

**IREDELL-STATESVILLE  
BOARD OF EDUCATION**

Financial Report

Year Ended June 30, 2014

# ***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, 2014, 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, and the aggregate remaining fund information of the Iredell-Statesville Board of Education as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund, State Public School Fund and Other Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 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 opinions 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, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual non-major fund financial statements, budgetary schedules, other schedules and the 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 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 September 23, 2014 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.

Statesville, North Carolina

September 23, 2014

**IREDELL-STATESVILLE BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

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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, 2014. This information should be read in conjunction with the audited financial statements included in this report.

**Financial Highlights**

- The Board's enrollment decreased by approximately 400 students between 2012-13 and 2013-14, less than 2%.
- The Board began to implement a blended learning program that mixes online and traditional teaching methods. As a result, students at four schools were provided an Apple MacBook Air. Next year, all middle and high school students will receive the Apple MacBook Air. This was made possible, in part, because the Board was the recipient of a \$20 million federal Race to the Top-District grant.
- The Board continues to see a decline in State and Local Current Expense funding. The State funding decreased \$2.3 million while the Local Current Expense funding decreased \$23,426. As a result, the Board used \$2.1 million in Local fund balance to make up for lost State and Local funding.

**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, 2014**

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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 how 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, 2014**

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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, the Federal Grants Fund, and the other Special Revenue 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 \$104,625,636 as of June 30, 2014. The largest component of net position is net investment in capital assets of \$100,147,796. It comprises 96% of the total net position.

**IREDELL-STATESVILLE BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

**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, 2014 and 2013

|                                     | Governmental Activities |                       | Business-type Activities |                     | Total Primary Government |                       |
|-------------------------------------|-------------------------|-----------------------|--------------------------|---------------------|--------------------------|-----------------------|
|                                     | 6/30/2014               | 6/30/2013             | 6/30/2014                | 6/30/2013           | 6/30/2014                | 6/30/2013             |
| Current assets                      | \$ 18,120,206           | \$ 18,923,358         | \$ 2,247,575             | \$ 2,231,653        | \$ 20,367,781            | \$ 21,155,011         |
| Capital assets                      | <u>109,343,754</u>      | <u>104,509,261</u>    | <u>566,178</u>           | <u>450,049</u>      | <u>109,909,932</u>       | <u>104,959,310</u>    |
| Total assets                        | <u>127,463,960</u>      | <u>123,432,619</u>    | <u>2,813,753</u>         | <u>2,681,702</u>    | <u>130,277,713</u>       | <u>126,114,321</u>    |
| Current liabilities                 | 16,897,468              | 10,769,515            | 417,746                  | 477,298             | 17,315,214               | 11,246,813            |
| Long-term liabilities               | <u>8,336,863</u>        | <u>6,578,580</u>      | -                        | -                   | <u>8,336,863</u>         | <u>6,578,580</u>      |
| Total liabilities                   | <u>25,234,331</u>       | <u>17,348,095</u>     | <u>417,746</u>           | <u>477,298</u>      | <u>25,652,077</u>        | <u>17,825,393</u>     |
| Net investment in capital assets    | 99,581,618              | 100,975,399           | 566,178                  | 450,049             | 100,147,796              | 101,425,448           |
| Restricted net position             | 2,741,724               | 2,672,861             | -                        | -                   | 2,741,724                | 2,672,861             |
| Unrestricted net position (deficit) | <u>(93,713)</u>         | <u>2,436,264</u>      | <u>1,829,829</u>         | <u>1,754,355</u>    | <u>1,736,116</u>         | <u>4,190,619</u>      |
| Total net position                  | <u>\$ 102,229,629</u>   | <u>\$ 106,084,524</u> | <u>\$ 2,396,007</u>      | <u>\$ 2,204,404</u> | <u>\$ 104,625,636</u>    | <u>\$ 108,288,928</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 \$2.5 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, 2014**

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

Table 2  
Condensed Statement of Activities  
for the Years Ended June 30, 2014 and 2013

|                                    | Governmental Activities |                       | Business-type Activities |                     | Total Primary Government |                       |
|------------------------------------|-------------------------|-----------------------|--------------------------|---------------------|--------------------------|-----------------------|
|                                    | 6/30/2014               | 6/30/2013             | 6/30/2014                | 6/30/2013           | 6/30/2014                | 6/30/2013             |
| <b>Revenues:</b>                   |                         |                       |                          |                     |                          |                       |
| <b>Program revenues:</b>           |                         |                       |                          |                     |                          |                       |
| Charges for services               | \$ 128,979              | \$ 141,740            | \$ 5,294,988             | \$ 5,764,030        | \$ 5,423,967             | \$ 5,905,770          |
| Operating grants and contributions | 120,487,412             | 121,532,435           | 6,067,405                | 5,508,313           | 126,554,817              | 127,040,748           |
| Capital grants and contributions   | 332,448                 | 762,020               | 35,198                   | -                   | 367,646                  | 762,020               |
| <b>General revenues:</b>           |                         |                       |                          |                     |                          |                       |
| County revenues                    | 33,537,993              | 33,127,590            | --                       | --                  | 33,537,993               | 33,127,590            |
| Other revenues                     | 9,424,228               | 7,279,064             | 33,364                   | 705                 | 9,457,592                | 7,279,769             |
| <b>Total revenues</b>              | <u>163,911,060</u>      | <u>162,842,849</u>    | <u>11,430,955</u>        | <u>11,273,048</u>   | <u>175,342,015</u>       | <u>174,115,897</u>    |
| <b>Expenses:</b>                   |                         |                       |                          |                     |                          |                       |
| <b>Governmental activities:</b>    |                         |                       |                          |                     |                          |                       |
| Instructional services             | 128,022,653             | 129,162,608           | -                        | -                   | 128,022,653              | 129,162,608           |
| System-wide support services       | 34,797,233              | 35,995,415            | -                        | -                   | 34,797,233               | 35,995,415            |
| Ancillary services                 | 58,648                  | 45,484                | -                        | -                   | 58,648                   | 45,484                |
| Non-programmed charges             | 2,206,025               | 1,875,920             | -                        | -                   | 2,206,025                | 1,875,920             |
| Interest on long-term debt         | 121,040                 | 141,524               | -                        | -                   | 121,040                  | 141,524               |
| Depreciation                       | 2,515,356               | 1,637,763             | -                        | -                   | 2,515,356                | 1,637,763             |
| <b>Business-type activities:</b>   |                         |                       |                          |                     |                          |                       |
| Food service                       | -                       | -                     | 9,961,798                | 10,258,809          | 9,961,798                | 10,258,809            |
| Child care                         | -                       | -                     | 1,322,554                | 1,459,698           | 1,322,554                | 1,459,698             |
| <b>Total expenses</b>              | <u>167,720,955</u>      | <u>168,858,714</u>    | <u>11,284,352</u>        | <u>11,718,507</u>   | <u>179,005,307</u>       | <u>180,577,221</u>    |
| Transfers                          | (45,000)                | (45,000)              | 45,000                   | 45,000              | -                        | -                     |
| Change in net position             | (3,854,895)             | (6,060,865)           | 191,603                  | (400,459)           | (3,663,292)              | (6,461,324)           |
| Beginning net position             | 106,084,524             | 112,145,389           | 2,204,404                | 2,604,863           | 108,288,928              | 114,750,252           |
| Ending net position                | <u>\$ 102,229,629</u>   | <u>\$ 106,084,524</u> | <u>\$ 2,396,007</u>      | <u>\$ 2,204,404</u> | <u>\$ 104,625,636</u>    | <u>\$ 108,288,928</u> |

Total governmental activities generated revenues of \$163.9 million while expenses in this category totaled \$167.7 million for the year ended June 30, 2014. Comparatively, revenues were \$162.8 million and expenses totaled \$168.9 million for the year ended June 30, 2013. The decrease in net position stands at \$3,663,292 and \$6,461,324 at June 30, 2014 and 2013, comparatively. Instructional service expenses comprised 76% of total governmental-type expenses while system-wide support services made up 21% of those expenses for 2014. County funding comprised 20% of total governmental revenue in 2014 and 2013. Much of the remaining 80% of total governmental revenue for 2014 consists of restricted State and Federal money. Business-type activities generated revenue of \$11.4 million and had expenses of \$11.3 million. Net position increased in the business-type activities by \$191,603.

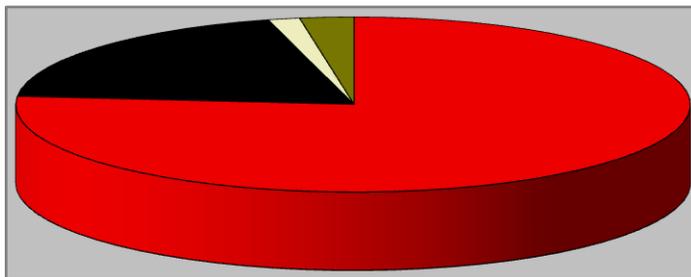
**Financial Analysis of the Board's Funds**

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 \$11,277,704, a \$2,474,182 decrease over last year. The Capital Outlay Fund reported a \$316,129 decrease in fund balance, ending the year with \$1,759,858 in fund balance. The Individual Schools Fund and the General Fund reported a \$83,150 and \$2,105,877 decrease, respectively, in fund balance for the year ended June 30, 2014.

Proprietary Funds: The Board's business-type funds had a net increase in net position in the past year. The School Food Service Fund reflected an increase in net position from the prior year of \$328,988. The Child Care Fund decreased net position by \$137,385.

