cash Programs:</b>			
<u>U. S. Department of Agriculture</u>			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities)			
Passed-through the N.C. Department of Public Agriculture:			
National School Lunch Program -			
Non-cash (Commodities)	10.559		\$ 459,578
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553		1,102,842
National School Lunch Program	10.555		3,925,842
Total Cash Assistance			<u>5,028,684</u>
Total U. S. Department of Agriculture			5,488,262
<u>U.S. Department of Education</u>			
Cash Assistance:			
Direct Program:			
Investment in Innovation Fund (i3)	84.396		1,150,329
Race to the Top - District	84.416		694,435
<u>Office of Elementary and Secondary Education</u>			
Passed-through the N.C. Department of Public Instruction:			
Title I Grants to Local Education Agencies -			
Educationally Deprived Children	84.010	PRC 050	4,093,661
School Improvement Cluster:			
School Improvement Grant	84.377	PRC 105	221,473
School Improvement Grant - ARRA	84.388	PRC 142	235
			<u>221,708</u>
Education for Homeless Children and Youth	84.196	PRC 026	15,049
Safe and Drug Free Schools and Communities -			
Title IV, Part A	84.186	PRC 048	77
English Language Acquisition Grant	84.365	PRC 104 & 111	190,541
Race to the Top - ARRA	84.395	PRC 156	440,701
Improving Teacher Quality State Grant	84.367	PRC 103	475,756
Enhancing Technology through Education - ARRA	84.386	PRC 146	11

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)**  
**For the Year Ended June 30, 2013**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<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	3,746,530
Children with Disabilities	84.027	PRC 070	730,608
Special Needs Targeted Assistance	84.027	PRC 118	40,565
Risk Pool	84.027	PRC 114	31,030
Preschool Handicapped	84.173	PRC 049	130,586
Preschool Grants Targeted Assistance	84.173	PRC 119	1,676
Total Special Education Cluster:			4,680,995
 Title VI-B, State Improvement Grant	 84.323	 PRC 082	 23,209
 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	229,090
 <u>Office of the Assistant Secretary for Postsecondary Education</u>			
Passed-through the University of North Carolina:			
Gear-Up Program	84.344		24,449
 Direct Program:			
Smaller Learning Communities	84.215		577,720
Total U. S. Department of Education			12,817,731
 <u>U.S. Department of Health and Human Services</u>			
<u>Office of the Secretary</u>			
Direct Program			
Teenage Pregnancy Prevention Grant	93.297		917,903
 <u>U.S. Department of Defense</u>			
Direct Program:			
ROTC	NONE		324,245
Total federal assistance			19,548,141

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)**  
**For the Year Ended June 30, 2013**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<b>State Grants:</b>			
Cash Assistance:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund			97,479,074
Driver Training - SPSF		PRC 012	427,585
School Technology Fund - SPSF		PRC 015	259,232
Vocational Education			
- State Months of Employment		PRC 013	5,594,283
- Program Support Funds		PRC 014	644,409
			104,404,583
Passed through Iredell County:			
Public School Building Capital Fund			1,931,825
Total N.C. Department of Public Instruction			106,336,408
<u>Division of School Food Service:</u>			
Kindergarten Breakfast Program			20,051
<u>N.C. Department of Health &amp; Human Services</u>			
<u>Division of Public Health</u>			
Passed through Iredell County Health Department:			
School Nursing Funding Initiative			50,000
<u>Division of Aging and Adult Services</u>			
Personal and Home Care Aid State Training			2,605
Total N.C. Department of Health and Human Services			52,605
Non-Cash Assistance			
<u>N.C. Department of Public Instruction:</u>			
School buses			762,020
Textbooks - Noncash			324,284
			1,086,304
Total N.C. Department of Public Instruction - Noncash			1,086,304
Total State assistance			107,495,368
Total federal and State assistance			\$ 127,043,509

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.