**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, 2014**

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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 increased by \$4,950,622 from the previous year as a result, in part, of purchasing over 12,000 Apple MacBook Airs. 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, 2014 and 2013

|                           | Governmental Activities |                      | Business-type Activities |                   | Total Primary Government |                      |
|---------------------------|-------------------------|----------------------|--------------------------|-------------------|--------------------------|----------------------|
|                           | 6/30/2014               | 6/30/2013            | 6/30/2014                | 6/30/2013         | 6/30/2014                | 6/30/2013            |
| Land                      | \$ 14,076,793           | \$ 13,087,943        | \$ -                     | \$ -              | \$ 14,076,793            | \$ 13,087,943        |
| Building and improvements | 76,707,933              | 80,890,921           | -                        | -                 | 76,707,933               | 80,890,921           |
| Equipment and furniture   | 15,259,252              | 6,609,215            | 566,178                  | 450,049           | 15,825,430               | 7,059,264            |
| Vehicles                  | 3,299,776               | 3,921,182            | -                        | -                 | 3,299,776                | 3,921,182            |
| <b>Total</b>              | <b>\$109,343,754</b>    | <b>\$104,509,261</b> | <b>\$ 566,178</b>        | <b>\$ 450,049</b> | <b>\$109,909,932</b>     | <b>\$104,959,310</b> |

**Debt Outstanding**

During the year the Board's outstanding debt increased by \$6,381,300. 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. A substantial portion of the outstanding debt, approximately \$6.9 million, is a result of leases with Apple, Inc. 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 6.1% at June 2014 has improved from 9.2% at June 2013. The State unemployment rate at June 2014 was 6.5%.
- Job creation is slow in Iredell County with only 15 announced jobs created through the first quarter of 2014.
- Iredell County maintains the lowest property tax rate in the region and the 18th lowest in the State at .4850 per \$100 of valuation.

**IREDELL-STATESVILLE BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

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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, 2014**

**Exhibit 1**

|   | Primary Government         |                             |                       |
|---|----------------------------|-----------------------------|-----------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total                 |
| <b>ASSETS</b>                                       |                            |                             |                       |
| Cash and cash equivalents                           | \$ 13,853,395              | \$ 1,916,948                | \$ 15,770,343         |
| Receivables (net)                                   | 284,508                    | 23,615                      | 308,123               |
| Due from other governments                          | 3,918,990                  | 209,475                     | 4,128,465             |
| Inventories   | 63,313                     | 97,537                      | 160,850               |
| Capital assets:                                     |                            |                             |                       |
| Land, improvements, and<br>construction in progress | 14,076,793                 | -                           | 14,076,793            |
| Other capital assets, net of<br>depreciation        | 95,266,961                 | 566,178                     | 95,833,139            |
| Total capital assets                                | <u>109,343,754</u>         | <u>566,178</u>              | <u>109,909,932</u>    |
| Total assets  | <u>127,463,960</u>         | <u>2,813,753</u>            | <u>130,277,713</u>    |
| <b>LIABILITIES</b>                                  |                            |                             |                       |
| Accounts payable and accrued<br>expenses            | 6,527,185                  | 98,375                      | 6,625,560             |
| Unearned revenue                                    | -                          | 108,185                     | 108,185               |
| Long-term liabilities:                              |                            |                             |                       |
| Due within one year                                 | 10,370,283                 | 211,186                     | 10,581,469            |
| Due in more than one year                           | 8,336,863                  | -                           | 8,336,863             |
| Total liabilities                                   | <u>25,234,331</u>          | <u>417,746</u>              | <u>25,652,077</u>     |
| <b>NET POSITION</b>                                 |                            |                             |                       |
| Net investment in capital assets                    | 99,581,618                 | 566,178                     | 100,147,796           |
| Restricted:   |                            |                             |                       |
| Individual schools                                  | 1,522,909                  | -                           | 1,522,909             |
| Scholarships  | 127,796                    | -                           | 127,796               |
| Stabilization by State Statue                       | 1,091,019                  | -                           | 1,091,019             |
| Unrestricted (deficit)                              | (93,713)                   | 1,829,829                   | 1,736,116             |
| Total net position                                  | <u>\$ 102,229,629</u>      | <u>\$ 2,396,007</u>         | <u>\$ 104,625,636</u> |

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

*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                          | \$ 83,714,088         | \$ 61,007            | \$ 68,900,009                      | \$ -                             |
| Special populations                            | 13,658,995            | -                    | 12,738,281                         | -                                |
| Alternative programs                           | 9,273,690             | -                    | 8,389,348                          | -                                |
| School leadership                              | 9,345,220             | -                    | 4,816,596                          | -                                |
| Co-curricular                                  | 628,012               | -                    | -                                  | -                                |
| School-based support                           | 11,402,648            | -                    | 8,387,795                          | -                                |
| System-wide support services:                  |                       |                      |                                    |                                  |
| Support and development                        | 3,066,257             | -                    | 2,126,244                          | -                                |
| Special population                             | 1,420,304             | -                    | 1,281,686                          | -                                |
| Alternative programs                           | 501,330               | -                    | 483,999                            | -                                |
| Technology support                             | 2,412,045             | -                    | 672,188                            | -                                |
| Operational support                            | 24,301,157            | 67,972               | 11,736,395                         | 332,448                          |
| Financial and human resource                   | 2,072,844             | -                    | 209,608                            | -                                |
| System-wide pupil support                      | 205,201               | -                    | 192,746                            | -                                |
| Policy, leadership and public relations        | 818,095               | -                    | 139,123                            | -                                |
| Ancillary services                             | 58,648                | -                    | 7,843                              | -                                |
| Non-programmed charges                         | 2,206,025             | -                    | 405,551                            | -                                |
| Interest expense                               | 121,040               | -                    | -                                  | -                                |
| Unallocated depreciation expense**             | 2,515,356             | -                    | -                                  | -                                |
| Total governmental activities                  | <u>167,720,955</u>    | <u>128,979</u>       | <u>120,487,412</u>                 | <u>332,448</u>                   |
| Business-type activities:                      |                       |                      |                                    |                                  |
| School food service                            | 9,961,798             | 4,110,531            | 6,067,405                          | 35,198                           |
| Child care                                     | 1,322,554             | 1,184,457            | -                                  | -                                |
| Total business-type activities                 | <u>11,284,352</u>     | <u>5,294,988</u>     | <u>6,067,405</u>                   | <u>35,198</u>                    |
| Total primary government                       | <u>\$ 179,005,307</u> | <u>\$ 5,423,967</u>  | <u>\$ 126,554,817</u>              | <u>\$ 367,646</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<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>    |
|------------------------------------|-------------------------------------|-----------------|
| \$ (14,753,072)                    | \$ -                                | \$ (14,753,072) |
| (920,714)                          | -                                   | (920,714)       |
| (884,342)                          | -                                   | (884,342)       |
| (4,528,624)                        | -                                   | (4,528,624)     |
| (628,012)                          | -                                   | (628,012)       |
| (3,014,853)                        | -                                   | (3,014,853)     |
| (940,013)                          | -                                   | (940,013)       |
| (138,618)                          | -                                   | (138,618)       |
| (17,331)                           | -                                   | (17,331)        |
| (1,739,857)                        | -                                   | (1,739,857)     |
| (12,164,342)                       | -                                   | (12,164,342)    |
| (1,863,236)                        | -                                   | (1,863,236)     |
| (12,455)                           | -                                   | (12,455)        |
| (678,972)                          | -                                   | (678,972)       |
| (50,805)                           | -                                   | (50,805)        |
| (1,800,474)                        | -                                   | (1,800,474)     |
| (121,040)                          | -                                   | (121,040)       |
| (2,515,356)                        | -                                   | (2,515,356)     |
| (46,772,116)                       | -                                   | (46,772,116)    |
| -                                  | 251,336                             | 251,336         |
| -                                  | (138,097)                           | (138,097)       |
| -                                  | 113,239                             | 113,239         |
| (46,772,116)                       | 113,239                             | (46,658,877)    |
| 31,230,992                         | -                                   | 31,230,992      |
| 2,307,001                          | -                                   | 2,307,001       |
| 1,826,930                          | -                                   | 1,826,930       |
| 41,698                             | 2,756                               | 44,454          |
| 7,555,600                          | 30,608                              | 7,586,208       |
| (45,000)                           | 45,000                              | -               |
| 42,917,221                         | 78,364                              | 42,995,585      |
| (3,854,895)                        | 191,603                             | (3,663,292)     |
| 106,084,524                        | 2,204,404                           | 108,288,928     |
| \$ 102,229,629                     | \$ 2,396,007                        | \$ 104,625,636  |

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2014**

**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                | \$ 10,040,228        | \$ -                       | \$ 1,522,909              | \$ 1,355,064          |
| Accounts receivable                      | 234,071              | -                          | -                         | 2,414                 |
| Due from other funds                     | -                    | 337                        | -                         | -                     |
| Due from other governments               | 214,912              | 2,353,830                  | -                         | 546,268               |
| Inventories                              | 63,313               | -                          | -                         | -                     |
| Total assets                             | <u>\$ 10,552,524</u> | <u>\$ 2,354,167</u>        | <u>\$ 1,522,909</u>       | <u>\$ 1,903,746</u>   |
| <b>LIABILITIES AND FUND BALANCES</b>     |                      |                            |                           |                       |
| Liabilities:                             |                      |                            |                           |                       |
| Accounts payable and accrued liabilities | \$ 3,740,169         | \$ 2,353,830               | \$ -                      | \$ 143,888            |
| Due to other funds                       | 10,089               | -                          | -                         | -                     |
| Unavailable revenues                     | 7,890                | 337                        | -                         | -                     |
| Total liabilities                        | <u>3,758,148</u>     | <u>2,354,167</u>           | <u>-</u>                  | <u>143,888</u>        |
| Fund balances:                           |                      |                            |                           |                       |
| Nonspendable:                            |                      |                            |                           |                       |
| Inventories                              | 63,313               | -                          | -                         | -                     |
| Restricted:                              |                      |                            |                           |                       |
| Stabilization by State Statute           | 448,983              | -                          | -                         | -                     |
| School Capital Outlay                    | -                    | -                          | -                         | 1,759,858             |
| Scholarships                             | 127,796              | -                          | -                         | -                     |
| Individual Schools                       | -                    | -                          | 1,522,909                 | -                     |
| Committed                                |                      |                            |                           |                       |
| Board designated                         | -                    | -                          | -                         | -                     |
| Assigned:                                |                      |                            |                           |                       |
| Subsequent years expenditures            | 444,213              | -                          | -                         | -                     |
| Unassigned                               | 5,710,071            | -                          | -                         | -                     |
| Total fund balances                      | <u>6,794,376</u>     | <u>-</u>                   | <u>1,522,909</u>          | <u>1,759,858</u>      |
| Total liabilities and fund balances      | <u>\$ 10,552,524</u> | <u>\$ 2,354,167</u>        | <u>\$ 1,522,909</u>       | <u>\$ 1,903,746</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

| Other Special<br>Revenue | Non-major<br>Fund<br>Federal Grant | Total<br>Governmental<br>Funds |
|--------------------------|------------------------------------|--------------------------------|
| \$ 935,194               | \$ -                               | \$ 13,853,395                  |
| 48,023                   | -                                  | 284,508                        |
|                          | 9,752                              | 10,089                         |
| 594,013                  | 209,967                            | 3,918,990                      |
| -                        | -                                  | 63,313                         |
| \$ 1,577,230             | \$ 219,719                         | \$ 18,130,295                  |

|           |            |              |
|-----------|------------|--------------|
| \$ 79,331 | \$ 209,967 | \$ 6,527,185 |
| -         | -          | 10,089       |
| 297,338   | 9,752      | 315,317      |
| 376,669   | 219,719    | 6,852,591    |

|              |            |            |
|--------------|------------|------------|
|              | -          | 63,313     |
| 642,036      | -          | 1,091,019  |
|              | -          | 1,759,858  |
|              | -          | 127,796    |
|              | -          | 1,522,909  |
| 411,543      | -          | 411,543    |
| 146,982      | -          | 591,195    |
|              | -          | 5,710,071  |
| 1,200,561    | -          | 11,277,704 |
| \$ 1,577,230 | \$ 219,719 |            |

109,343,754  
315,317

(18,707,146)  
\$ 102,229,629

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2014**

*Exhibit 4*

|   | <b>Major Funds</b>  |                                |                               |
|---|---------------------|--------------------------------|-------------------------------|
|   | <b>General</b>      | <b>State Public<br/>School</b> | <b>Individual<br/>Schools</b> |
| <b>REVENUES</b>                         |                     |                                |                               |
| State of North Carolina                 | \$ -                | \$ 102,397,689                 | \$ -                          |
| Iredell County                          | 31,230,992          | -                              | -                             |
| U.S. Government                         | -                   | -                              | -                             |
| Other                                   | 937,387             | -                              | 4,440,481                     |
| Total revenues                          | <u>32,168,379</u>   | <u>102,397,689</u>             | <u>4,440,481</u>              |
| <b>EXPENDITURES</b>                     |                     |                                |                               |
| <b>Current:</b>                         |                     |                                |                               |
| Instructional services:                 |                     |                                |                               |
| Regular instructional                   | 10,660,859          | 63,974,996                     | 4,523,631                     |
| Special populations                     | 453,704             | 9,415,996                      | -                             |
| Alternative programs                    | 449,938             | 3,502,030                      | -                             |
| School leadership                       | 4,506,815           | 4,816,596                      | -                             |
| Co-curricular                           | 595,994             | -                              | -                             |
| School-based support                    | 2,917,155           | 6,713,443                      | -                             |
| System-wide support services:           |                     |                                |                               |
| Support and development                 | 848,727             | 692,651                        | -                             |
| Special population support              | 46,615              | 493,277                        | -                             |
| Alternative programs                    | 318                 | 86,053                         | -                             |
| Technology support                      | 1,633,731           | 619,154                        | -                             |
| Operational support                     | 10,396,915          | 11,648,626                     | -                             |
| Financial and human resource            | 1,801,658           | 113,287                        | -                             |
| System-wide pupil support               |                     |                                |                               |
| Policy, leadership and public relations | 678,023             | 139,123                        | -                             |
| Ancillary services                      | 5,923               | 7,843                          | -                             |
| Non-programmed charges                  | 2,203,512           | (184)                          | -                             |
| <b>Debt service:</b>                    |                     |                                |                               |
| Principal                               | 1,819,396           | 119,741                        | -                             |
| Interest expense                        | 92,969              | 10,057                         | -                             |
| <b>Capital outlay</b>                   |                     |                                |                               |
|   | -                   | -                              | -                             |
| Total expenditures                      | <u>39,112,252</u>   | <u>102,352,689</u>             | <u>4,523,631</u>              |
| Revenues over (under) expenditures      | (6,943,873)         | 45,000                         | (83,150)                      |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                     |                                |                               |
| Transfers from (to) other funds         | -                   | (45,000)                       | -                             |
| Installment purchase obligations issued | -                   | -                              | -                             |
| Proceeds from issuance of debt          | 4,853,136           | -                              | -                             |
| Total other financing sources (uses)    | <u>4,853,136</u>    | <u>(45,000)</u>                | <u>-</u>                      |
| Net change in fund balance              | (2,090,737)         | -                              | (83,150)                      |
| Fund balances-beginning                 | 8,900,253           | -                              | 1,606,059                     |
| Increase in reserve for inventories     | (15,140)            | -                              | -                             |
| Fund balances-ending                    | <u>\$ 6,794,376</u> | <u>\$ -</u>                    | <u>\$ 1,522,909</u>           |

|                       |                              | <b>Non-Major Fund</b> |                                 |                    |
|-----------------------|------------------------------|-----------------------|---------------------------------|--------------------|
| <b>Capital Outlay</b> | <b>Other Special Revenue</b> | <b>Federal Grants</b> | <b>Total Governmental Funds</b> |                    |
| \$ 1,826,930          | \$ 53,000                    | \$ -                  | \$                              | 104,277,619        |
| 2,307,001             | -                            | -                     |                                 | 33,537,993         |
| -                     | 8,917,067                    | 9,708,169             |                                 | 18,625,236         |
| 111,654               | 1,964,222                    | -                     |                                 | 7,453,744          |
| <u>4,245,585</u>      | <u>10,934,289</u>            | <u>9,708,169</u>      |                                 | <u>163,894,592</u> |
| -                     | 7,386,806                    | 1,150,889             |                                 | 87,697,181         |
| -                     | 313,962                      | 3,322,285             |                                 | 13,505,947         |
| -                     | 1,211,233                    | 3,938,073             |                                 | 9,101,274          |
| -                     | 10,979                       | -                     |                                 | 9,334,390          |
| -                     | 31,326                       | -                     |                                 | 627,320            |
| -                     | 1,471,874                    | 277,177               |                                 | 11,379,649         |
| -                     | 1,463,785                    | 56,879                |                                 | 3,062,042          |
| -                     | 126,021                      | 722,954               |                                 | 1,388,867          |
| -                     | 366,069                      | 46,795                |                                 | 499,235            |
| -                     | 101,248                      | 53,034                |                                 | 2,407,167          |
| 408,468               | 708,968                      | 22,340                |                                 | 23,185,317         |
| -                     | 155,675                      | -                     |                                 | 2,070,620          |
| -                     | 197,033                      | -                     |                                 | 197,033            |
| -                     | -                            | -                     |                                 | 817,146            |
| -                     | 44,867                       | -                     |                                 | 58,633             |
| -                     | 287,992                      | 117,743               |                                 | 2,609,063          |
| 444,384               | 2,897,664                    | -                     |                                 | 5,281,185          |
| 18,014                | -                            | -                     |                                 | 121,040            |
| 4,474,984             | -                            | -                     |                                 | 4,474,984          |
| <u>5,345,850</u>      | <u>16,775,502</u>            | <u>9,708,169</u>      |                                 | <u>177,818,093</u> |
| (1,100,265)           | (5,841,213)                  | -                     |                                 | (13,923,501)       |
| -                     | -                            | -                     |                                 | (45,000)           |
| 784,136               | -                            | -                     |                                 | 784,136            |
| -                     | 5,872,187                    | -                     |                                 | 10,725,323         |
| <u>784,136</u>        | <u>5,872,187</u>             | <u>-</u>              |                                 | <u>11,464,459</u>  |
| (316,129)             | 30,974                       | -                     |                                 | (2,459,042)        |
| 2,075,987             | 1,169,587                    | -                     |                                 | 13,751,886         |
| -                     | -                            | -                     |                                 | (15,140)           |
| <u>\$ 1,759,858</u>   | <u>\$ 1,200,561</u>          | <u>\$ -</u>           | <u>\$</u>                       | <u>11,277,704</u>  |

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2014**

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

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

|  |                       |
|--|-----------------------|
| Net changes in fund balances - total governmental funds  | \$ (2,459,042)        |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.  | 4,989,188             |
| 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   | 186,303               |
| 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. | (6,228,274)           |
| Change in fund balance due to change in reserve for inventories  | (15,140)              |
| 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   | (173,235)             |
| Net book value of disposed capital assets  | (154,695)             |
| Total changes in net position of governmental activities   | <u>\$ (3,854,895)</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 FUNDS**  
**For the Year Ended June 30, 2014**

**Exhibit 5**

|   | General Fund      |                   |                     | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|-------------------|-------------------|---------------------|---|
|   | Original          | Final             | Actual<br>Amounts   |   |
| <b>Revenues:</b>  |                   |                   |                     |   |
| State of North Carolina   | \$ -              | \$ -              | \$ -                | \$ -  |
| Iredell County  | 31,230,992        | 31,230,992        | 31,230,992          | -   |
| U.S. Government   | -                 | -                 | -                   | -   |
| Other   | 896,850           | 982,193           | 937,387             | (44,806)  |
| Total revenues  | <u>32,127,842</u> | <u>32,213,185</u> | <u>32,168,379</u>   | <u>(44,806)</u>   |
| <b>Expenditures:</b>  |                   |                   |                     |   |
| <b>Current:</b>   |                   |                   |                     |   |
| Instructional services:   |                   |                   |                     |   |
| Regular instructional   |                   |                   | 10,660,859          |   |
| Special populations   |                   |                   | 453,704             |   |
| Alternative programs  |                   |                   | 449,938             |   |
| School leadership   |                   |                   | 4,506,815           |   |
| Co-curricular   |                   |                   | 595,994             |   |
| School-based support  |                   |                   | 2,917,155           |   |
| Total instructional services  | <u>15,027,497</u> | <u>20,682,263</u> | <u>19,584,465</u>   | <u>1,097,798</u>  |
| System-wide support services:                                       |                   |                   |                     |   |
| Support and development   |                   |                   | 848,727             |   |
| Special population support  |                   |                   | 46,615              |   |
| Alternative programs  |                   |                   | 318                 |   |
| Technology support  |                   |                   | 1,633,731           |   |
| Operational support   |                   |                   | 10,396,915          |   |
| Financial and human resource  |                   |                   | 1,801,658           |   |
| System-wide pupil support   |                   |                   | -                   |   |
| Policy, leadership and public relations                             |                   |                   | 678,023             |   |
| Total support services  | <u>14,760,600</u> | <u>15,906,096</u> | <u>15,405,987</u>   | <u>500,109</u>  |
| Ancillary services  | -                 | 5,923             | 5,923               | -   |
| Non-programmed charges  | 1,877,850         | 2,252,350         | 2,203,512           | 48,838  |
| <b>Debt service:</b>  |                   |                   |                     |   |
| Principal   | 1,819,396         | 1,819,396         | 1,819,396           | -   |
| Interest expense  | 92,969            | 92,969            | 92,969              | -   |
| Total expenditures  | <u>33,578,312</u> | <u>40,758,997</u> | <u>39,112,252</u>   | <u>1,646,745</u>  |
| Revenues over (under) expenditures                                  | (1,450,470)       | (8,545,812)       | (6,943,873)         | 1,601,939   |
| Other financing sources (uses):                                     |                   |                   |                     |   |
| Proceeds from issuance of debt                                      | -                 | 5,542,842         | 4,853,136           | (689,706)   |
| Transfers to other funds  | -                 | -                 | -                   | -   |
|   | <u>-</u>          | <u>5,542,842</u>  | <u>4,853,136</u>    | <u>(689,706)</u>  |
| Appropriated fund balance   | <u>1,450,470</u>  | <u>3,002,970</u>  | <u>-</u>            | <u>(3,002,970)</u>  |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u>       | <u>\$ -</u>       | <u>(2,090,737)</u>  | <u>\$ (2,090,737)</u>                                     |
| Fund balances, beginning of year                                    |                   |                   | 8,900,253           |   |
| Increase in reserve for inventories                                 |                   |                   | (15,140)            |   |
| Fund balances, end of year  |                   |                   | <u>\$ 6,794,376</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 FUNDS**  
**For the Year Ended June 30, 2014**

*Exhibit 5 (Continued)*

|   | State Public School Fund |                    |                    | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|--------------------------|--------------------|--------------------|---|
|   | Original                 | Final              | Actual Amounts     |   |
| <b>Revenues:</b>  |                          |                    |                    |   |
| State of North Carolina                                     | \$ 105,564,674           | \$ 105,564,674     | \$ 102,397,689     | \$ (3,166,985)  |
| Iredell County  | -                        | -                  | -                  | -   |
| U.S. Government   | -                        | -                  | -                  | -   |
| Other   | -                        | -                  | -                  | -   |
| Total revenues  | <u>105,564,674</u>       | <u>105,564,674</u> | <u>102,397,689</u> | <u>(3,166,985)</u>  |
| <b>Expenditures:</b>  |                          |                    |                    |   |
| <b>Current:</b>   |                          |                    |                    |   |
| Instructional services:                                     |                          |                    |                    |   |
| Regular instructional                                       |                          |                    | 63,974,996         |   |
| Special populations   |                          |                    | 9,415,996          |   |
| Alternative programs  |                          |                    | 3,502,030          |   |
| School leadership   |                          |                    | 4,816,596          |   |
| Co-curricular   |                          |                    | -                  |   |
| School-based support  |                          |                    | 6,713,443          |   |
| Total instructional services                                | <u>91,471,671</u>        | <u>91,471,671</u>  | <u>88,423,061</u>  | <u>3,048,610</u>  |
| System-wide support services:                               |                          |                    |                    |   |
| Support and development                                     |                          |                    | 692,651            |   |
| Special population support                                  |                          |                    | 493,277            |   |
| Alternative programs  |                          |                    | 86,053             |   |
| Technology support  |                          |                    | 619,154            |   |
| Operational support   |                          |                    | 11,648,626         |   |
| Financial and human resource                                |                          |                    | 113,287            |   |
| System-wide pupil support                                   |                          |                    | -                  |   |
| Policy, leadership and public relations                     |                          |                    | 139,123            |   |
| Total support services                                      | <u>13,903,777</u>        | <u>13,903,777</u>  | <u>13,792,171</u>  | <u>111,606</u>  |
| Ancillary services  | 14,612                   | 14,612             | 7,843              | 6,769   |
| Non-programmed charges                                      | (184)                    | (184)              | (184)              | -   |
| <b>Debt service:</b>  |                          |                    |                    |   |
| Principal   | 119,741                  | 119,741            | 119,741            | -   |
| Interest expense  | 10,057                   | 10,057             | 10,057             | -   |
| Total expenditures  | <u>105,519,674</u>       | <u>105,519,674</u> | <u>102,352,689</u> | <u>3,166,985</u>  |
| Revenues over (under) expenditures                          | 45,000                   | 45,000             | 45,000             | -   |
| Other financing sources (uses):                             |                          |                    |                    |   |
| Proceeds from issuance of debt                              | -                        | -                  | -                  | -   |
| Transfers to other funds                                    | (45,000)                 | (45,000)           | (45,000)           | -   |
|   | <u>(45,000)</u>          | <u>(45,000)</u>    | <u>(45,000)</u>    | <u>-</u>  |
| Appropriated fund balance                                   | -                        | -                  | -                  | -   |
| Revenues and other sources over expenditures and other uses | <u>\$ -</u>              | <u>\$ -</u>        | <u>-</u>           | <u>\$ -</u>   |
| Fund balances, beginning of year                            |                          |                    | -                  |   |
| Increase in reserve for inventories                         |                          |                    | -                  |   |
| Fund balances, end of year                                  |                          |                    | <u>\$ -</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 FUNDS**  
**For the Year Ended June 30, 2014**

**Exhibit 5 (Continued)**

|   | <b>Other Special Revenue Fund</b> |                   |                     | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|-----------------------------------|-------------------|---------------------|---|
|   | Original                          | Final             | Actual Amounts      |   |
| <b>Revenues:</b>  |                                   |                   |                     |   |
| State of North Carolina                                     | \$ 50,000                         | \$ 57,996         | \$ 53,000           | \$ (4,996)  |
| Iredell County  | -                                 | -                 | -                   | -   |
| U.S. Government   | 8,397,265                         | 15,971,341        | 8,917,067           | (7,054,274)   |
| Other   | 2,102,584                         | 2,466,446         | 1,964,222           | (502,224)   |
| Total revenues  | <u>10,549,849</u>                 | <u>18,495,783</u> | <u>10,934,289</u>   | <u>(7,561,494)</u>  |
| <b>Expenditures:</b>  |                                   |                   |                     |   |
| <b>Current:</b>   |                                   |                   |                     |   |
| Instructional services:                                     |                                   |                   |                     |   |
| Regular instructional                                       |                                   |                   | 7,386,806           |   |
| Special populations   |                                   |                   | 313,962             |   |
| Alternative programs  |                                   |                   | 1,211,233           |   |
| School leadership   |                                   |                   | 10,979              |   |
| Co-curricular   |                                   |                   | 31,326              |   |
| School-based support  |                                   |                   | 1,471,874           |   |
| Total instructional services                                | <u>4,550,199</u>                  | <u>16,806,825</u> | <u>10,426,180</u>   | <u>6,380,645</u>  |
| System-wide support services:                               |                                   |                   |                     |   |
| Support and development                                     |                                   |                   | 1,463,785           |   |
| Special population support                                  |                                   |                   | 126,021             |   |
| Alternative programs  |                                   |                   | 366,069             |   |
| Technology support  |                                   |                   | 101,248             |   |
| Operational support   |                                   |                   | 708,968             |   |
| Financial and human resource                                |                                   |                   | 155,675             |   |
| System-wide pupil support                                   |                                   |                   | 197,033             |   |
| Policy, leadership and public relations                     |                                   |                   | -                   |   |
| Total support services                                      | <u>2,945,637</u>                  | <u>4,267,552</u>  | <u>3,118,799</u>    | <u>1,148,753</u>  |
| Ancillary services  | 122,236                           | 122,476           | 44,867              | 77,609  |
| Non-programmed charges                                      | 437,138                           | 622,000           | 287,992             | 334,008   |
| <b>Debt service:</b>  |                                   |                   |                     |   |
| Principal   | 2,731,750                         | 2,897,664         | 2,897,664           | -   |
| Interest expense  |                                   |                   | -                   | -   |
| Total expenditures  | <u>10,786,960</u>                 | <u>24,716,517</u> | <u>16,775,502</u>   | <u>7,941,015</u>  |
| Revenues over (under) expenditures                          | (237,111)                         | (6,220,734)       | (5,841,213)         | 379,521   |
| Other financing sources (uses):                             |                                   |                   |                     |   |
| Proceeds from issuance of debt                              | -                                 | 5,872,187         | 5,872,187           | -   |
| Transfers to other funds                                    |                                   |                   | -                   | -   |
|   | <u>-</u>                          | <u>5,872,187</u>  | <u>5,872,187</u>    | <u>-</u>  |
| Appropriated fund balance                                   | <u>237,111</u>                    | <u>348,547</u>    | <u>-</u>            | <u>(348,547)</u>  |
| Revenues and other sources over expenditures and other uses | <u>\$ -</u>                       | <u>\$ -</u>       | <u>30,974</u>       | <u>\$ 30,974</u>  |
| Fund balances, beginning of year                            |                                   |                   | 1,169,587           |   |
| Increase in reserve for inventories                         |                                   |                   | -                   |   |
| Fund balances, end of year                                  |                                   |                   | <u>\$ 1,200,561</u> |   |

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**June 30, 2014**

**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             | \$ 1,543,599               | \$ 373,349            | \$ 1,916,948        |
| Due from other governments            | 209,230                    | 245                   | 209,475             |
| Accounts receivable                   | 3,038                      | 20,577                | 23,615              |
| Inventories                           | 97,537                     | -                     | 97,537              |
| Total current assets                  | <u>1,853,404</u>           | <u>394,171</u>        | <u>2,247,575</u>    |
| Noncurrent assets:                    |                            |                       |                     |
| Capital assets, net                   | 566,178                    | -                     | 566,178             |
|                                       | <u>2,419,582</u>           | <u>394,171</u>        | <u>2,813,753</u>    |
| <b>LIABILITIES</b>                    |                            |                       |                     |
| Current liabilities:                  |                            |                       |                     |
| Accounts payable and accrued expenses | 93,666                     | 4,709                 | 98,375              |
| Compensated absences                  | 149,746                    | 61,440                | 211,186             |
| Unearned revenue                      | 96,705                     | 11,480                | 108,185             |
| Total current liabilities             | <u>340,117</u>             | <u>77,629</u>         | <u>417,746</u>      |
| <b>NET POSITION</b>                   |                            |                       |                     |
| Net investment in capital assets      | 566,178                    | -                     | 566,178             |
| Unrestricted                          | 1,513,287                  | 316,542               | 1,829,829           |
| Total net position                    | <u>\$ 2,079,465</u>        | <u>\$ 316,542</u>     | <u>\$ 2,396,007</u> |

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2014**

**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                                       | \$ 4,110,531               | \$ -                  | \$ 4,110,531        |
| Child care fees                                  | -                          | 1,184,457             | 1,184,457           |
| Total operating revenues                         | <u>4,110,531</u>           | <u>1,184,457</u>      | <u>5,294,988</u>    |
| <b>OPERATING EXPENSES</b>                        |                            |                       |                     |
| Food cost:                                       |                            |                       |                     |
| Purchase of food                                 | 3,786,260                  | 37,650                | 3,823,910           |
| Salaries and benefits                            | 4,933,889                  | 1,254,293             | 6,188,182           |
| Indirect costs                                   | 625,685                    | -                     | 625,685             |
| Utilities and telephone                          | 15,220                     | 3,886                 | 19,106              |
| Contracted services                              | 5,854                      | 1,049                 | 6,903               |
| Materials and supplies                           | 465,202                    | 11,490                | 476,692             |
| Travel   | 19,953                     | 5,503                 | 25,456              |
| Field trips                                      | -                          | 6,142                 | 6,142               |
| Depreciation                                     | 104,808                    | -                     | 104,808             |
| Other  | 4,927                      | 2,541                 | 7,468               |
| Total operating expenses                         | <u>9,961,798</u>           | <u>1,322,554</u>      | <u>11,284,352</u>   |
| Operating loss                                   | <u>(5,851,267)</u>         | <u>(138,097)</u>      | <u>(5,989,364)</u>  |
| <b>NONOPERATING REVENUES</b>                     |                            |                       |                     |
| Federal reimbursements                           | 4,918,170                  | -                     | 4,918,170           |
| State reimbursements                             | 18,021                     | -                     | 18,021              |
| Federal commodities                              | 505,529                    | -                     | 505,529             |
| Indirect cost not paid                           | 625,685                    | -                     | 625,685             |
| Interest earned                                  | 2,044                      | 712                   | 2,756               |
| Gain on disposal of capital assets               | 30,202                     | -                     | 30,202              |
| Other  | 406                        | -                     | 406                 |
| Total nonoperating revenue                       | <u>6,100,057</u>           | <u>712</u>            | <u>6,100,769</u>    |
| Income (loss) before contributions and transfers | 248,790                    | (137,385)             | 111,405             |
| Transfer from other funds                        | 45,000                     | -                     | 45,000              |
| Contribution of fixed assets                     | <u>35,198</u>              | <u>-</u>              | <u>35,198</u>       |
| Change in net position                           | 328,988                    | (137,385)             | 191,603             |
| Total net position - beginning                   | <u>1,750,477</u>           | <u>453,927</u>        | <u>2,204,404</u>    |
| Total net position - ending                      | <u>\$ 2,079,465</u>        | <u>\$ 316,542</u>     | <u>\$ 2,396,007</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, 2014**

**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                                    | \$ 4,115,275               | \$ 1,191,768          | \$ 5,307,043        |
| Cash paid for goods and services                                | (3,823,993)                | (69,544)              | (3,893,537)         |
| Cash paid to employees for services                             | (4,892,053)                | (1,271,338)           | (6,163,391)         |
| Net cash used by operating activities                           | <u>(4,600,771)</u>         | <u>(149,114)</u>      | <u>(4,749,885)</u>  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |                            |                       |                     |
| Government reimbursements                                       | 4,846,853                  | -                     | 4,846,853           |
| Other   | 406                        | -                     | 406                 |
| Net cash provided by noncapital financing activities            | <u>4,847,259</u>           | <u>-</u>              | <u>4,847,259</u>    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                            |                       |                     |
| Proceeds from sale of capital assets                            | 33,869                     | -                     | 33,869              |
| Acquisition of capital assets                                   | (189,406)                  | -                     | (189,406)           |
| Net cash used by capital and related financing activities       | <u>(155,537)</u>           | <u>-</u>              | <u>(155,537)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                            |                       |                     |
| Interest on investments   | 2,044                      | 712                   | 2,756               |
| Net increase (decrease) in cash and cash equivalents            | 92,995                     | (148,402)             | (55,407)            |
| Balances-beginning of the year                                  | <u>1,450,604</u>           | <u>521,751</u>        | <u>1,972,355</u>    |
| Balances-end of the year  | <u>\$ 1,543,599</u>        | <u>\$ 373,349</u>     | <u>\$ 1,916,948</u> |

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2014**

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

|   |                |              |                |
|---|----------------|--------------|----------------|
| Reconciliation of operating loss to net cash used by operating activities         |                |              |                |
| Operating loss  | \$ (5,851,267) | \$ (138,097) | \$ (5,989,364) |
| Adjustments to reconcile operating loss to net cash used by operating activities: |                |              |                |
| Depreciation  | 104,808        | -            | 104,808        |
| Donated commodities consumed  | 505,529        | -            | 505,529        |
| Salaries paid by other funds  | 45,000         | -            | 45,000         |
| Indirect cost not paid  | 625,685        | -            | 625,685        |
| Changes in assets and liabilities:  |                |              |                |
| Decrease in accounts receivable   | 813            | 11,671       | 12,484         |
| Decrease in due from other governments  | -              | 169          | 169            |
| Decrease in inventories   | 5,356          | -            | 5,356          |
| Decrease in accounts payable and accrued expenses                                 | (37,462)       | (1,452)      | (38,914)       |
| Increase (decrease) in unearned revenues  | 3,931          | (4,360)      | (429)          |
| Decrease in compensated absences  | (3,164)        | (17,045)     | (20,209)       |
| Total adjustments   | 1,250,496      | (11,017)     | 1,239,479      |
| Net cash used by operating activities   | \$ (4,600,771) | \$ (149,114) | \$ (4,749,885) |

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

The School Food Service Fund received donated commodities with a value of \$505,529 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.

The Capital Outlay Fund purchased fixed assets for the Child Nutrition Fund. These purchases are reflected as an expense on Exhibit 4 and contributed capital on Exhibit 7.

Indirect costs of \$625,685 that would be due to the Other Special Revenue Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 7.

**IREDELL-STATESVILLE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014**

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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, 2014**

---

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.

*Other Special Revenue Fund.* The Other Special Revenue Fund is used to account for revenues from reimbursements, including indirect costs, fees for actual costs, tuition, gifts and grants restricted as to use, federal and State grants restricted as to use, federal and State appropriations made directly to local school administrative units, funds received for prekindergarten programs and special programs.

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.

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*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.

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.

**IREDELL-STATESVILLE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board's investments are reported at 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-STATESVILLE BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

|                         | <u>Years</u> |
|-------------------------|--------------|
| Buildings               | 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, 2014 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.

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 purposes 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.

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 \$90,951,925 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) | \$ 203,021,625       |
| Less Accumulated depreciation  | <u>93,677,871</u>    |
| Net capital assets   | 109,343,754          |
| Liabilities for revenue unavailable but earned and therefore recorded in the fund statements but not the government-wide   | 315,317              |
| 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   | (9,762,136)          |
| Compensated absences   | <u>(8,945,010)</u>   |
| Total adjustment   | <u>\$ 90,951,925</u> |

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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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 \$(1,395,853) as follows:

| Description   | Amount                |
|---|-----------------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.   | \$ 14,367,499         |
| 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.   | (9,378,311)           |
| 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  | 186,303               |
| 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. | (11,509,459)          |
| 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.  | 5,281,185             |
| Change in fund balance due to change in reserve for inventories   | (15,140)              |
| 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.  | (173,235)             |
| Net book value of disposed capital assets   | (154,695)             |
| Total adjustment  | <u>\$ (1,395,853)</u> |

**IREDELL-STATESVILLE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014**

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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, 2014, the Board had deposits with banks and savings and loans with a carrying amount of \$7,526,520 and with the State Treasurer of none. The bank balances with the financial institutions and the State Treasurer were \$7,089,205 and \$4,260,869, respectively. Of these balances, \$1,522,101 was covered by federal depository insurance and \$9,827,973 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

At June 30, 2014, the Board had \$7,500 deposited with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. There was \$8,236,323 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 1.3 years at June 30, 2014. 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, 2014**

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NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Accounts Receivable

Receivables at the government-wide level at June 30, 2014, were as follows:

|                               | <u>Due from<br/>other<br/>governments</u> | <u>Accounts<br/>receivable,<br/>net</u> | <u>Total</u>        |
|-------------------------------|---|---|---------------------|
| Governmental activities:      |   |   |                     |
| General Fund                  | \$ 214,912                                | \$ 234,071                              | \$ 448,983          |
| Other governmental activities | <u>3,704,078</u>                          | <u>50,437</u>                           | <u>3,754,515</u>    |
| Total                         | <u>\$ 3,918,990</u>                       | <u>\$ 284,508</u>                       | <u>\$ 4,203,498</u> |
| Business-type activities:     |   |   |                     |
| School Food Service           | \$ 209,230                                | \$ 3,038                                | \$ 212,268          |
| Child Care                    | <u>245</u>                                | <u>20,577</u>                           | <u>20,822</u>       |
| Total                         | <u>\$ 209,475</u>                         | <u>\$ 23,615</u>                        | <u>\$ 233,090</u>   |

Due from other governments consists of the following:

|                            |                     |   |
|----------------------------|---------------------|---|
| Governmental activities:   |                     |   |
| General Fund               | \$ 214,912          | Sales tax refund due from the State     |
| State Public School Fund   | 2,353,830           | Salary accrual due from NC              |
| Federal Grants Fund        | 209,967             | Salary accrual due from Federal Grants  |
| Capital Outlay             | 546,268             | Iredell County and the State of NC      |
| Other Special Revenue Fund | <u>594,013</u>      | Grant funds                             |
|                            | <u>\$ 3,918,990</u> |   |
| Business-type activities:  |                     |   |
| School Food Service Fund   | \$ 209,230          | Federal reimbursements and NC sales tax |
| Child Care Fund            | <u>245</u>          | Sales tax refund due from the State     |
|                            | <u>\$ 209,475</u>   |   |

**IREDELL-STATESVILLE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2014**

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

|   | <u>Beginning<br/>Balances</u> | <u>Increases</u>  | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|---|-------------------------------|-------------------|------------------|----------------------------|
| <b>Governmental activities:</b>                         |                               |                   |                  |                            |
| <b>Capital assets not<br/>  being depreciated:</b>      |                               |                   |                  |                            |
| Land  | \$ 13,087,943                 | \$ 988,850        | \$ -             | \$ 14,076,793              |
| <b>Capital assets being<br/>  depreciated:</b>          |                               |                   |                  |                            |
| Buildings and<br>improvements                           | 145,395,692                   | 1,590,688         | -                | 146,986,380                |
| Equipment and furniture                                 | 11,975,779                    | 11,320,088        | 440,250          | 22,855,617                 |
| Vehicles  | 18,658,225                    | 467,873           | 23,263           | 19,102,835                 |
| Total capital assets<br>being depreciated               | <u>176,029,696</u>            | <u>13,378,649</u> | <u>463,513</u>   | <u>188,944,832</u>         |
| <b>Less accumulated<br/>  depreciation for:</b>         |                               |                   |                  |                            |
| Buildings and<br>improvements                           | 64,504,771                    | 5,773,676         | -                | 70,278,447                 |
| Equipment and furniture                                 | 5,366,564                     | 2,515,356         | 285,555          | 7,596,365                  |
| Vehicles  | 14,737,043                    | 1,089,279         | 23,263           | 15,803,059                 |
| Total accumulated<br>depreciation                       | <u>84,608,378</u>             | <u>9,378,311</u>  | <u>308,818</u>   | <u>93,677,871</u>          |
| Total capital assets<br>being depreciated, net          | <u>91,421,318</u>             |                   |                  | <u>95,266,961</u>          |
| <b>Governmental activity<br/>  capital assets, net</b>  | <u>\$104,509,261</u>          |                   |                  | <u>\$109,343,754</u>       |
|   |                               |                   |                  |                            |
|   | <u>Beginning<br/>Balances</u> | <u>Increases</u>  | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
| <b>Business-type activities:</b>                        |                               |                   |                  |                            |
| <b>School Food Service Fund:</b>                        |                               |                   |                  |                            |
| Capital assets being depreciated:                       |                               |                   |                  |                            |
| Furniture and office equipment                          | \$ 2,123,034                  | \$ 224,604        | \$ 76,158        | \$ 2,271,480               |
| <b>Less accumulated depreciation for:</b>               |                               |                   |                  |                            |
| Furniture and office equipment                          | <u>1,672,985</u>              | <u>104,808</u>    | <u>72,491</u>    | <u>1,705,302</u>           |
| <b>Business-type activity capital assets,<br/>  net</b> | <u>\$ 450,049</u>             |                   |                  | <u>\$ 566,178</u>          |

**IREDELL-STATESVILLE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2014**

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NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Depreciation was charged to governmental functions as follows:

|                          |                     |
|--------------------------|---------------------|
| Instructional services   | \$ 5,773,676        |
| Operational support      | 1,089,279           |
| Unallocated depreciation | <u>2,515,356</u>    |
| Total                    | <u>\$ 9,378,311</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 8.69% 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, 2014, 2013, and 2012 were \$8,402,201, \$8,236,733, and \$7,345,657, 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 a multiple-employer cost-sharing 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, 2014**

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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, 2014, 2013, and 2012, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$5,221,160, \$5,240,658, and \$4,897,104 respectively. These contributions represented 5.40%, 5.30%, and 5.00% of covered payroll, respectively.

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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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, 2014**

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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, 2014, 2013, and 2012, the Board paid all annual required contributions to the DIPNC for disability benefits of \$580,129, \$593,282, and \$515,485, respectively. These contributions represented 0.60%, 0.60%, and 0.52% of covered payroll, respectively.

**IREDELL-STATESVILLE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2014**

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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, 2014, are as follows:

|                                | <u>Vendors</u>    | <u>Accrued<br/>Salaries &amp;<br/>Benefits</u> | <u>Total</u>        |
|--------------------------------|-------------------|--|---------------------|
| Governmental Activities:       |                   |  |                     |
| General                        | \$ 93,306         | \$ 3,646,863                                   | \$ 3,740,169        |
| Other Governmental             | 154,663           | 2,632,353                                      | 2,787,016           |
| Total governmental activities  | <u>\$ 247,969</u> | <u>\$ 6,279,216</u>                            | <u>\$ 6,527,185</u> |
| Business-type Activities:      |                   |  |                     |
| School Food Service            | \$ 9,846          | \$ 83,820                                      | \$ 93,666           |
| Child Care                     | 4,709             | -  | 4,709               |
| Total business-type activities | <u>\$ 14,555</u>  | <u>\$ 83,820</u>                               | <u>\$ 98,375</u>    |

Unearned Revenues

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

|   | <u>Unearned<br/>Revenue</u> |
|---|-----------------------------|
| Prepaid lunch balances (School Food Service Fund) | \$ 96,705                   |
| Prepaid summer fees (Child Care Fund)             | 11,480                      |
|   | <u>\$ 108,185</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, 2014**

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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, 2014**

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

At June 30, 2014, assets recorded under the capital leases were as follows:

| Classes of Property | Cost          | Accumulated<br>Depreciation | Net Book<br>Value |
|---------------------|---------------|-----------------------------|-------------------|
| Equipment           | \$ 15,274,676 | \$ 2,858,125                | \$ 12,416,551     |

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, 2014:

| Year Ending June 30                         | Governmental<br>Activities |
|---|----------------------------|
| 2015  | \$ 5,125,843               |
| 2016  | <u>3,796,192</u>           |
| Total minimum lease payments                | 8,922,035                  |
| Less: amount representing interest          | <u>276,484</u>             |
| Present value of the minimum lease payments | <u>\$ 8,645,551</u>        |

b. Installment Purchases

The Board is authorized to finance the purchase of school buses and other property 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 school bus financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement by Mercedes Benz Financial Services USA, LLC at total payments less than the purchase price. During the years ended June 30, 2013 and 2014, the Board entered into installment purchase contracts to finance the purchase of 16 school buses and other property. The financing contracts require principal and interest payments of varying amounts due at the beginning of each contract year.

The future minimum payments of the installment purchases as of June 30, 2014, are as follows:

| Year Ending June 30, | Governmental Activities |                  |
|----------------------|-------------------------|------------------|
|                      | Principal               | Interest         |
| 2015                 | \$ 517,105              | \$ 31,365        |
| 2016                 | 192,043                 | 23,979           |
| 2017                 | 199,724                 | 16,298           |
| 2018                 | <u>207,713</u>          | <u>8,309</u>     |
|                      | <u>\$ 1,116,585</u>     | <u>\$ 79,951</u> |

**IREDELL-STATESVILLE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2014**

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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, 2014:

|                           | Balance<br>July 1,<br>2013 | Increases           | Decreases           | Balance<br>June 30,<br>2014 | Current<br>Portion  |
|---------------------------|----------------------------|---------------------|---------------------|-----------------------------|---------------------|
| Governmental activities:  |                            |                     |                     |                             |                     |
| Installment purchases     | \$ 664,897                 | \$ 784,136          | \$ 332,448          | \$ 1,116,585                | \$ 517,105          |
| Capital leases            | 2,868,965                  | 10,725,323          | 4,948,737           | 8,645,551                   | 4,928,598           |
| Compensated absences      | <u>8,771,775</u>           | <u>5,097,815</u>    | <u>4,924,580</u>    | <u>8,945,010</u>            | <u>4,924,580</u>    |
| Total                     | <u>\$12,305,637</u>        | <u>\$16,607,274</u> | <u>\$10,205,765</u> | <u>\$18,707,146</u>         | <u>\$10,370,283</u> |
| Business-type activities: |                            |                     |                     |                             |                     |
| Compensated absences      | <u>\$ 231,395</u>          | <u>\$ 302,417</u>   | <u>\$ 322,626</u>   | <u>\$ 211,186</u>           | <u>\$ 211,186</u>   |

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

Interfund Balances and Activity

Transfers to/from other funds at June 30, 2014 consist of the following:

|   |                  |
|---|------------------|
| From the State Public School Fund to the School Food Service Fund<br>for administrative costs | <u>\$ 45,000</u> |
|---|------------------|

**IREDELL-STATESVILLE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014**

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NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

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 | \$ 6,794,376        |
| Less:                             |                     |
| Inventories                       | 63,313              |
| Scholarships                      | 127,796             |
| Subsequent years expenditures     | 444,213             |
| Stabilization by State Statute    | <u>448,983</u>      |
| Remaining Fund Balance            | <u>\$ 5,710,071</u> |

Federal and State Assisted Programs

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

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2014**

**Exhibit A-1**

|   | Budget            | Actual            | Positive<br>(Negative)<br>Variance |
|---|-------------------|-------------------|------------------------------------|
| <b>Revenues:</b>                        |                   |                   |                                    |
| Iredell County                          | \$ 31,230,992     | \$ 31,230,992     | \$ -                               |
| Other:                                  |                   |                   |                                    |
| Fines and forfeitures                   | 624,400           | 611,227           | (13,173)                           |
| Disposition of property and equipment   | 60,260            | 60,260            | -                                  |
| Interest                                | 56,300            | 41,698            | (14,602)                           |
| Rental of school property               | 81,300            | 67,972            | (13,328)                           |
| Other                                   | 159,933           | 156,230           | (3,703)                            |
| Total                                   | 982,193           | 937,387           | (44,806)                           |
| <b>Total revenues</b>                   | <b>32,213,185</b> | <b>32,168,379</b> | <b>(44,806)</b>                    |
| <b>Expenditures:</b>                    |                   |                   |                                    |
| Instructional services:                 |                   |                   |                                    |
| Regular instructional                   |                   | 10,660,859        |                                    |
| Special populations                     |                   | 453,704           |                                    |
| Alternative programs                    |                   | 449,938           |                                    |
| School leadership                       |                   | 4,506,815         |                                    |
| Co-curricular                           |                   | 595,994           |                                    |
| School-based support                    |                   | 2,917,155         |                                    |
| Total instructional services            | 20,682,263        | 19,584,465        | 1,097,798                          |
| System-wide support services:           |                   |                   |                                    |
| Support and development                 |                   | 848,727           |                                    |
| Special population support              |                   | 46,615            |                                    |
| Alternative programs                    |                   | 318               |                                    |
| Technology support                      |                   | 1,633,731         |                                    |
| Operational support                     |                   | 10,396,915        |                                    |
| Financial and human resource            |                   | 1,801,658         |                                    |
| Accountability                          |                   | -                 |                                    |
| Policy, leadership and public relations |                   | 678,023           |                                    |
| Total system-wide support services      | 15,906,096        | 15,405,987        | 500,109                            |
| Ancillary services                      | 5,923             | 5,923             | -                                  |
| Non-programmed charges                  | 2,252,350         | 2,203,512         | 48,838                             |

**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, 2014**

|  | <u>Budget</u>     | <u>Actual</u>       | <b>Exhibit A-1<br/>(Continued)</b><br><br>Positive<br>(Negative)<br>Variance |
|--|-------------------|---------------------|--|
| Debt service:  |                   |                     |  |
| Principal  | 1,819,396         | 1,819,396           | -  |
| Interest expense   | 92,969            | 92,969              | -  |
|  | <u>1,912,365</u>  | <u>1,912,365</u>    | <u>-</u>   |
| <b>Total expenditures</b>  | <u>40,758,997</u> | <u>39,112,252</u>   | <u>1,646,745</u>   |
| Revenues over (under) expenditures   | (8,545,812)       | (6,943,873)         | 1,601,939  |
| Other financing sources (uses):  |                   |                     |  |
| Proceeds from issuance of debt   | 5,542,842         | 4,853,136           | (689,706)  |
| Appropriated fund balance  | <u>3,002,970</u>  | <u>-</u>            | <u>(3,002,970)</u>   |
| Revenues, other financing sources & appropriated fund<br>balance under expenditures and other financing uses | <u>\$ -</u>       | <u>(2,090,737)</u>  | <u>\$ (2,090,737)</u>  |
| <b>Fund balance:</b>   |                   |                     |  |
| Beginning of year, July 1  |                   | 8,900,253           |  |
| Increase in reserve for inventories  |                   | <u>(15,140)</u>     |  |
| End of year, June 30   |                   | <u>\$ 6,794,376</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, 2014**

|   | <u>Budget</u>    | <u>Actual</u>       | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---|------------------|---------------------|---|
| <b>Exhibit B-1</b>                            |                  |                     |   |
| Revenues:                                     |                  |                     |   |
| State of North Carolina                       |                  |                     |   |
| Public School Building Capital Fund - Lottery | \$ 1,467,902     | \$ 1,466,972        | \$ (930)                                    |
| State sales tax refund                        | -                | 27,510              | 27,510                                      |
| State appropriations - buses                  | 332,448          | 332,448             | -   |
|   | <u>1,800,350</u> | <u>1,826,930</u>    | <u>26,580</u>                               |
| Iredell County:                               |                  |                     |   |
| General county revenues                       | 2,439,405        | 2,307,001           | (132,404)                                   |
| Other:  |                  |                     |   |
| Miscellaneous                                 | 163,000          | 111,654             | (51,346)                                    |
| Total revenues                                | <u>4,402,755</u> | <u>4,245,585</u>    | <u>(157,170)</u>                            |
| Expenditures:                                 |                  |                     |   |
| Current                                       |                  |                     |   |
| Instructional services                        | -                | -                   | -   |
| System-wide support services                  | 632,952          | 408,468             | 224,484                                     |
| Capital outlay                                | 5,252,367        | 4,474,984           | 777,383                                     |
| Debt Service:                                 |                  |                     |   |
| Principal                                     | 444,384          | 444,384             | -   |
| Interest                                      | 18,014           | 18,014              | -   |
| Total expenditures                            | <u>6,347,717</u> | <u>5,345,850</u>    | <u>1,001,867</u>                            |
| Revenues under expenditures                   | (1,944,962)      | (1,100,265)         | 844,697                                     |
| Other financing sources:                      |                  |                     |   |
| Installment purchase obligations issued       | 944,952          | 784,136             | (160,816)                                   |
| Appropriated fund balance                     | <u>1,000,010</u> | <u>-</u>            | <u>(1,000,010)</u>                          |
| Net change in fund balance                    | <u>\$ -</u>      | <u>(316,129)</u>    | <u>\$ (316,129)</u>                         |
| Fund balance:                                 |                  |                     |   |
| Beginning of year, July 1                     |                  | <u>2,075,987</u>    |   |
| End of year, June 30                          |                  | <u>\$ 1,759,858</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, 2014**

**Exhibit C-1**

|                                 | <u>Budget</u>        | <u>Actual</u>       | Variance<br>Positive<br>(Negative) |
|---------------------------------|----------------------|---------------------|------------------------------------|
| Revenues:                       |                      |                     |                                    |
| U. S. Government                | <u>\$ 14,025,117</u> | <u>\$ 9,708,169</u> | <u>\$ (4,316,948)</u>              |
| Expenditures:                   |                      |                     |                                    |
| Instructional services          | 9,382,349            | 8,688,424           | 693,925                            |
| System-wide supporting services | 1,035,818            | 902,002             | 133,816                            |
| Non-programmed charges          | <u>3,606,950</u>     | <u>117,743</u>      | <u>3,489,207</u>                   |
| Total expenditures              | <u>14,025,117</u>    | <u>9,708,169</u>    | <u>4,316,948</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  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-  
GAAP) - SCHOOL FOOD SERVICE FUND  
For the Year Ended June 30, 2014**

**Exhibit D-1**

|   | Budget             | Actual             | Variance<br>Positive<br>(Negative) |
|---|--------------------|--------------------|------------------------------------|
| Revenues:   |                    |                    |                                    |
| Food sales  | \$ 4,861,000       | \$ 4,110,531       | \$ (750,469)                       |
| Operating expenditures:                                   |                    |                    |                                    |
| Food costs:   |                    |                    |                                    |
| Purchase of food  |                    | 3,791,616          |                                    |
| Salaries and benefits                                     |                    | 4,930,725          |                                    |
| Utilities and telephone                                   |                    | 15,220             |                                    |
| Contracted services                                       |                    | 5,854              |                                    |
| Materials and supplies                                    |                    | 465,202            |                                    |
| Travel  |                    | 19,953             |                                    |
| Capital outlay  |                    | (189,406)          |                                    |
| Other   |                    | 4,927              |                                    |
| Total expenditures  | <u>10,568,750</u>  | <u>9,044,091</u>   | <u>1,524,659</u>                   |
| Operating loss  | <u>(5,707,750)</u> | <u>(4,933,560)</u> | <u>774,190</u>                     |
| Nonoperating revenues:                                    |                    |                    |                                    |
| Federal reimbursements                                    | 5,100,000          | 4,918,170          | (181,830)                          |
| State reimbursements                                      | 25,000             | 18,021             | (6,979)                            |
| Federal commodities                                       | 525,000            | 505,529            | (19,471)                           |
| Interest earned   | 2,500              | 2,044              | (456)                              |
| Gain on disposal of capital assets                        | 10,000             | 30,202             | 20,202                             |
| Other   | 250                | 406                | 156                                |
| Total nonoperating revenues                               | <u>5,662,750</u>   | <u>5,474,372</u>   | <u>(188,378)</u>                   |
| Revenues over expenditures                                | (45,000)           | 540,812            | 585,812                            |
| Other financing sources:                                  |                    |                    |                                    |
| Operating transfer in                                     | <u>45,000</u>      | <u>45,000</u>      | <u>-</u>                           |
| Revenues and other financing sources over expenditures    | <u>\$ -</u>        | <u>585,812</u>     | <u>\$ 585,812</u>                  |
| Reconciliation of modified accrual to full accrual basis: |                    |                    |                                    |
| Reconciling items:  |                    |                    |                                    |
| Depreciation  |                    | (104,808)          |                                    |
| Decrease in inventories                                   |                    | 5,356              |                                    |
| Capital outlay  |                    | (189,406)          |                                    |
| Contribution of fixed assets                              |                    | 35,198             |                                    |
| Indirect cost   |                    | (625,685)          |                                    |
| Indirect cost not paid                                    |                    | 625,685            |                                    |
| Decrease in compensated absences payable                  |                    | (3,164)            |                                    |
| Change in net position (full accrual)                     |                    | <u>\$ 328,988</u>  |                                    |

**IREDELL-STATESVILLE BOARD OF EDUCATION  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-  
GAAP) - CHILD CARE FUND  
For the Year Ended June 30, 2014**

**Exhibit D-2**

|   | <u>Budget</u>    | <u>Actual</u>       | Variance<br>Positive<br>(Negative) |
|---|------------------|---------------------|------------------------------------|
| Revenues:   |                  |                     |                                    |
| Child care fees   | \$ 1,588,500     | \$ 1,184,457        | \$ (404,043)                       |
| Expenditures:   |                  |                     |                                    |
| Food purchases  |                  | 37,650              |                                    |
| Salaries and benefits                                     |                  | 1,237,248           |                                    |
| Utilities and telephone                                   |                  | 3,886               |                                    |
| Contracted services                                       |                  | 1,049               |                                    |
| Material and supplies                                     |                  | 11,490              |                                    |
| Travel  |                  | 5,503               |                                    |
| Field trips   |                  | 6,142               |                                    |
| Other   |                  | 2,541               |                                    |
| Total expenditures  | <u>1,588,500</u> | <u>1,305,509</u>    | <u>282,991</u>                     |
| Operating loss  | -                | (121,052)           | (121,052)                          |
| Nonoperating revenues:                                    |                  |                     |                                    |
| Interest and other  | -                | 712                 | 712                                |
| Revenues under expenditures                               | <u>\$ -</u>      | (120,340)           | <u>\$ (120,340)</u>                |
| Reconciliation of modified accrual to full accrual basis: |                  |                     |                                    |
| Reconciling items:  |                  |                     |                                    |
| Decrease in compensated absences                          |                  | (17,045)            |                                    |
| Change in net position (full accrual)                     |                  | <u>\$ (137,385)</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 *Government 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, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 23, 2014.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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.

Statesville, North Carolina

September 23, 2014

**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 each of the Board's major federal programs for the year ended June 30, 2014. 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, 2014.

### **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.

Statesville, North Carolina

September 23, 2014

**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 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, 2014. 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 Government Auditing Standards, issued by the Comptroller General of the United States; 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, 2014.

## **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.

Statesville, North Carolina

September 23, 2014

**Iredell-Statesville Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

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Section I. Summary of Auditors' Results

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Financial Statements

Type of auditors' report issued: Unmodified

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: Unmodified

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, 2014**

Identification of major federal programs:

| <u>CFDA Numbers</u> | <u>Names of Federal Program or Cluster</u>   |
|---------------------|--|
| 10.553<br>10.555    | U.S. Department of Agriculture:<br><i>Child Nutrition Cluster</i><br>School Breakfast Program<br>National School Lunch Program |
| 84.396              | U.S. Department of Education:<br>Investment in Innovation Fund (i3)  |
| 93.297              | U.S. Department of Health and Human<br>Services:<br>Teenage Pregnancy Prevention Grant   |

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

\$ 721,468

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: Unmodified

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

yes     no

Identification of major State programs:

Program Name  
State Public School Fund  
Vocational Education – Program Support Funds  
School Buses - Noncash

**Iredell-Statesville Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

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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, 2014**

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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, 2014**

Findings: 2013  
None

Findings: 2012  
None

Findings: 2011  
None

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2014**

| Grantor/Pass-through<br>Grantor/Program Title                  | Federal<br>CFDA<br>Number | State/<br>Pass-through<br>Grantor's<br>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                    |   | \$ 505,529       |
| Cash Assistance:   |                           |   |                  |
| Passed-through the N.C. Department of Public Instruction:      |                           |   |                  |
| School Breakfast Program                                       |                           |   |                  |
|  | 10.553                    |   | 1,041,363        |
| National School Lunch Program                                  |                           |   |                  |
|  | 10.555                    |   | 3,876,807        |
| Total Cash Assistance  |                           |   |                  |
|  |                           |   | <u>4,918,170</u> |
| Total U. S. Department of Agriculture                          |                           |   |                  |
|  |                           |   | <u>5,423,699</u> |
| <u>U.S. Department of Education</u>                            |                           |   |                  |
| Cash Assistance:   |                           |   |                  |
| Direct Program:  |                           |   |                  |
| Investment in Innovation Fund (i3)                             |                           |   |                  |
|  | 84.396                    |   | 1,096,417        |
| Race to the Top - District                                     |                           |   |                  |
|  | 84.416                    |   | 6,065,101        |
| <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                                       | 3,920,707        |
| School Improvement Cluster:                                    |                           |   |                  |
| School Improvement Grant                                       |                           |   |                  |
|  | 84.377                    | PRC 105                                       | 145,915          |
| Education for Homeless Children and Youth                      |                           |   |                  |
|  | 84.196                    | PRC 026                                       | 34,584           |
| Safe and Drug Free Schools and Communities -                   |                           |   |                  |
| Title IV, Part A   |                           |   |                  |
|  | 84.186                    | PRC 058                                       | 447              |
| English Language Acquisition Grant                             |                           |   |                  |
|  | 84.365                    | PRC 104                                       | 53,661           |
| Race to the Top - ARRA   |                           |   |                  |
|  | 84.395                    | PRC 156                                       | 436,777          |
| Improving Teacher Quality State Grant                          |                           |   |                  |
|  | 84.367                    | PRC 103                                       | 426,231          |
| <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                                       | 4,009,408        |
| Children with Disabilities                                     |                           |   |                  |
|  | 84.027                    | PRC 070                                       | 313,015          |
| Special Needs Targeted Assistance                              |                           |   |                  |
|  | 84.027                    | PRC 118                                       | 14,677           |
| Preschool Handicapped  |                           |   |                  |
|  | 84.173                    | PRC 049                                       | 128,437          |
| Preschool Grants Targeted Assistance                           |                           |   |                  |
|  | 84.173                    | PRC 119                                       | 1,667            |
| Total Special Education Cluster                                |                           |   |                  |
|  |                           |   | <u>4,467,204</u> |

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)**  
**For the Year Ended June 30, 2014**

| Grantor/Pass-through<br>Grantor/Program Title  | Federal<br>CFDA<br>Number | State/<br>Pass-through<br>Grantor's<br>Number | Expenditures |
|--|---------------------------|---|--------------|
| Title VI-B, State Improvement Grant  | 84.323                    | PRC 082                                       | 6,869        |
| Passed-through the N.C. Department of Public Instruction:  |                           |   |              |
| Carl D. Perkins Vocational and Applied Technology<br>Education Act Amendments of 1990<br>Basic Grants to States<br>- Program Development | 84.048                    | PRC 017                                       | 215,773      |
| <u>Office of Early Learning</u>  |                           |   |              |
| Passed-through the Southwestern Child Development Commission   |                           |   |              |
| Race to the Top - Early Learning Challenge   | 84.412                    |   | 4,835        |
| <u>Office of the Assistant Secretary for Postsecondary Education</u>   |                           |   |              |
| Direct Program:  |                           |   |              |
| Smaller Learning Communities   | 84.215                    |   | 148,570      |
| <u>Office of Safe and Drug Free Schools</u>  |                           |   |              |
| Direct Program:  |                           |   |              |
| Carol M. White Physical Education Program  | 84.215                    |   | 507,143      |
| Total U. S. Department of Education  |                           |   | 17,530,234   |
| <u>U.S. Department of Health and Human Services</u>  |                           |   |              |
| <u>Office of the Secretary</u>   |                           |   |              |
| Direct Program   |                           |   |              |
| Teenage Pregnancy Prevention Grant   | 93.297                    |   | 785,566      |
| <u>U.S. Department of Defense</u>  |                           |   |              |
| Direct Program:  |                           |   |              |
| ROTC   | NONE                      |   | 309,435      |
| Total federal assistance   |                           |   | 24,048,934   |
| <b>State Grants:</b>   |                           |   |              |
| Cash Assistance:   |                           |   |              |
| <u>N.C. Department of Public Instruction:</u>  |                           |   |              |
| State Public School Fund   |                           |   | 95,429,067   |
| Driver Training - SPSF   |                           | PRC 012                                       | 403,971      |
| School Technology Fund - SPSF  |                           | PRC 015                                       | 297,382      |
| Vocational Education   |                           |   |              |
| - State Months of Employment   |                           | PRC 013                                       | 5,688,286    |
| - Program Support Funds  |                           | PRC 014                                       | 456,267      |
|  |                           |   | 102,274,973  |
| Passed through Iredell County:   |                           |   |              |
| Public School Building Capital Fund  |                           |   | 1,466,972    |
| Total N.C. Department of Public Instruction  |                           |   | 103,741,945  |
| <u>Division of School Food Service:</u>  |                           |   |              |
| Kindergarten Breakfast Program   |                           |   | 18,021       |

**IREDELL-STATESVILLE BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)**  
**For the Year Ended June 30, 2014**

| Grantor/Pass-through<br>Grantor/Program Title         | Federal<br>CFDA<br>Number | State/<br>Pass-through<br>Grantor's<br>Number | Expenditures   |
|---|---------------------------|---|----------------|
| <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         |
| <br><u>NC Healthy Schools</u>                         |                           |   |                |
| CDC HIV Prevention Grant                              |                           |   | 3,000          |
| Total N.C. Department of Health and Human Services    |                           |   | 53,000         |
| <br>Non-Cash Assistance                               |                           |   |                |
| <u>N.C. Department of Public Instruction:</u>         |                           |   |                |
| School buses  |                           |   | 332,448        |
| Textbooks - Noncash                                   |                           |   | 122,716        |
| Total N.C. Department of Public Instruction - Noncash |                           |   | 455,164        |
| Total State assistance                                |                           |   | 104,268,130    |
| Total federal and State assistance                    |                           |   | \$ 128,317,064 |

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.